



CITY OF DETROIT COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

MICHAEL E. DUGGAN, MAYOR | DAVID MASSARON, CHIEF FINANCIAL OFFICER



"We hope for better things."

"It shall rise again from the ashes."

FOUNDED 1701
INCORPORATED 1806
AREA (Square Miles) 137.9
POPULATION 672,795

City of Detroit, Michigan

**Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30 2019
Michael E. Duggan, Mayor**

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December 14, 2019

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

We are pleased to submit the City of Detroit, Michigan's (the "City") Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019 along with the Independent Auditor's Report. This report is prepared for the purpose of disclosing the City's financial condition to its residents, elected officials, and other interested parties. It is also prepared in accordance with U.S. generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB), and meets all requirements of state finance law of the State of Michigan.

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

All local units of government within the State of Michigan must comply with the Uniform Budgeting and Accounting Act, Public Act 2 of 1968, as amended, which requires an annual audit of the financial records and transactions of the City by independent certified public accountants. The City of Detroit, Michigan's financial statements have been audited by Plante & Moran, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall presentation of the financial statements. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Detroit, Michigan's financial statements for the fiscal year ended June 30, 2019 are fairly presented in conformity with GAAP. The independent auditor's report is presented in the financial section of this report.

Management's Discussion and Analysis (MD&A) follows the independent auditors' report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements as required by GAAP. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

Profile of the Government

The City is located in southeastern Michigan in Wayne County with a land area of approximately 139 square miles. The City of Detroit is a home rule city with significant independent powers, pursuant to the provisions of the Constitution of the State of Michigan (the "State"), the City of Detroit, Michigan. In accordance with the City Charter (the "Charter"), the governance of the City is organized in two

branches: the Executive Branch, which is headed by the Mayor, and the Legislative Branch, which is composed of the City Council and its agencies. The Mayor and the members of the City Council are elected every four years unless a special election is required, as provided for in the Charter.

The Mayor is the chief executive of the City and has control of and is accountable for the Executive Branch of City government. The Charter grants the Mayor broad managerial powers, including the authority to appoint all department directors and deputy directors. The Charter also delegates the responsibility for the implementation of most programs, services, and activities solely to the Executive Branch.

Mayor Mike Duggan was reelected to a second term that began in January 2018 and runs through January 2022. In his first term, Mayor Duggan restored basic city services for all Detroiters. Under his leadership, the City installed more than 60,000 new LED street lights to streets, removed 20,000 blighted and abandoned buildings and dramatically improved police and emergency medical services (EMS) response times, bringing them down to the national average. He also returned financial accountability to the City, working with City Council to pass balanced budgets in FY2015, FY2016, FY2017, FY2018, FY2019, and FY2020, which led to significant upgrades in the City's bond rating. Now in his second term, Mayor Duggan has turned his attention to building "One Detroit for Everyone." This mission of an equitable revitalization has included creating and preserving affordable housing, revitalizing long-neglected neighborhoods, and ensuring every Detroiters has access to jobs and job trainings through the Detroit at Work program. Throughout the term of Mayor Duggan's administration, the Mayor and City Council have demonstrated historic levels of cooperation and collaboration.

The City Council, composed of seven members elected by district and two members elected at large for four-year terms, is the City's legislative body. The City Council is aided in carrying out their mission by agencies such as the Legislative Policy Division, the City Planning Commission, the Auditor General, and the Ombudsman. By Charter, the principal duty of the Auditor General is to audit the financial transactions of all city agencies, however, since 1980, the City has retained independent accounting firms to perform that function. The Auditor General may investigate the administration and operation of any City agency and prepares various reports, including an annual analysis for the City Council of the Mayor's proposed budget.

The 36th District Court is responsible for adjudicating certain legal matters that arise within the City, including state felony arraignments and preliminary examinations, state misdemeanor and city ordinance violations, civil litigation for claims of \$25,000 or less, and landlord/tenant disputes. The City is responsible for all funding of the 36th District Court in excess of fines collected by the Court, except for judicial salaries, which are funded by the State.

Other entities have been established by the City, in certain cases with the County of Wayne, Michigan, or by the State, principally for the purpose of providing capital financing (normally through the sale of bonds or through special tax levies) for various improvements, services, or major construction projects.

Local Economy

The City is the center of the nation's 14th largest metropolitan statistical area and is the 23rd largest city with an estimated census population of approximately 672,662, according to the U.S. Census Bureau. Detroit is the commercial capital of Michigan and a major economic and industrial center of the nation. Although Detroit is known internationally for automobile manufacturing and trade, the City also has major companies in the financial and technology sectors, educational and health care institutions, and entertainment venues with four major sports teams and three casinos located within the City limits. There are eight diverse industrial parks, and four Fortune 500 companies have world headquarters within the City.

Under the leadership of Mayor Duggan, the City is proactively attracting new companies and supporting the expansion of existing businesses and local entrepreneurs to create job opportunities for residents with the goal of ensuring that all Detroiters benefit from the City’s revival. Since 2018, through strategic economic development initiatives that catalyze long-term growth, the City and its economic development arm, the Detroit Economic Growth Corporation, facilitated development projects that were recently completed or under construction. This activity stimulated \$4.6 Billion worth of private investments and the announcement of 13,425 new jobs. With an equally significant focus on small business growth, the City is empowering small business owners that’s transforming individual neighborhoods and key commercial corridors. These initiatives have enabled the successful openings of 86 small business across various neighborhoods. As a City, Detroit is trending positively and has exceeded its prior projections to secure 10,000 new jobs and \$3.4 billion of investment by 2020. The City’s economic development strategic priorities are led by a four-prong approach to (1) create jobs through business attraction and expansion, (2) lead land development efforts that unlock economic growth citywide, (3) support small and large businesses to locate and grow in Detroit and, (4) activate industrial and commercial spaces that support neighborhood employment growth.

Detroit’s increasingly diversified economy plays to both its historical strengths such as advanced manufacturing and increasing presence as a tech hub, offering a suite of competitive advantages that make it the ideal location for automotive and mobility companies. Michigan is the anchor of the North American automotive industry, contributing 23% of total U.S. automotive production. The three major U.S. automobile companies, Ford Motor Company and General Motors (GM), and FCA US LLC are principal employers and taxpayers in the Detroit metropolitan area, with GM headquartered in the City proper. The City is actively working to be a national hub for automobile and transportation innovation with new investments announced by Ford to rebuild the abandoned train station for its Center of New Technology Development, FCA to open the first new Assembly plant in Detroit in 30 years, Waymo to build self-driving cars in Detroit, and the University of Michigan to build a new Detroit Center for Innovation.

Through its economic development strategy, the City is also fostering growth of other sectors as well. Rock Ventures, which includes Quicken Loans, has become the largest employer in the City, and in 2019, Chemical Bank and TCF Bank announced a merger with a new headquarters in Detroit. Technology companies Google, Microsoft and LinkedIn have opened regional offices in Detroit. And most recently, WPP, the world’s largest holding company of creative agencies announced plans to move up to 1,000 jobs to Detroit. Detroit is also home to premier cultural, educational, and medical institutions such as the Detroit Institute of Arts, Wayne State University, Detroit Medical Center, and the Henry Ford Health System.

Below is a listing of the top 10 employers by company and by number of employees estimated to be employed full-time as of July 2018 within the City of Detroit (includes Detroit, Hamtramck, and Highland Park) and within southeast Michigan (includes Wayne, Oakland, Macomb, Washtenaw, and Livingston counties).

Table 1 – Top Ten Employers

<u>City of Detroit</u>		<u>Southeast Michigan</u>	
Rock Ventures	17,819	Ford Motor Co.	48,000
Henry Ford Health System	10,008	General Motors Co.	37,400
City of Detroit	9,565	FCA US LLC	35,399
Detroit Medical Center	8,738	University of Michigan	34,067
U.S. Government	6,279	Beaumont Health	28,012
General Motors Co.	5,932	Henry Ford Health System	23,724

Wayne State University	5,910	U.S. Government	18,817
FCA US LLC	5,778	Rock Ventures	17,819
Detroit Public Schools Community District	5,700	Trinity Health	15,899
Illitch Companies	5,630	Ascension Michigan	11,893

With the attraction of new employers to Detroit, the City has worked to link Detroiters with job opportunities. At the new FCA assembly plant announced to be located in Detroit in 2019, Detroit residents will have access to job opportunities prior to the general population. The City launched Detroit at Work as an employment agency to train and connect interested Detroiters with open positions in the City. In 2019, Detroit saw a nine year high for employment, with over 230,000 Detroiters employed in the month of July 2019; Detroit’s unemployment rate has reduced to 7.8% as unemployed workers found jobs and people are returning to the job market.

In addition to attracting major employers to the City, Detroit has fostered growth in entrepreneurship through its Motor City Match program which provides small grants and technical assistance to new businesses. Under Motor City Match and the Strategic Neighborhood Fund, Detroit is fostering economic development in Detroit neighborhoods with City, State and philanthropic investments in neighborhood planning, walkable and inviting commercial corridors, catalytic park improvements, mixed-income housing developments, and single family home rehab.

In 2019, the City of Detroit announced that \$1 billion in grants had been raised in five years to support improving quality of life for Detroiters. This includes support from over 80 philanthropic foundations. Foundations based in or with offices in the City include the Ralph C. Wilson, Jr. Foundation; the Kresge Foundation; the W.K. Kellogg Foundation; the Ford Foundation; the John S. and James L. Knight Foundation; the JPMorgan Chase Foundation; the Ballmer Group; the DTE Energy Foundation; the Skillman Foundation; the Hudson-Webber Foundation; and the McGregor Fund. Other foundations making significant commitments to and in the City include the William Davidson Foundation, the Vera and Joseph Dresner Foundation, the Foundation Office of Fifth Third Bank, the Miami Foundation, Fred A. and Barbara M. Erb Family Foundation, Max M. and Marjorie S. Fisher Foundation, and the C.S. Mott Foundation.

Financial Overview and Budgetary Control

In the five years since bankruptcy, the City has stabilized and strengthened its fiscal position. The City has completed five fiscal years with a balanced budget, increased recurring income tax revenue by 26%, significantly improved its property tax collection rate (from 69% to over 83%), and created a budget reserve fund at nearly 10% of annual expenditures. Based on these financial improvements along with steps to address long-term liabilities, the City has seen three ratings agencies upgrades in less than three years. In 2018, after the City met statutory requirements demonstrating an improvement in the City’s management of its finances, the State granted a waiver of active financial oversight over the City of Detroit.

As a major reform leaving bankruptcy, State law established a Chief Financial Officer (CFO) position vested with authority over all financial and budget activities. The legislation restructured all finance, budget, procurement, property assessment, and grants management functions and created a new centralized financial management organization called the Office of the Chief Financial Officer (OCFO) based on leading government practices and industry standards. The reform increased control over all City financial activities and supports a long-term budget balance.

The City’s restructured budget process is informed by a comprehensive planning process that includes departmental, procurement, grant, staffing, technology, capital and long-term financial planning. The Mayor submits to the City Council a proposed four-year financial plan that includes the annual budget

for the next fiscal year, as well as projections for the three subsequent fiscal years. After public hearings, the City Council adopts the budget and four-year financial plan, with or without amendment. The City's four-year financial plan cannot exceed revenues certified by the independent Revenue Estimating Conference, and the CFO must certify the annual budget complies with the Uniform Budgeting and Accounting Act, 1968 PA 2 MCL 141.421 to 141.440a.

The \$2.3 billion Adopted Fiscal Year 2020 Budget and Fiscal Year 2020-2023 Four-Year Financial Plan are a product of continued collaboration between Mayor Mike Duggan and the City Council to set a fiscally sustainable course for Detroit. As the first budget enacted following the City's release from active state oversight, this accomplishment is further evidence of City leaders' commitment to improve the City's finances while making strategic investments in enhancing public safety, employment training, transportation, blight elimination and housing for Detroiters. In an Issuer Comment on April 2019 following passage of the Budget, Moody's Investor Service wrote, "The credit-positive budget reflects sound financial practices, including conservative revenue assumptions and long-range projections, a significant capital investment and continues to set aside funds for a scheduled pension cost spike in fiscal 2024."

Through targeted budget investments and the attraction of over \$1 billion in grant resources over the past five years, the City has been able to make significant improvements in the services provided to Detroiters. The City has dramatically increased its police force to meet neighborhood policing needs, expand Ceasefire into nine precincts and create a Real Time Crime Center to monitor and respond to crime immediately. One hundred sixty-eight buses were purchased to allow for the expansion of public transportation. The City has demolished 20,000 blighted buildings, and today, the City sweeps 2,000 miles of neighborhood roads three times a year. With philanthropic support, the City has renovated 148 parks, provided work opportunities to 30,000 youth, and supported 4,200 neighborhood cleanups.

Long Term Financial Planning

To complement the City's Budget and Four Year Financial Plan, the City developed a 10-year forecast model to support comprehensive, long-term financial planning. The model has informed proactive initiatives to prepare the City's finances for the next recession. For example, the Office of the Chief Financial Officer is working to maximize available revenues through process improvements. Long-term planning also informed the creation of the Retiree Protection Fund, an irrevocable IRC Section 115 trust, to gradually build up assets and budget capacity to address a significant pension increase in 2024. The City also took actions to reduce recurring debt service and eliminate the prior debt cliff through a repurchase and refunding transaction which also generated present value savings of \$10 million. Through the FY 2019-2020 budget, the City achieved savings through reduced costs for repairs and maintenance, and improved procurement planning. Finally, the City is utilizing data-driven modeling and analysis to support decision-makers. In 2019, the City announced a partnership with Michigan's top three public research universities to provide the City with Detroit-specific economic data analysis and forecasting services.

The City has also improved capital planning through its Capital Agenda. The 2018 Capital Agenda reflects a collaboration between the Administration, the members of City Council, and the Detroit community. It also shows a long-term strategy to leverage city sources, state and federal funding, and philanthropy to make targeted investments that improve quality of life for Detroiters. During Fiscal Years 2019-2024, this plan anticipates a total investment of \$1.8 billion to improve the City's critical infrastructure, expand economic growth, and continue to revitalize our neighborhoods. The City's strong public-private partnerships will continue to create positive financial and economic impact over the course of this five-year period, with programs like the Strategic Neighborhood Fund and the Affordable Housing Leverage Fund creating over \$1 billion dollars in investments into our neighborhoods. This Capital

Agenda reflects the City's return to the bond market on its own credit in order to support investments in public safety, recreation & museums, economic development, and transportation.

Internal Control Structure

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

The OCFO Administrative Issuance System is the system for documenting, issuing, and implementing key policies, process flows, standard operating procedures, and detailed work instructions for all operations within the OCFO. Please visit <https://detroitmi.gov/departments/office-chief-financial-officer/administrative-issuance-system> for a current listing of all policies.

Awards

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Detroit for its comprehensive annual financial report for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report meets the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for a certificate.

Acknowledgements

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

Sincerely,



David P. Massaron

Chief Financial Officer



John Naglick, Jr.

**Chief Deputy CFO/
Finance Director**



Eric S. Higgs

**Deputy CFO – Controller/
Chief Accounting Officer**



Office of the Auditor General

Mark W. Lockridge, Auditor General

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AUDITOR GENERAL'S LETTER

December 14, 2019

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

The basic financial statements included in the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019, were audited by Plante Moran LLP, under contract with the City of Detroit's, Office of the Auditor General. The audit of these financial statements and the resulting Auditors' opinion satisfies the requirements of the City Charter under Section 7.5-105.

Respectfully,

Mark W. Lockridge
Auditor General



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Detroit
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

PRINCIPAL OFFICIALS OF THE CITY OF DETROIT, MICHIGAN

Executive

(Elected)



Mayor
MIKE DUGGAN

Legislative

(Elected)

City Council



BRENDA JONES
President



MARY SHEFFIELD
President Pro Tem



JANEÉ AYERS



SCOTT BENSON



RAQUEL
CASTAÑEDA LÓPEZ



GABE LELAND



ROY McCALISTER JR.



ANDRE SPIVEY



JAMES TATE

PRINCIPAL OFFICIALS OF THE CITY OF DETROIT, MICHIGAN

Legislative (Elected)



City Clerk
JANICE WINFREY

Other Executive Officials (Appointed)



David Massaron
Chief Financial Officer



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

Neighborhood residents celebrate re-opening of Kemeny Recreation Center after City completes \$9.5M renovation and expansion

Residents of the Boynton neighborhood came out by the hundreds to celebrate the re-opening of Kemeny Recreation Center and were thrilled by what they saw. More than 300 residents, City of Detroit officials and relatives of Charles Kemeny attended the ribbon-cutting ceremony held Oct. 27, 2018.

The City recently completed a \$9.5-million renovation of the facility that has a new gymnasium, multi-purpose rooms; facilities for sports, fitness and other activities; kitchen, parking lot and electrical, mechanical and roof systems throughout. Work on the facility began in 2017. The old building was 20,826 square feet. With the gym addition, the building expands to 29,026 square feet.

Joining area residents at the event were Mayor Mike Duggan and more than 20 members of the Kemeny family.

The center is named after Charles P. Kemeny, who was killed in combat in France in 1944 during World War II. He had graduated from Holy Redeemer High School, and his parents owned a store in the area.

Marathon Petroleum, located near Kemeny, donated \$2 million towards the \$9.5-million project. Kemeny Park, next to the center, was completely renovated in 2017.



City Kicks Off Yearlong Campaign to Promote 2020 Census and Get Detroiters Counted

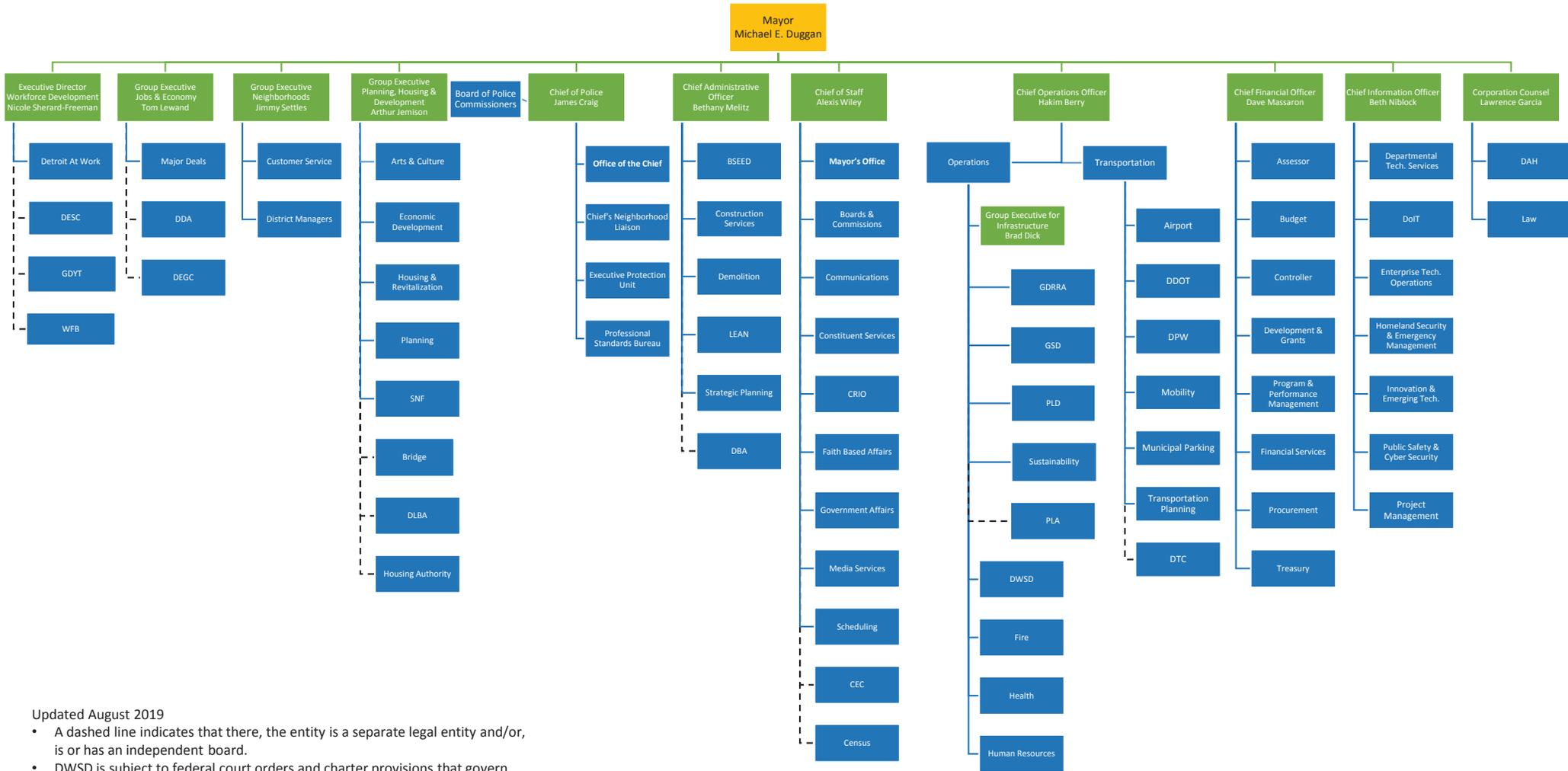
The City of Detroit kicked off the Be Counted Detroit: Census 2020 campaign with hundreds of individuals in attendance representing nonprofits, business and labor, community and faith-based institutions, immigrant organizations and more. The event was held at Focus: HOPE on March 31, 2019.

Be Counted Detroit will use grassroots, media and digital tools to engage people of all ages and backgrounds and build partnerships with a variety of organizations.

Detroit's census numbers will determine how much federal funding the city will receive for programs like Medicare/Medicaid, food assistance, head start, funding for schools, road repairs, special education and much more.

Detroit residents will receive a letter in the mail in March 2020 with either a paper census form or a code to complete the census online.





Updated August 2019

- A dashed line indicates that there, the entity is a separate legal entity and/or, is or has an independent board.
- DWSD is subject to federal court orders and charter provisions that govern aspects of the management of the water and sewerage systems

Inaugural Halloween in the D a great success as thousands of Detroit kids celebrate Halloween at parks, recreation centers, police precincts and fire stations

Halloween was on full display as thousands of children and their families dressed up in costumes, collected candy at various events and maybe got a scare as the City of Detroit held its first Halloween in the D on Oct. 31, 2018.

The Halloween in the D effort was led by the Department of Neighborhoods and involved the Parks and Recreation Division, General Services Department, Police Department, Fire Department and numerous other City agencies.

The event was made possible with the financial support of a number of area companies and organizations. A total of \$64,000 in cash was donated, with another \$20,000 from in-kind support. The top sponsors of Halloween in the D were Ford Motor Company Fund and DivDat, each contributing \$5000. Comerica continued its support of the City with a \$2500 contribution.



Chene Park Officially Renamed the Aretha Franklin Amphitheatre

City officials and the Franklin Family celebrated the renaming of the riverside amphitheatre in honor of the Queen of Soul Aretha Franklin and unveiled the venue's new marquee. The dedication event was held on May 17, 2019.

A new digital marquee was installed reflecting the name change and featuring the venue's new logo and a stylized signature of the Queen of Soul's first name. Walker Miller Energy Services, Inc. sponsored the dedication event.

Mayor Mike Duggan announced the venue's name would be changed in tribute to the Queen of Soul at Franklin's funeral in August. Days later, Detroit City Council unanimously approved the resolution.

Aretha Franklin performed at the venue in 2015 to celebrate its 30th anniversary. A Franklin tribute show was held at the venue last summer. The Aretha is managed and operated by The Right Productions, an entertainment and special events services company.



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan (the "City") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City of Detroit, Michigan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following discretely presented component units: Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Local Development Finance Authority, Museum of African American History, Detroit Land Bank Authority, Eight Mile/Woodward Corridor Improvement Authority, and Community Education Commission, which collectively represent 77 percent, 75 percent, and 67 percent of the assets, net position, and revenue, respectively, of the discretely presented component units. We also did not audit the financial statements of the following blended component units: Public Lighting Authority, which is a major enterprise fund with assets, net position, and revenue of \$219.6 million, \$35.9 million, and \$23.3 million, respectively, and the Detroit Building Authority and Greater Detroit Resource Recovery Authority, which collectively represent 0.87 percent, 0.38 percent, and 6.58 percent of the assets, net position/fund balance, and revenue, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for aggregate discretely presented component units and aggregate remaining fund information, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the retirement systems, as well as the Greater Detroit Resource Recovery Authority, Detroit Public Library, and Community Education Commission, were not audited under *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan as of June 30, 2019 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2019 on our consideration of the City of Detroit, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the City of Detroit, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 14, 2019

DDOT proposes simplified, flexible bus fare options, new partnership with SMART for seamless transfers

The Detroit Department of Transportation (DDOT) proposed fare and transfer changes in coordination with the Suburban Mobility Authority for Regional Transportation (SMART), designed to make using the region's primary transit systems much simpler for riders.

The proposed changes were announced at a news conference at the Rosa Parks Transit Center on August 23, 2018.

The proposed changes would streamline the fare system for riders by:

- Eliminating all transfer fares, including additional transfer fares between DDOT and SMART, allowing for seamless transfers between the two systems using new 4-hour, 24-hour and 31-day regional passes
- Reducing the number of passes from 25+ confusing choices to six easy, flexible options
- Adding a mobile fare payment app and additional retail location for tickets



Management's Discussion and Analysis

(MD&A)

(Unaudited)

As management of the City of Detroit (the "City"), we offer readers of the City's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

Following are the City's financial highlights for fiscal year ended June 30, 2019:

Government Wide

- At June 30, 2019, the City's total net position was \$970.2 million.
- The City's unrestricted net position reflected a deficit of \$898.3 million as of June 30, 2019.
- The City had revenue of \$2.13 billion and expenses of \$2.06 billion for the year ended June 30, 2019.

Fund Level

- The General Fund assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$692.1 million, and cash and investments on hand totaling \$638.1 million was \$5.3 million lower than the \$643.4 million at June 30, 2018.
- The General Fund had a fund balance of \$692.1 million, an \$80.9 million increase from the \$611.2 million fund balance at June 30, 2018.
- The General Fund had unassigned cumulative fund surplus of \$123.2 million at June 30, 2019, an \$8.3 million decrease from the \$131.5 million surplus at June 30, 2018. The City's enterprise funds had a net position of \$1.26 billion at June 30, 2019, an increase of \$18.8 million from \$1.24 billion at June 30, 2018. The enterprise funds cumulative unrestricted net position was \$773.2 million at June 30, 2019.

Long-term Debt Activities

- The City's total bonded debt at June 30, 2019 was \$2.00 billion, an increase of \$188.5 million from the June 30, 2018 balance.
- Total primary government long-term obligations were \$4.7 billion, at June 30, 2019, an increase of \$200 million from the \$4.5 billion at June 30, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. The financial statements include the statement of net position and the statement of activities. These statements are prepared using the economic resources measurement focus and accrual basis of accounting. They take into account all revenue and expenses connected with the fiscal year, regardless of when the City received or paid the cash. The statement of net position and the statement of activities are two financial statements that report information about the City as a whole and about its activities. This statement

should help answer how has the City's financial position, as a whole, changed as a result of this year's activities. These statements include all nonfiduciary assets and liabilities.

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

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

Both statements report three activities:

- **Governmental Activities** - Most of the City's basic services, such as public protection (police and fire) and public works, are reported under this category. Taxes and intergovernmental revenue generally fund these services.
- **Business-type Activities** - The City charges fees to customers to help it cover all or most of the cost of services it provides, such as water and transportation.
- **Discretely Presented Component Units** - Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. There are 14 legally separate organizations presented as discretely presented component units, including the Economic Development Corporation, Museum of African American History, Detroit Employment Solutions Corporation, and Housing Commission.

Fund Financial Statements

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

- **Governmental Funds** - Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and other governmental funds.
- **Business-type Funds** - When the City charges customers for services it provides, whether to outside customers or to other agencies within the City, these services are generally reported in business-type funds. Business-type (e.g., enterprise) funds utilize accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public (e.g., Transportation Fund).
- **Internal Service Funds** - The City uses internal service funds to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City and to other governmental units, on a cost-reimbursement basis.
- **Fiduciary Funds** - The City acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City's fiduciary activities are reported in the statements of fiduciary net position and changes in fiduciary net position.

These funds, which include pension, other employee benefits, and agency funds are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the City to finance its operations.

Notes to the Basic Financial Statements

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

Additional Required Supplementary Information

The required supplementary information that follows the basic financial statements further explains and supports the information in the financial statements.

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds. These funds are added together by fund type and are presented in single columns in the basic financial statements, but are not reported individually like the major funds on the government-wide statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Government-wide Net Position

Net Position (assets and deferred outflows less liabilities and deferred inflows) serve as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$970.2 million at June 30, 2019, with an unrestricted net deficit of \$898.3 million at June 30, 2019.

Total Primary Government

The City's net investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), net of any related debt outstanding that was needed to acquire or construct the assets was \$1.61 billion at June 30, 2019, which was \$43.0 million more than the \$1.57 billion at June 30, 2018. The City uses capital assets to provide services to citizens, consequently, these assets are not available for future spending.

Summary of Net Position

June 30, 2019 and 2018

(In Thousands)

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Assets						
Current and other non-current assets	\$ 1,592,933	\$ 1,345,349	\$ 441,310	\$ 1,473,355	\$ 2,034,243	\$ 2,818,704
Capital assets	<u>1,474,138</u>	<u>1,430,621</u>	<u>2,480,841</u>	<u>1,390,887</u>	<u>3,954,979</u>	<u>2,821,508</u>
Total assets	3,067,071	2,775,970	2,922,151	2,864,242	5,989,222	5,640,212
Deferred Outflows of Resources	100,880	145,377	19,519	22,639	120,399	168,016
Liabilities						
Current and other liabilities	276,794	279,483	133,907	136,125	410,701	415,608
Long-term obligations	<u>3,147,166</u>	<u>2,967,404</u>	<u>1,542,151</u>	<u>1,505,960</u>	<u>4,689,317</u>	<u>4,473,364</u>
Total liabilities	3,423,960	3,246,887	1,676,058	1,642,085	5,100,018	4,888,972
Deferred Inflows of Resources	<u>32,510</u>	<u>16,368</u>	<u>6,869</u>	<u>4,851</u>	<u>39,379</u>	<u>21,219</u>
Net position:						
Net investment in capital assets	1,131,791	1,131,353	476,726	434,204	1,608,517	1,565,557
Restricted	251,174	282,680	8,835	8,685	260,009	291,365
Unrestricted (deficit)	<u>(1,671,484)</u>	<u>(1,755,941)</u>	<u>773,182</u>	<u>797,056</u>	<u>(898,302)</u>	<u>(958,885)</u>
Total net position (deficit)	<u>\$ (288,519)</u>	<u>\$ (341,908)</u>	<u>\$ 1,258,743</u>	<u>\$ 1,239,945</u>	<u>\$ 970,224</u>	<u>\$ 898,037</u>

Restricted net position totaling \$260.0 million, at June 30, 2019 are resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The City presents restricted net position for Highway and Street Improvement (\$47.7 million), Construction Code (\$6.1 million), Debt Service (\$78.6 million), Water Affordability (\$1.3 million), Budget Stabilization (\$7.5 million), Endowments and Trusts (\$1.7 million), Grants (\$23.6 million), Police (\$5.1 million), Rubbish Collection and Disposal (\$67.4 million) and Local Business Growth (\$0.5 million), Community and Economic Development (\$20.5 million).

The remaining balance is an unrestricted accumulated deficit of \$898.3 million at June 30, 2019. A deficit represents a shortage of assets available to meet all City's obligations if they were immediately due and payable.

Governmental Activities

At June 30, 2019, the City's governmental activities had a net deficit of \$288.5 million, a deficit decrease of \$53.4 million from the \$341.9 million net deficit at June 30, 2018

Net Investment in Capital totaled \$1.13 billion. Restricted net position totaled \$251.2 million at June 30, 2019. The unrestricted net deficit totaled \$1.67 billion at June 30, 2019 a \$84.5 million decrease from the \$1.76 billion deficit at June 30, 2018.

Business-type Activities

The business-type activities had a net position of \$1.26 billion at June 30, 2019, an increase of \$18.8 million from the \$1.24 billion net position at June 30, 2018. The unrestricted net position totaled \$764.0 million at June 30, 2019, a \$33.0 million, decrease from net position of \$797.1 million at June 30, 2019

The Water Fund had a \$543.3 million net surplus at June 30, 2019. The Sewage Disposal Fund had a net surplus of \$732.4 million at June 30, 2019. The Transportation, Public Lighting Authority and Other Enterprise (Airport and Parking) Funds had net positions totaling \$96.74 million deficit, \$35.9 million surplus, and \$43.9 million surplus respectively, at June 30, 2019.

Government-wide Changes in Net Position

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

Summary of Changes in Net Position						
June 30, 2019 and 2018						
(In Thousands)						
	Governmental Activities		Business Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$ 283,986	\$ 183,640	\$ 442,862	\$ 461,356	\$ 726,848	\$ 644,996
Operating Grants and Contributions	193,929	183,355	55,791	51,300	249,720	234,655
Capital Grants and Contributions	303	529	25,210	16,800	25,513	17,329
General Revenues:						
Property Taxes	181,384	159,149	-	-	181,384	159,149
Municipal Income Tax	376,668	299,346	-	-	376,668	299,346
Utility Users Tax	28,359	28,700	-	-	28,359	28,700
Wagering Tax	183,816	178,982	-	-	183,816	178,982
Other Taxes and Assessments	5,036	3,396	-	-	5,036	3,396
Interest and Penalties on Taxes	3,221	3,244	-	-	3,221	3,244
Unrestricted State Shared Revenue	211,657	199,900	-	-	211,657	199,900
Investment Income	22,785	15,856	4,164	540	26,949	16,396
Loss on sale	-	-	(176)	-	(176)	-
Miscellaneous	66,867	49,632	46,469	45,214	113,336	94,846
Total Revenues	1,558,011	1,305,729	574,320	575,210	2,132,331	1,880,939
Expenses:						
Public Protection	578,833	459,155	-	-	578,833	459,155
Health	35,945	32,958	-	-	35,945	32,958
Recreation and Culture	29,412	37,417	-	-	29,412	37,417
Economic Development	99,866	45,346	-	-	99,866	45,346
Educational Development	-	-	-	-	-	-
Housing Supply and Conditions	34,110	25,016	-	-	34,110	25,016
Physical Environment	168,739	152,794	-	-	168,739	152,794
Transportation Facilitation	63,778	35,830	-	-	63,778	35,830
Development and Management	395,668	403,929	-	-	395,668	403,929
Interest on Long-term Debt	34,021	62,525	-	-	34,021	62,525
Capital Outlay	-	-	-	-	-	-
Sewage Disposal	-	-	297,055	300,112	297,055	300,112
Transportation	-	-	178,880	158,602	178,880	158,602
Water	-	-	104,479	130,123	104,479	130,123
Automobile Parking	-	-	16,142	29,510	16,142	29,510
Airport	-	-	5,072	2,421	5,072	2,421
Public Lighting Authority	-	-	22,214	21,097	22,214	21,097
Total Expenses	1,440,372	1,254,970	623,842	641,865	2,064,214	1,896,835
Excess (Deficiency) Before Asset Impairment	117,639	50,759	(49,522)	(66,655)	68,117	(15,896)
Special Item	-	-	-	101,860	-	101,860
Transfers - Net	(68,320)	(41,104)	68,320	41,104	-	-
Increase in Net Position	49,319	9,655	18,798	76,309	68,117	85,964
Net Position, July 1 (as restated Note 1)	(337,838)	(351,563)	1,239,945	1,163,636	902,107	812,073
Net Position, June 30	<u>\$ (288,519)</u>	<u>\$ (341,908)</u>	<u>\$ 1,258,743</u>	<u>\$ 1,239,945</u>	<u>\$ 970,224</u>	<u>\$ 898,037</u>

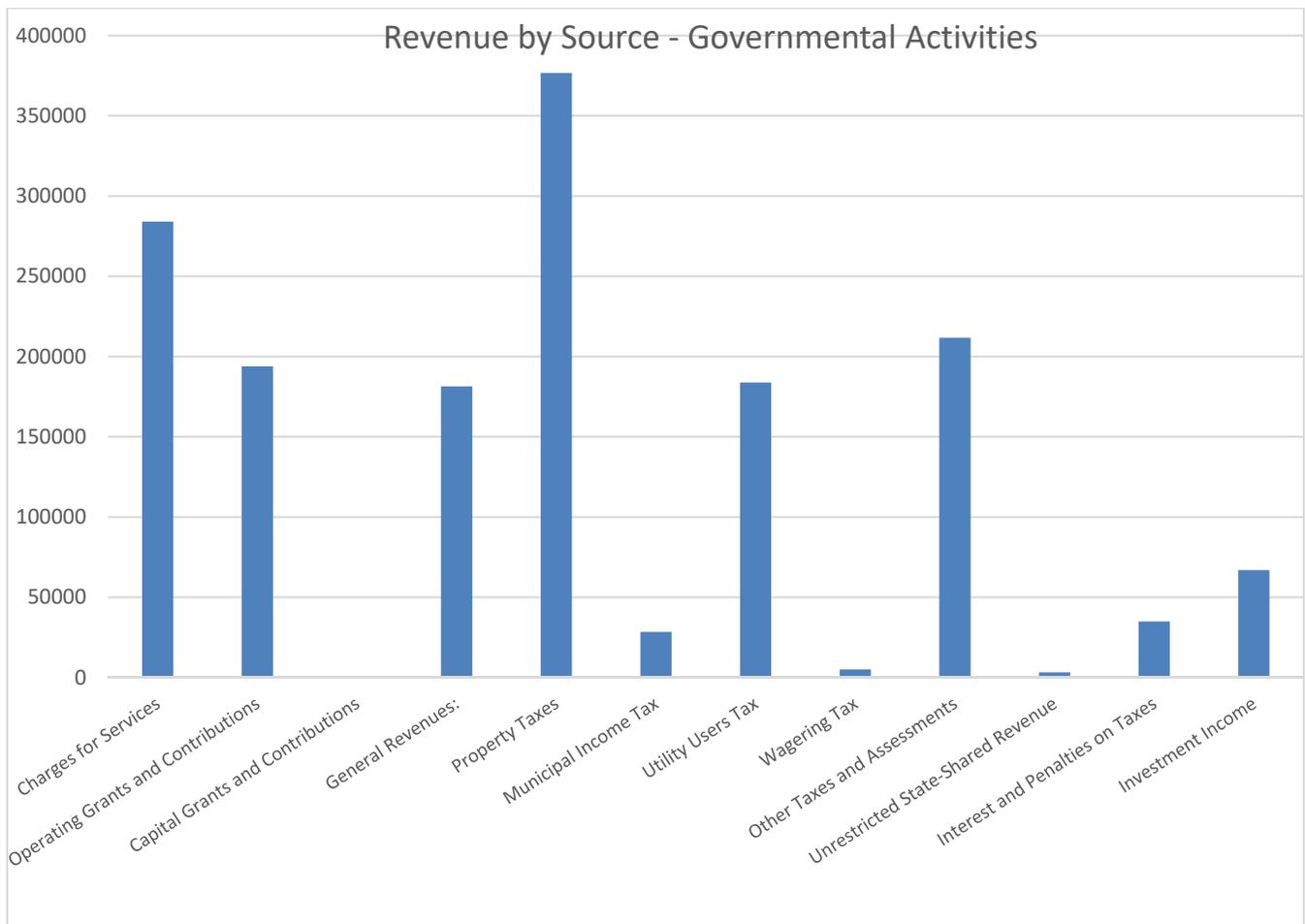
Total Primary Government

Total revenues for the year ended June 30, 2019 were \$2.13 billion an increase of \$251.6 million from prior year.

Total expenses for the year ended June 30, 2019 were \$2.06 billion an increase of \$167.4 million from the prior fiscal year.

Governmental Activities

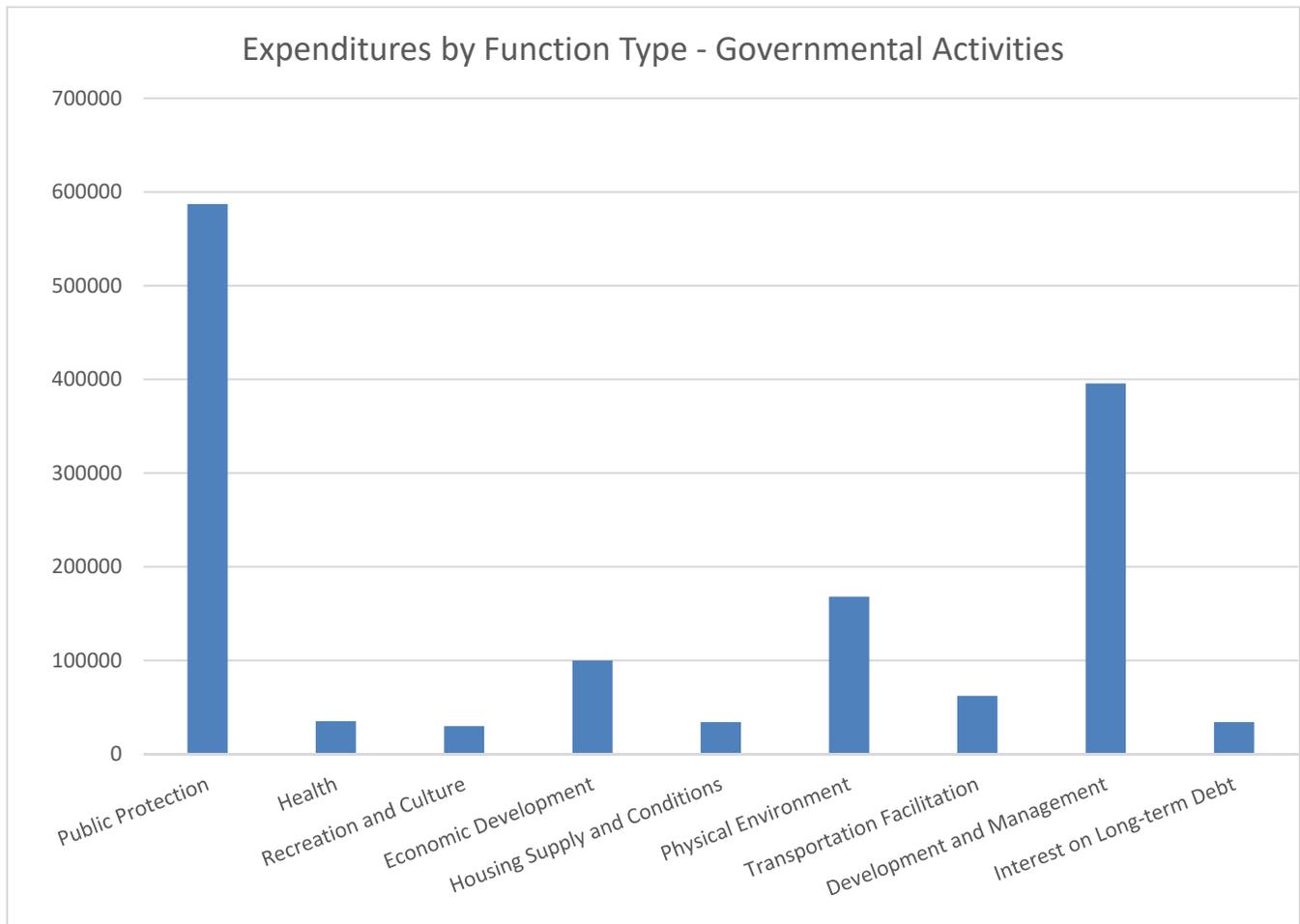
The following chart depicts revenue of the governmental activities for the year ended June 30, 2019:



The governmental activities revenues totaled \$1.56 billion for the year ended June 30, 2019. The amount that taxpayers paid for these activities through City taxes was \$770.2 million or 49.4% of total revenues, a \$100.6 million increase from the prior fiscal year amount, mainly resulting from an increase in tax collections. Property taxes were \$22.2 million more than the prior fiscal year, and Municipal income taxes were \$77.3 million more than the prior fiscal year amount. Utility user taxes decreased by \$0.3 million. Wagering (casino) tax revenues increased by \$4.8 million. State Shared revenue increased by \$11.8 million. Other funding for governmental activities was provided from the following sources:

- Charges for services paid by those who directly benefited totaled \$284.0 million or 18.2% of total revenues. These services included permits, parking fines, licenses, and solid waste fees. Charges for services were \$100.3 million more than the \$183.6 million for the year ended June 30, 2018.
- Other governments and organizations subsidized programs such as health related activities and community development projects with grants and contributions totaling \$194.2 million or 12.5% of total revenue.
- Other revenues such as state aid (revenue sharing), interest, and miscellaneous income funded the “public benefit” portion of various programs and totaled \$304.5 million or 19.5% of total revenue. This was \$35.9 million more than the \$268.6 million for the year ended June 30, 2018, increase mainly due to a \$17.2 million increase in miscellaneous revenue.

The following chart depicts expenses of the governmental activities for the year ended June 30, 2019:



The governmental activities expenditures totaled \$1.44 billion for the year ended June 30, 2019, an increase of \$185.4 million from the prior fiscal year.

The increase is primarily related to additional expenditures in Public Protection \$119.7 million Economic Development expenses increased by \$54.5 million.

Business-type Activities

The total net position for business-type activities was \$1.26 billion at June 30, 2019, an increase of \$18.8 million in net position of \$1.24 billion from fiscal year 2018. Detailed below are the results for the major business-type funds:

Water Fund

The Water Fund had a net position of \$543.3 million at June 30, 2019, an increase of \$15.7 million from the prior year net position of \$527.6 million.

The total operating revenues were \$101 million for the year ended June 30, 2019, a decrease of \$13.5 million from the prior fiscal year. The total operating expenses were \$82 million for the year ended June 30, 2019, a decrease of \$24 million from the prior fiscal year. The total operating income was \$19 million for the year ended June 30, 2019, an increase of \$10.5 million.

Sewage Disposal Fund

The Sewage Disposal Fund had a net position of \$732.4 million at June 30, 2019, an increase of \$24.8 million from the prior year net position of \$707.6 million.

The total operating revenues were \$298 million for the year ended June 30, 2019, an increase of \$7 million from the prior fiscal year. The total operating expenses were \$276 million, a decrease of \$7 million from the prior fiscal year. The total operating income was \$23 million for year ended June 30, 2019, an increase of \$14 million from the prior fiscal year.

Transportation Fund

The Transportation Fund (DDOT) reported a net deficit of \$96.7 million as of June 30, 2019, a deficit increase of \$19.2 million from the prior fiscal year's net deficit of \$77.5 million. During the fiscal year ended June 30, 2019, DDOT maintained its level of revenue from transit operations at approximately \$20.1 million. Operating expenses for the fiscal year were increased \$20.2 million, due primarily to increased contract services, maintenance charges, salaries and benefits, and noncash fixed assets amortization. As a result, current year's deficit increased by \$19.1 million compared to the prior year deficit increase of \$8.9 million.

Public Lighting Authority (the "PLA")

Because the PLA is in substance a part of the City's operation, its financial statements are blended (Blended Component Unit) with the City's financial statements in the CAFR's Enterprise Funds section. The PLA had a \$35.9 million net position at June 30, 2019, a \$1.0 million increase from \$34.9 million net position at June 30, 2018. The General Fund contribution to the PLA was \$10.1 million for the year ended June 30, 2019, which was equivalent to the prior year contribution.

Airport and Automobile Parking Fund (Other Enterprise Funds)

Other Enterprise Funds include the Airport Fund and Automobile Parking Fund. The Airport Fund had a \$16.1 million net position at June 30, 2019, a \$1.1 million increase from June 30, 2018. The General Fund contribution to the Airport Fund was \$2.22 million for the year ended June 30, 2019, which was \$1.32 million more than the prior year \$0.9 million.

The Automobile Parking Fund had a net position of \$27.8 million at June 30, 2019, a decrease of \$4.6 million from the prior year net position of \$32.4 million.

FINANCIAL ANALYSIS OF THE CITY’S GOVERNMENTAL FUNDS

The City’s governmental funds reported a combined ending fund balance of \$1.09 billion at June 30, 2019, a \$210.5 million increase from the \$880.4 million fund balance at June 30, 2018.

General Fund

The General Fund is the chief operating fund of the City. The fund had a \$692.1 million fund balance at June 30, 2019, an \$80.9 million increase from the \$611.2 million at June 30, 2018. The fund balance includes unassigned balance of \$123.2 million, an \$8.3 million decrease from the \$131.5 million fund balance at June 30, 2018. The remaining General Fund fund balance includes:

(1) Restricted for Quality of Life \$24.4 million, (2) Restricted for Debt Service \$27.5 million, (3) Restricted for Pension \$129.5 million, (4) Assigned for Budget Reserve \$77.3 million, (5) Assigned for Subsequent Appropriations \$56.3 million, (6) Assigned for Blight \$105.5 million, (7) Committed and Assigned for Risk Management Operations \$76.6 million, (8) Nonspendable for prepaids \$7.8 million, and (9) Nonspendable for long-term advances \$63.9 million.

**General Fund Balance Sheet
June 30, 2019 and 2018
(In Millions)**

	<u>2019</u>	<u>2018</u>
Assets and Deferred Outflows of Resources	\$ 1,088	\$ 1,034
Liabilities and Deferred Inflows of Resources	396	423
Fund Balance		
Nonspendable	72	23
Restricted	181	169
Committed	20	20
Assigned	296	268
Unassigned for:		
Unassigned for General Fund	<u>123</u>	<u>131</u>
Total Fund Balance	<u>692</u>	<u>611</u>
Total Liabilities and Fund Balance	\$ 1,088	\$ 1,034

General Fund Budgetary Highlights

The City’s fiscal year 2019 General Fund budget was \$1.41 billion. The City’s fiscal 2019 General Fund budget contained no additions or material changes to existing taxes pursuant to Section 12(1)(b) of Michigan Public Act 436 of 2012.

Actual revenues exceeded the budget by \$2.4 million for the year ended June 30, 2019. The revenue surplus is mainly attributable to surplus in taxes, assessments, interest and penalties, (\$37.8 million), surplus in revenue from use of assets, (\$15.6 million), surplus in Financing revenue (\$25.8 million), surplus in DIA and foundation revenue (\$18.7 million), offset by shortfalls of (\$78.3 million) in other revenue and shortfalls in sales and charges for services.

Actual expenditures were less than budgeted expenditures by \$251.6 million for the year ended June 30, 2019. The actual expenditures were less than budget primarily in the following categories: Development and Management (\$168.5 million), Public Protection (\$34.8 million), Debt service (\$32.4 million), and Capital outlay (\$8.5 million).

Difference between the Original Budget and the Final Amended Budget of \$99.2 million consisted of a decrease in the revenues estimate of \$23.7 million, an increase in the expenditures estimate of \$258.5 million, offset by the net increase in other financing and sources/(uses) of \$183 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Total Government

At June 30, 2019, the City had invested \$2.92 billion, net of accumulated depreciation, in a broad range of capital assets (see table below). This was very comparable to the \$2.82 billion from the prior year.

Summary of Capital Assets

June 30, 2019 and 2018

(In Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land and Land Rights	\$ 369,887	\$ 369,387	\$ 27,973	\$ 28,097	\$ 397,860	\$ 397,484
Land Improvements		-	14,178	12,767	14,178	12,767
Buildings, Structures, and Improvements	583,621	560,069	679,452	692,580	1,263,073	1,252,649
Sewer and Water Lines		-	386,291	377,524	386,291	377,524
Equipment and Fixtures	114,873	88,445	235,437	229,188	350,310	317,633
Works of Art	29,788	29,788	-	-	29,788	29,788
Infrastructure	339,898	345,038	-	-	339,898	345,038
Construction in Progress	36,070	37,894	102,657	50,730	138,727	88,624
Total	\$ 1,474,137	\$ 1,430,621	\$ 1,445,988	\$ 1,390,886	\$ 2,920,125	\$ 2,821,507

Governmental Activities

Governmental Activities capital assets at June 30, 2019 were \$1.47 billion which was slightly more than the \$1.43 billion at June 30, 2018. The City acquired \$110.0 million in new depreciable assets, including \$31.4 million of completed construction in progress projects. Depreciation expenses totaled \$98.9 million for the year ended June 30, 2019, which was \$10.7 million more than the prior fiscal year.

At June 30, 2019, the City governmental activities had commitments for future capital asset construction contracts of \$35.4 million, and construction in progress for \$36.1 million.

Major capital assets acquired and projects completed or in progress during the year ended June 30, 2019 included the following:

- \$34.7 million for road construction and resurfacing
- \$18.1 million for renovation of parks and recreation centers
- \$18.9 million for police and fire departments capital improvements
- \$36.7 million for police, fire, and department of public works vehicles
- \$9.1 million for recreation and general service departments machinery and equipment
- \$3.7 million for DPW facility improvements

Business-type Activities

Business-type activities capital assets at June 30, 2019 were \$1.45 billion, an increase of \$55.1 million from the balance at June 30, 2019.

Construction work in progress, major capital assets acquired, and projects completed during the year ended June 30, 2019 included the following:

The Water and Sewerage Department is engaged in a variety of projects that are part of its five-year capital improvements program, including water main replacements, fire hydrant replacements, sewer system rehabilitation, vehicle and equipment purchases, and information technology upgrades. The program is being financed primarily from lease payments from the Great Lakes Water Authority and proceeds from the issuance of revenue bonds by Great Lakes Water Authority. The total amount of construction contract commitments outstanding at June 30, 2019 was approximately \$103 million and \$51 million for the Water Fund and Sewage Disposal Fund, respectively.

For additional details on Capital Assets see Note 6.

Long-term Debt

At June 30, 2019, the City had total bonded debt of \$2.00 billion outstanding, \$1.74 billion of which are general obligation bonds backed by the full faith and credit of the City, and \$261.8 million in revenue bonds or other indebtedness.

**Outstanding Bonded Debt
June 30, 2019 and 2018
(In Thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 1,480,769	\$ 1,379,885	\$ 258,039	\$ 297,909	\$ 1,738,808	\$ 1,677,794
Revenue bonds and Other Indebtedness	129,506	83,567	132,335	50,740	261,841	134,307
Total	\$ 1,610,275	\$ 1,463,452	\$ 390,374	\$ 348,649	\$ 2,000,649	\$ 1,812,101

Total primary government general obligation bonded debt increased by \$61.0 million during the year ended June 30, 2019. The reason for the increase was the issuance of \$135 million in capital improvement bonds and \$176 million in refunding bonds, offset by the tender of approximately \$198 million in financial recovery bonds, and \$52 million of principal payments.

Revenue bonds increased by \$127.5 million during the year ended June 30, 2019. The reason for the increase was the drawdown of approximately \$51 million in Michigan Transportation Bonds, the issuance of \$82 million in sewage disposal system revenue bonds, and the payment of \$5 million in principal.

For additional details on Long-term Debt see Note 7.

The City’s credit ratings on uninsured general obligation bonds as of June 30, 2019 were:

Moody’s Investors Service, Inc.	Ba3
Standard & Poor’s Corporation	BB-

The City’s credit ratings were below investment grade, primarily due to weakness in its economic base relative to peers. An impact of the City’s credit ratings below investment grade status comes in the form of higher borrowing costs.

CONTACTING THE CITY’S OFFICE OF THE CHIEF FINANCIAL OFFICER

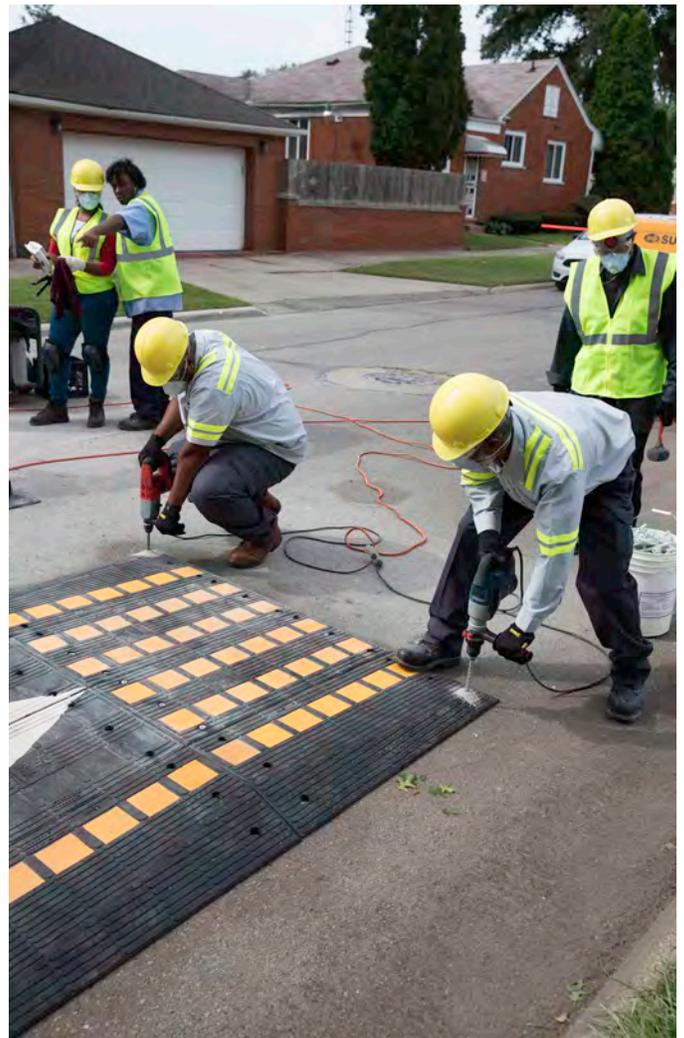
This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City’s finances and to demonstrate the City’s accountability for the money it receives. Additional copies of this report and other financial information can be obtained by visiting the Office of the Chief Financial Officer’s website at <http://www.detroitmi.gov/How-Do-I/City-of-Detroit-CAFR-Find-How-Do-I-City-of-Detroit-MI>. You can also contact the office by phone at (313) 628-2535. The City’s component units issue their own audited financial statements. These statements may be obtained by directly contacting the component unit.

City Launches Speed Hump Pilot Program

The City of Detroit launched a pilot program in September 2018 to install speed humps in select neighborhoods. The pilot locations included one location in each of the seven City Council districts.

Speed humps are rounded raised areas of prefabricated rubber constructed across a street to reduce speeding on residential streets. The City received an overwhelmingly positive response from residents in the pilot locations and has already begun installing speed humps in other locations based on: proximity to schools; route frequented by children; heavy traffic and frequent accidents.

Working with City Council and the Department of Neighborhoods district managers, traffic engineers with the Department of Public Works evaluate suggested locations for the speed humps.



June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 627,167,811	\$ 182,356,960	\$ 809,524,771	\$ 151,651,682
Investments	-	35,884,410	35,884,410	133,055,690
Receivables - Net	271,244,594	98,960,756	370,205,350	15,027,052
Due from component units	1,544,985	-	1,544,985	-
Internal balances	8,722,797	(8,722,797)	-	-
Due from primary government	-	-	-	3,462,097
Inventory	-	10,266,173	10,266,173	3,275,681
Prepaid expenses and other assets	7,934,435	785,673	8,720,108	42,169,596
Loans, notes, and pledges receivable	-	-	-	15,209,495
Due from fiduciary funds	3,016,798	-	3,016,798	-
Internal advances	47,941,170	(47,941,170)	-	-
Receivables from Great Lakes Water - current	-	34,187,921	34,187,921	-
Due from other governmental agencies	89,375,202	9,703,440	99,078,642	47,093,185
Restricted assets:				
Restricted cash	476,376,146	125,825,532	602,201,678	25,882,297
Restricted investment securities	2,686,929	-	2,686,929	2,318,819
Other restricted assets	7,786,068	-	7,786,068	19,000,759
Net pension asset	33,187,146	-	33,187,146	-
Advances to component units	15,930,294	-	15,930,294	-
Net OPEB asset	19,099	3,005	22,104	-
Capital assets:				
Assets not subject to depreciation	435,745,212	130,629,605	566,374,817	163,300,487
Assets subject to depreciation - Net	1,038,392,589	1,315,358,973	2,353,751,562	1,186,344,894
Receivables from Great Lakes Water Authority - noncurrent	-	1,034,852,573	1,034,852,573	-
Total assets	3,067,071,275	2,922,151,054	5,989,222,329	1,807,791,734
Deferred Outflows of Resources				
Deferred pension costs	100,531,366	19,464,542	119,995,908	8,019,301
Deferred OPEB costs	348,137	54,771	402,908	-
Total deferred outflows of resources	100,879,503	19,519,313	120,398,816	8,019,301
Liabilities				
Accounts and contracts payable	109,548,605	28,102,189	137,650,794	55,306,104
Due to other governmental agencies	29,627,253	2,412,346	32,039,599	3,063,171
Due to component units	460,244	3,001,853	3,462,097	-
Due to primary government	-	-	-	1,544,985
Deposits	8,467,392	8,487,476	16,954,868	-
Other liabilities:				
Accrued salaries and wages	30,658,492	5,542,636	36,201,128	1,183,347
Accrued interest payable	17,288,128	5,457,659	22,745,787	32,563,954
Accrued liabilities	42,534,907	24,859,728	67,394,635	25,070,148
Income tax refunds payable	9,900,662	-	9,900,662	-
Due to Great Lakes Water Authority	-	30,895,913	30,895,913	-
Unearned revenue	3,307,840	25,147,357	28,455,197	9,739,019
Settlement credit liability	25,000,000	-	25,000,000	-

Statement of Net Position (Continued)

June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities (Continued)				
Noncurrent liabilities:				
Due within one year:				
Compensated absences	\$ 44,028,501	\$ 3,918,409	\$ 47,946,910	\$ -
Accrued workers' compensation and claims and judgments	15,741,105	1,518,341	17,259,446	-
Current portion of shortfall loan payable to Great Lakes Water Authority	-	17,542,669	17,542,669	-
Current portion of bonds and contracts payable	86,991,742	26,792,605	113,784,347	14,881,851
Due in more than one year:				
Compensated absences	53,558,509	4,716,935	58,275,444	-
Accrued workers' compensation and claims and judgments	144,082,033	19,566,689	163,648,722	-
Unearned revenue	-	13,988,367	13,988,367	-
Advance from primary government	-	-	-	15,930,294
Shortfall loan payable to Great Lakes Water Authority - Net of current portion	-	26,503,010	26,503,010	-
Net pension liability	1,264,655,616	286,690,389	1,551,346,005	19,308,012
Bonds and contracts payable - Net of current portion	1,538,109,115	1,140,913,111	2,679,022,226	416,193,664
Total liabilities	3,423,960,144	1,676,057,682	5,100,017,826	594,784,549
Deferred Inflows of Resources				
Deferred benefit on bond refunding	13,228,594	-	13,228,594	-
Other resources received before the period resources may be used	-	-	-	549,760
Deferred pension cost reductions	19,281,616	6,869,433	26,151,049	3,236,310
Total deferred inflows of resources	32,510,210	6,869,433	39,379,643	3,786,070
Net Position (Deficit)				
Net investment in capital assets	1,131,790,888	476,725,957	1,608,516,845	865,669,783
Restricted:				
Highway and street improvement	47,717,486	-	47,717,486	-
Construction code	6,135,381	-	6,135,381	-
Endowment and trust - Expendable	692,513	-	692,513	11,343,409
Endowment and trust - Nonexpendable	1,005,096	-	1,005,096	1,597,847
Capital projects and acquisitions	-	-	-	109,612,875
Debt service	78,560,233	-	78,560,233	-
Water affordability	-	1,334,862	1,334,862	-
Budget stabilization	-	7,500,000	7,500,000	-
Community and economic development	20,458,036	-	20,458,036	161,372,174
Grants	23,606,737	-	23,606,737	-
Local business growth	478,084	-	478,084	-
Police	5,070,312	-	5,070,312	-
Rubbish collection and disposal	67,449,728	-	67,449,728	-
Program activities	-	-	-	10,204,146
Unrestricted (deficit)	(1,671,484,070)	773,182,433	(898,301,637)	57,440,182
Total net position (deficit)	<u>\$ (288,519,576)</u>	<u>\$ 1,258,743,252</u>	<u>\$ 970,223,676</u>	<u>\$ 1,217,240,416</u>

City of Detroit, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Public protection	\$ 578,832,651	\$ 85,794,552	\$ 13,714,039	\$ -
Health	35,944,711	2,326,609	27,478,016	-
Recreation and culture	29,412,201	4,162,855	949,798	-
Economic development	99,866,336	21,974,750	34,008,520	-
Housing supply and conditions	34,110,578	817,929	4,952,477	-
Physical environment	168,738,713	41,766,310	100,470,641	302,900
Transportation facilitation	63,778,403	4,695,448	2,127,531	-
Development and management	395,668,017	122,447,673	10,228,491	-
Interest on long-term debt	34,020,805	-	-	-
Total governmental activities	1,440,372,415	283,986,126	193,929,513	302,900
Business-type activities:				
Water	104,478,557	101,609,566	-	-
Sewage Disposal	297,055,156	297,703,405	-	-
Transportation	178,880,079	20,190,340	55,791,042	20,782,629
Automobile parking	16,141,807	10,149,706	-	1,059,017
Airport	5,071,698	571,913	-	3,368,297
Public lighting authority	22,214,145	12,636,841	-	-
Total business-type activities	623,841,442	442,861,771	55,791,042	25,209,943
Total primary government	\$ 2,064,213,857	\$ 726,847,897	\$ 249,720,555	\$ 25,512,843
Component units:				
Detroit Brownfield Redevelopment Authority	\$ 18,897,957	\$ 296,834	\$ -	\$ 51,771,334
Detroit Public Library	24,968,111	264,313	1,309,337	-
Detroit Transportation Corporation	22,087,252	1,044,769	16,415,786	1,080,858
Detroit Housing Commission	102,827,511	18,226,717	69,963,014	-
Downtown Development Authority	70,939,845	-	-	23,187,243
Eastern Market Corporation	6,342,752	1,613,057	461,171	-
Economic Development Corporation	11,287,405	6,800,643	-	-
Local Development Finance Authority	1,319,784	-	-	-
Museum of African American History	7,480,182	2,239,473	2,641,615	-
Detroit Land Bank Authority	80,622,007	-	86,252,629	-
Eight Mile/Woodward Corridor Imp. Authority	638,486	-	-	-
Detroit Employment Solutions Corporation	61,363,891	-	60,978,289	-
Community Education Commission	2,064,032	171,350	2,785,304	-
Joint Employment and Procurement Advisory Board	784	-	-	-
Total component units	\$ 410,839,999	\$ 30,657,156	\$ 240,807,145	\$ 76,039,435
General revenue:				
Taxes:				
Property taxes				
Municipal income taxes				
Utility users' tax				
Wagering tax				
Other taxes and assessments				
Interest and penalties on taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Contributions				
Gain on sale of capital assets				
Other miscellaneous income				
Total general revenue				
Transfers				
Change in Net Position				
Net Position (Deficit) - Beginning of year (as restated, see Note 1)				
Net Position (Deficit) - End of year				

Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (479,324,060)	\$ -	\$ (479,324,060)	\$ -	-
(6,140,086)	-	(6,140,086)	-	-
(24,299,548)	-	(24,299,548)	-	-
(43,883,066)	-	(43,883,066)	-	-
(28,340,172)	-	(28,340,172)	-	-
(26,198,862)	-	(26,198,862)	-	-
(56,955,424)	-	(56,955,424)	-	-
(262,991,853)	-	(262,991,853)	-	-
(34,020,805)	-	(34,020,805)	-	-
(962,153,876)	-	(962,153,876)	-	-
-	(2,868,991)	(2,868,991)	-	-
-	648,249	648,249	-	-
-	(82,116,068)	(82,116,068)	-	-
-	(4,933,084)	(4,933,084)	-	-
-	(1,131,488)	(1,131,488)	-	-
-	(9,577,304)	(9,577,304)	-	-
-	(99,978,686)	(99,978,686)	-	-
(962,153,876)	(99,978,686)	(1,062,132,562)	-	-
-	-	-	33,170,211	-
-	-	-	(23,394,461)	-
-	-	-	(3,545,839)	-
-	-	-	(14,637,780)	-
-	-	-	(47,752,602)	-
-	-	-	(4,268,524)	-
-	-	-	(4,486,762)	-
-	-	-	(1,319,784)	-
-	-	-	(2,599,094)	-
-	-	-	5,630,622	-
-	-	-	(638,486)	-
-	-	-	(385,602)	-
-	-	-	892,622	-
-	-	-	(784)	-
-	-	-	(63,336,263)	-
181,383,741	-	181,383,741	76,398,884	-
376,668,182	-	376,668,182	-	-
28,358,585	-	28,358,585	-	-
183,815,690	-	183,815,690	1,178,639	-
5,035,762	-	5,035,762	-	-
3,221,320	-	3,221,320	-	-
211,656,989	-	211,656,989	558,128	-
22,784,982	4,163,553	26,948,535	4,730,254	-
-	-	-	11,028,605	-
-	(175,652)	(175,652)	6,504	-
66,867,158	46,468,911	113,336,069	1,989,476	-
1,079,792,409	50,456,812	1,130,249,221	95,890,490	-
(68,319,719)	68,319,719	-	-	-
49,318,814	18,797,845	68,116,659	32,554,227	-
(337,838,390)	1,239,945,407	902,107,017	1,184,686,189	-
\$ (288,519,576)	\$ 1,258,743,252	\$ 970,223,676	\$ 1,217,240,416	-

Governmental Funds
Balance Sheet

June 30, 2019

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 335,494,256	\$ 286,976,976	\$ 622,471,232
Receivables:			
Estimated withheld income taxes receivable	25,060,264	270,268	25,330,532
Utility users' taxes receivable	2,335,565	-	2,335,565
Income tax assessments	87,578,648	-	87,578,648
Special assessments receivable	24,669,919	541,890	25,211,809
DIA and foundation receivable	172,808,995	-	172,808,995
Property taxes receivable	16,876,420	6,713,834	23,590,254
Loans receivable	-	230,669,761	230,669,761
Trade receivables	212,550,219	38,640,076	251,190,295
Total receivables	541,880,030	276,835,829	818,715,859
Allowance for doubtful accounts	(277,324,600)	(270,146,665)	(547,471,265)
Total	264,555,430	6,689,164	271,244,594
Due from component units	896,610	1,957	898,567
Due from other funds	62,989,777	39,462,553	102,452,330
Advances to other funds	47,941,170	-	47,941,170
Prepaid expenses and other assets:			
Prepaid expenses	7,835,906	4,376	7,840,282
Other assets	94,153	-	94,153
Due from fiduciary funds	3,016,798	-	3,016,798
Due from other governmental agencies	39,335,261	49,039,941	88,375,202
Restricted assets:			
Restricted cash	302,601,396	173,774,750	476,376,146
Restricted investment securities	-	2,686,929	2,686,929
Other restricted assets	7,786,068	-	7,786,068
Advances to component units	15,930,294	-	15,930,294
Total assets	\$ 1,088,477,119	\$ 558,636,646	\$ 1,647,113,765
Liabilities			
Accounts and contracts payable	\$ 44,101,425	\$ 57,160,998	\$ 101,262,423
Due to component units	460,244	-	460,244
Due to other funds	49,456,893	49,341,200	98,798,093
Due to other governmental agencies	10,026,955	17,993,827	28,020,782
Deposits	6,716,401	1,750,991	8,467,392
Other liabilities:			
Accrued salaries and wages	29,569,650	1,088,842	30,658,492
Accrued liabilities	24,926,776	17,562,992	42,489,768
Income tax refunds payable	9,900,662	-	9,900,662
Unearned revenue	122,099	3,185,741	3,307,840
Total liabilities	175,281,105	148,084,591	323,365,696
Deferred Inflows of Resources - Unavailable revenue	221,124,101	11,737,359	232,861,460
Total liabilities and deferred inflows of resources	396,405,206	159,821,950	556,227,156

Governmental Funds
Balance Sheet (Continued)

June 30, 2019

	General Fund	Nonmajor Funds	Total Governmental Funds
Fund Balances			
Nonspendable:			
Prepays	\$ 7,835,906	\$ 4,376	\$ 7,840,282
Long-term advances	63,871,464	-	63,871,464
Permanent fund principal - Nonexpendable	-	1,005,096	1,005,096
Restricted:			
Highway and street improvements	-	100,851,195	100,851,195
Police	-	5,070,312	5,070,312
Debt service	27,500,000	49,204,782	76,704,782
Grants	-	20,132,903	20,132,903
Construction code	-	6,135,381	6,135,381
Rubbish collection and disposal	-	67,449,728	67,449,728
Local business growth	-	478,084	478,084
Endowments and trusts - Expendable	-	692,513	692,513
Capital acquisitions	-	114,532,360	114,532,360
Community and economic development	-	18,202,935	18,202,935
Retiree Protection Trust	129,540,325	-	129,540,325
QOL program	24,445,977	-	24,445,977
Committed:			
Risk management	20,000,000	-	20,000,000
Committed for community service	-	1,385,169	1,385,169
Assigned:			
Budget reserve	77,280,192	-	77,280,192
Capital acquisitions	-	17,822,835	17,822,835
Subsequent appropriations	56,312,495	-	56,312,495
Blight and capital	105,500,000	-	105,500,000
Risk management operations	56,576,537	-	56,576,537
Unassigned (deficit)	123,209,017	(4,152,973)	119,056,044
Total fund balances	692,071,913	398,814,696	1,090,886,609
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,088,477,119	\$ 558,636,646	\$ 1,647,113,765

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2019

Fund Balances Reported in Governmental Funds	\$ 1,090,886,609
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and are not reported in the funds:</p>	
Cost of capital assets	3,326,512,788
Accumulated depreciation	<u>(1,852,374,987)</u>
Net capital assets used in governmental activities	1,474,137,801
<p>Certain revenue of the government-wide financial statements is earned but not considered available in the governmental funds and is, therefore, reported as deferred inflows of resources</p>	
	232,861,460
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds; interest on long-term debt is not accrued in the governmental funds and is recognized as an expenditure to the extent due; and all liabilities, both current and long term, are reported in the statement of net position:</p>	
Net pension liability	(1,264,655,616)
Net pension asset	33,187,146
Net OPEB asset	19,099
Net deferred outflows related to net pension liability	100,531,366
Net deferred inflows related to net pension liability	(19,281,616)
Net deferred outflows related to net OPEB liability	348,137
Net deferred inflows related to bond redemption	(13,228,594)
Accrued interest payable on bonds and other long-term obligations	(17,288,128)
Accrued interest and penalties on escheatment payable	(1,606,471)
General obligation bonds	(1,565,769,257)
Notes payable	(44,506,000)
Settlement credit liability	(25,000,000)
Unamortized premiums	(14,770,975)
Accrued compensated absences	(97,587,010)
Accrued workers' compensation	(57,864,000)
Claims and judgments	(101,959,138)
Accrued pollution remediation	(54,625)
Internal service funds are included as part of governmental activities	<u>3,080,236</u>
Net Deficit of Governmental Activities	<u><u>\$ (288,519,576)</u></u>

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenue			
Taxes:			
Property taxes	\$ 119,526,903	\$ 42,918,288	\$ 162,445,191
Municipal income tax	361,039,390	-	361,039,390
Utility users' tax	28,358,585	-	28,358,585
Interest and penalties on taxes	3,137,335	83,985	3,221,320
Other taxes and assessments	5,035,762	-	5,035,762
Wagering tax	183,815,690	-	183,815,690
Intergovernmental:			
Federal grants	2,528,254	81,060,461	83,588,715
State sources:			
State-shared revenue	202,633,844	-	202,633,844
Gas and weight tax	-	85,289,870	85,289,870
Local Community Stabilization Authority	4,578,119	-	4,578,119
Other	1,087,803	30,218,492	31,306,295
Revenue from use of assets	3,583,553	600,000	4,183,553
Sales and charges for services	80,164,430	86,740,541	166,904,971
Ordinance fines and forfeitures	19,762,527	3,911,521	23,674,048
Licenses, permits, and inspection charges	12,874,413	23,873,648	36,748,061
Investment earnings	18,626,707	4,082,756	22,709,463
Other revenue:			
DIA and foundation revenue	18,675,000	-	18,675,000
Other revenue	29,063,699	25,293,323	54,357,022
Financing revenue	25,803,304	-	25,803,304
Total revenue	1,120,295,318	384,072,885	1,504,368,203
Expenditures			
Current services:			
Development and management	339,203,266	2,484,386	341,687,652
Health	9,254,288	26,603,044	35,857,332
Public protection	452,254,617	33,466,628	485,721,245
Physical environment	13,241,653	53,779,636	67,021,289
Economic development	14,523,405	80,323,451	94,846,856
Transportation facilitation	-	49,696,961	49,696,961
Recreation and culture	25,695,671	5,533,959	31,229,630
Housing supply and conditions	31,723,679	-	31,723,679
Capital outlay	43,395,434	123,928,876	167,324,310
Debt service:			
Principal	20,240,000	36,326,000	56,566,000
Interest and fiscal charges	43,935,385	19,520,488	63,455,873
Bond issuance costs	2,667,838	1,671,995	4,339,833
Total expenditures	996,135,236	433,335,424	1,429,470,660
Excess of Revenue Over (Under) Expenditures	124,160,082	(49,262,539)	74,897,543

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances
(Continued)

Year Ended June 30, 2019

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)			
Transfers in	\$ 15,014,307	\$ 5,942,078	\$ 20,956,385
Transfers out	(79,755,322)	(16,629,108)	(96,384,430)
Face amount of bonds and notes issued	175,985,000	186,000,000	361,985,000
Debt premium on notes issued	-	3,210,543	3,210,543
Principal paid to bond agents for refunded bonds	(158,596,097)	-	(158,596,097)
Sale of capital assets	4,079,982	385,463	4,465,445
Total other financing (uses) sources	<u>(43,272,130)</u>	<u>178,908,976</u>	<u>135,636,846</u>
Net Change in Fund Balances	80,887,952	129,646,437	210,534,389
Fund Balances - Beginning of year	<u>611,183,961</u>	<u>269,168,259</u>	<u>880,352,220</u>
Fund Balances - End of year	<u>\$ 692,071,913</u>	<u>\$ 398,814,696</u>	<u>\$ 1,090,886,609</u>

Governmental Funds

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances to the Statement of Activities**

Year Ended June 30, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ 210,534,389
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	132,245,901
Depreciation expense	(98,905,142)
Net book value of assets disposed of	(4,253,212)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	4,430,805
Change in accrued interest on escheatment payable not recorded on the modified accrual statements	2,273,539
Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(361,985,000)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	215,162,097
Certain pension-related expenses do not require the use of current resources and, therefore, are not reported in the governmental funds	9,294,729
Certain death benefit obligation-related expenses do not require the use of current resources and, therefore, are not reported in the governmental funds	(96,728)
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:	
Change in accrued interest payable	(3,042,481)
Amortization of bond premiums	4,219,481
Amortization of defeasement	(13,191,953)
Change in accrued compensated absences	(12,363,449)
Change in accrued workers' compensation claims	5,139,000
Change in accrued claims and judgments liability	(40,398,283)
Internal service funds are included as part of governmental activities	255,121
Change in Net Position of Governmental Activities	\$ 49,318,814

City of Detroit, Michigan

	Enterprise Funds		
	Water Fund	Sewage Disposal Fund	Transportation Fund
Assets			
Current assets:			
Cash and cash equivalents	\$ 72,739,306	\$ 58,748,162	\$ 4,210,609
Investments	-	-	11,288
Receivables:			
Other receivables - Trade	44,371,353	161,400,396	592,437
Allowance for doubtful accounts	(24,465,150)	(82,990,697)	(39,693)
Due from component units	-	-	-
Due from other funds	5,111,098	-	18,393,793
Inventory	3,895,401	842,877	5,527,895
Prepaid expenses	263,828	384,612	1,358
Receivables from Great Lakes Water - current	16,976,196	17,211,725	-
Due from other governmental agencies	-	-	9,703,440
Total current assets	118,892,032	155,597,075	38,401,127
Noncurrent assets:			
Restricted assets - Cash and cash equivalents	24,109,517	101,716,015	-
Net OPEB asset	382	639	1,855
Capital assets:			
Assets not subject to depreciation	40,436,292	57,604,307	10,068,720
Assets subject to depreciation - Net	509,807,929	460,788,399	148,859,785
Receivables from Great Lakes Water Authority - noncurrent	457,862,650	576,989,923	-
Total noncurrent assets	1,032,216,770	1,197,099,283	158,930,360
Total assets	1,151,108,802	1,352,696,358	197,331,487
Deferred Outflows of Resources			
Deferred pension costs	8,485,888	6,254,276	4,512,281
Deferred OPEB costs	6,961	11,633	33,814
Total deferred outflows of resources	8,492,849	6,265,909	4,546,095
Liabilities			
Current liabilities:			
Accounts and contracts payable	7,917,783	5,594,439	11,377,350
Due to other governmental agencies	-	-	2,410,112
Due to component units	-	-	3,001,853
Due to other funds	5,632,089	13,560,754	2,247,065
Deposits	8,487,476	-	-
Other liabilities:			
Accrued salaries and wages	2,239,911	707,091	2,456,480
Accrued interest payable	1,983,427	3,169,374	299,335
Accrued liabilities	9,417,237	14,862,571	93,788
Due to Great Lakes Water Authority	11,513,460	19,382,453	-
Unearned revenue	11,250,000	13,750,000	147,357
Compensated absences	393,433	918,010	2,396,680
Accrued workers' compensation and claims and judgments	793,000	208,000	241,341
Advance from General Fund	300,585	500,975	496,871
Current portion of shortfall loan payable to Great Lakes Water Authority	-	17,542,669	-
Current portion of bonds and contracts payable	14,328,368	12,089,779	-
Total current liabilities	74,256,769	102,286,115	25,168,232
Noncurrent liabilities:			
Advance from General Fund	10,624,352	17,707,244	17,469,511
Compensated absences	1,150,772	2,685,134	881,029
Accrued workers' compensation and claims and judgments	7,716,000	6,114,000	680,083
Unearned revenue	-	-	-
Shortfall loan payable to Great Lakes Water Authority - Net of current portion	-	26,503,010	-
Net pension liability	33,670,532	22,700,393	223,607,960
Bonds and contracts payable - Net of current portion	486,727,125	445,175,966	29,933,518
Total noncurrent liabilities	539,888,781	520,885,747	272,572,101
Total liabilities	614,145,550	623,171,862	297,740,333
Deferred Inflows of Resources - Related to pension	2,192,296	3,422,464	874,004
Net Position			
Net investment in capital assets	83,037,253	183,750,907	158,928,505
Restricted:			
Water affordability	1,334,862	-	-
Budget stabilization	2,000,000	5,500,000	-
Unrestricted (deficit)	456,891,690	543,117,034	(255,665,260)
Total net position (deficit)	\$ 543,263,805	\$ 732,367,941	\$ (96,736,755)

Proprietary Funds Statement of Net Position

June 30, 2019

Enterprise Funds			Governmental Activities
Public Lighting Authority Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 10,841,224	\$ 35,817,659	\$ 182,356,960	\$ 4,696,579
35,873,122	-	35,884,410	-
65,931	322,853	206,752,970	-
-	(296,674)	(107,792,214)	-
-	-	-	646,418
-	299,935	23,804,826	8,833,024
-	-	10,266,173	-
135,440	435	785,673	-
-	-	34,187,921	-
-	-	9,703,440	1,000,000
46,915,717	36,144,208	395,950,159	15,176,021
-	-	125,825,532	-
-	129	3,005	-
-	22,520,286	130,629,605	-
172,644,117	23,258,743	1,315,358,973	-
-	-	1,034,852,573	-
172,644,117	45,779,158	2,606,669,688	-
219,559,834	81,923,366	3,002,619,847	15,176,021
-	212,097	19,464,542	-
-	2,363	54,771	-
-	214,460	19,519,313	-
2,383,478	829,139	28,102,189	8,286,182
-	2,234	2,412,346	-
-	-	3,001,853	-
2,651,379	8,436,336	32,527,623	3,764,464
-	-	8,487,476	-
-	139,154	5,542,636	-
-	5,523	5,457,659	-
-	486,132	24,859,728	45,139
-	-	30,895,913	-
-	-	25,147,357	-
-	210,286	3,918,409	-
-	276,000	1,518,341	-
-	-	1,298,431	-
-	-	17,542,669	-
374,458	-	26,792,605	-
5,409,315	10,384,804	217,505,235	12,095,785
-	841,632	46,642,739	-
-	-	4,716,935	-
-	5,056,606	19,566,689	-
-	13,988,367	13,988,367	-
-	-	26,503,010	-
-	6,711,504	286,690,389	-
178,207,002	869,500	1,140,913,111	-
178,207,002	27,467,609	1,539,021,240	-
183,616,317	37,852,413	1,756,526,475	12,095,785
-	380,669	6,869,433	-
5,230,263	45,779,029	476,725,957	-
-	-	1,334,862	-
-	-	7,500,000	-
30,713,254	(1,874,285)	773,182,433	3,080,236
\$ 35,943,517	\$ 43,904,744	\$ 1,258,743,252	\$ 3,080,236

City of Detroit, Michigan

	Enterprise Funds		
	Water Fund	Sewage Disposal Fund	Transportation Fund
Operating Revenue			
Sales and other charges for services	\$ 95,280,432	\$ 287,846,840	\$ 18,146,879
Rentals, fees, and surcharges	11,348,382	9,793,384	496,747
Miscellaneous	4,843,327	7,358,256	1,546,714
Great Lakes Water Authority's share of collective pension recovery	(9,948,883)	(6,651,220)	-
Charges to other funds	-	-	-
Total operating revenue	101,523,258	298,347,260	20,190,340
Operating Expenses			
Salaries, wages, and benefits	11,707,856	22,406,860	47,240,517
Contractual services	18,399,868	15,959,822	22,250,008
Operating	25,801,470	187,017,688	-
Healthcare expense	-	-	-
Pension recovery	(13,402,247)	(10,073,713)	-
Maintenance	1,124,972	1,278,414	14,651,578
Materials, supplies, and other expenses	21,549,112	47,198,651	33,398,902
Pension	-	-	46,645,600
Claims expense	-	-	-
Depreciation	16,972,456	11,980,373	12,846,524
Total operating expenses	82,153,487	275,768,095	177,033,129
Operating Income (Loss)	19,369,771	22,579,165	(156,842,789)
Nonoperating Revenue (Expense)			
Investment earnings	1,183,711	2,154,513	2,089
Federal and state grants	-	-	55,791,042
Interest on bonds, notes payable, and loans	(22,325,070)	(21,287,061)	(1,846,950)
Interest revenue on lease with the Great Lakes Water Authority	17,384,812	21,975,773	-
(Loss) gain on sale of assets	-	-	(181,008)
Asset contributions to governmental activities	-	-	-
Miscellaneous	86,308	(643,855)	-
Total nonoperating (expense) revenue	(3,670,239)	2,199,370	53,765,173
Income (Loss) - Before capital contributions	15,699,532	24,778,535	(103,077,616)
Capital Contributions	-	-	20,782,629
Transfers In	-	-	63,106,226
Change in Net Position	15,699,532	24,778,535	(19,188,761)
Net Position (Deficit) - Beginning of year	527,564,273	707,589,406	(77,547,994)
Net Position (Deficit) - End of year	\$ 543,263,805	\$ 732,367,941	\$ (96,736,755)

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2019

Enterprise Funds			Governmental Activities
Public Lighting Authority Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 12,500,000	\$ 26,101	\$ 413,800,252	\$ -
-	10,691,737	32,330,250	-
136,841	3,781	13,888,919	1,169,137
-	-	(16,600,103)	-
-	-	-	72,635,241
<u>12,636,841</u>	<u>10,721,619</u>	<u>443,419,318</u>	<u>73,804,378</u>
1,594,739	2,788,746	85,738,718	-
-	-	56,609,698	-
6,154,781	5,280,160	224,254,099	-
-	-	-	73,624,776
-	(615,941)	(24,091,901)	-
-	31,952	17,086,916	-
-	862,682	103,009,347	-
-	-	46,645,600	-
-	3,000,000	3,000,000	-
<u>6,209,331</u>	<u>2,707,480</u>	<u>50,716,164</u>	<u>-</u>
<u>13,958,851</u>	<u>14,055,079</u>	<u>562,968,641</u>	<u>73,624,776</u>
(1,322,010)	(3,333,460)	(119,549,323)	179,602
520,740	302,500	4,163,553	75,519
-	-	55,791,042	-
(8,255,294)	(50,100)	(53,764,475)	-
-	-	39,360,585	-
5,356	-	(175,652)	-
-	(7,108,326)	(7,108,326)	-
-	-	(557,547)	-
<u>(7,729,198)</u>	<u>(6,855,926)</u>	<u>37,709,180</u>	<u>75,519</u>
(9,051,208)	(10,189,386)	(81,840,143)	255,121
-	4,427,314	25,209,943	-
<u>10,099,883</u>	<u>2,221,936</u>	<u>75,428,045</u>	<u>-</u>
1,048,675	(3,540,136)	18,797,845	255,121
<u>34,894,842</u>	<u>47,444,880</u>	<u>1,239,945,407</u>	<u>2,825,115</u>
<u>\$ 35,943,517</u>	<u>\$ 43,904,744</u>	<u>\$ 1,258,743,252</u>	<u>\$ 3,080,236</u>

	Enterprise Funds		
	Water Fund	Sewage Disposal Fund	Transportation Fund
Cash Flows from Operating Activities			
Receipts from customers	\$ 91,007,401	\$ 256,926,071	\$ 20,351,117
(Payments to) receipts from other funds	(9,512,545)	9,011,913	(7,796,681)
Payments to suppliers	(48,409,756)	(217,507,644)	(40,415,429)
Payments to employees and fringes	(21,897,168)	(30,505,626)	(65,563,939)
Payments to other funds	-	-	-
Claims paid	(81,256)	(446,415)	(9,122,858)
Other receipts	4,318,232	-	-
Net receipts from GLWA, including shared services	15,758,600	18,282,755	-
Net cash and cash equivalents provided by (used in) operating activities	31,183,508	35,761,054	(102,547,790)
Cash Flows from Noncapital Financing Activities			
Receipts from GLWA for financial recovery bonds	875,508	1,969,296	-
Grants and contributions from other governments	-	-	49,717,964
Transfers from other funds	-	-	63,106,226
Principal and interest paid on bonds, notes, and capital leases	(1,493,701)	(12,961,099)	(2,432,686)
Receipts on GLWA contract receivable	22,500,000	27,500,000	-
Transfers to other funds	-	-	-
Net cash and cash equivalents provided by (used in) noncapital financing activities	21,881,807	16,508,197	110,391,504
Cash Flows from Capital and Related Financing Activities			
Issuance of bonds	5,855,865	91,531,771	-
Federal, state, and local grants	753,571	-	19,191,342
Proceeds from sale of capital assets	-	-	-
Acquisition and construction of capital assets	(42,424,889)	(42,241,794)	(25,838,485)
Principal and interest paid on bonds, notes, and capital leases	(34,721,011)	(29,673,775)	-
Net cash and cash equivalents (used in) provided by capital and related financing activities	(70,536,464)	19,616,202	(6,647,143)
Cash Flows from Investing Activities			
Earnings from investment securities	1,183,711	2,154,513	2,089
Purchases of investment securities	-	-	-
Purchase of investments	-	-	(237)
Receipts from renting activities	7,936	-	-
Net cash and cash equivalents provided by (used in) investing activities	1,191,647	2,154,513	1,852
Net (Decrease) Increase in Cash and Cash Equivalents	(16,279,502)	74,039,966	1,198,423
Cash and Cash Equivalents - Beginning of year	113,128,325	86,424,211	3,012,186
Cash and Cash Equivalents - End of year	\$ 96,848,823	\$ 160,464,177	\$ 4,210,609
Classification of Cash and Cash Equivalents			
Cash and investments	\$ 72,739,306	\$ 58,748,162	\$ 4,221,897
Restricted cash	24,109,517	101,716,015	-
Less amounts classified as investments	-	-	(11,288)
Total cash and cash equivalents	\$ 96,848,823	\$ 160,464,177	\$ 4,210,609
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ 19,369,771	\$ 22,579,165	\$ (156,842,789)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	16,972,456	11,980,373	12,846,524
Changes in assets and liabilities:			
Accounts and contracts receivable	(1,021,827)	(4,972,520)	160,777
Due to and from other funds	(9,512,545)	12,789,007	8,636,264
Accrued liabilities and other	(8,294,864)	(12,540,469)	28,363,715
Deposits	4,318,232	-	-
Prepaid expenses and other assets	407,720	39,348	(601)
Net pension and OPEB liability	(12,328,001)	(8,610,695)	-
Accounts and contracts payable	2,030,722	(2,259,009)	4,816,997
Estimated claims liability	2,952,801	(6,689,600)	-
Other accrued liabilities	442,132	(570,514)	-
Inventory	(514,708)	5,208	(528,677)
Unearned revenue	-	-	-
Changes to assets and liabilities with GLWA	16,361,619	24,010,760	-
Due to component units	-	-	-
Total adjustments	11,813,737	13,181,889	54,294,999
Net cash and cash equivalents provided by (used in) operating activities	\$ 31,183,508	\$ 35,761,054	\$ (102,547,790)
Significant Noncash Transactions			
Land swap with Wayne County, Michigan	\$ -	\$ -	\$ 775,000
Asset contributions to governmental activities	-	-	-
Conversion of payable to shortfall loan from GLWA	-	53,413,034	-
Recharacterization of debt to advance from the City of Detroit, Michigan General Fund	8,294,673	13,824,447	-

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2019

Enterprise Funds			Governmental Activities
Public Lighting Authority Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 12,560,477	\$ 10,956,882	\$ 391,801,948	\$ 19,556,402
136,841	289,471	(7,871,001)	79,960,524
(5,950,154)	(7,597,960)	(319,880,943)	(99,843,213)
(1,581,136)	(2,798,473)	(122,346,342)	(3,824)
-	(344,058)	(344,058)	945,194
-	8,620	(9,641,909)	-
-	-	4,318,232	-
-	-	34,041,355	-
5,166,028	514,482	(29,922,718)	615,083
-	-	2,844,804	-
-	-	49,717,964	-
10,099,883	3,653,741	76,859,850	-
-	-	(16,887,486)	-
-	-	50,000,000	-
-	(378,408)	(378,408)	-
10,099,883	3,275,333	162,156,724	-
-	-	97,387,636	-
-	-	19,944,913	-
13,000	291,028	304,028	-
(905,002)	(1,795,226)	(113,205,396)	-
(12,004,752)	(441,732)	(76,841,270)	-
(12,896,754)	(1,945,930)	(72,410,089)	-
436,824	302,500	4,079,637	75,519
(32,598,366)	-	(32,598,366)	-
12,214,798	-	12,214,561	(46)
-	-	7,936	-
(19,946,744)	302,500	(16,296,232)	75,473
(17,577,587)	2,146,385	43,527,685	690,556
28,418,811	33,671,274	264,654,807	4,006,023
\$ 10,841,224	\$ 35,817,659	\$ 308,182,492	\$ 4,696,579
\$ 46,714,346	\$ 35,817,659	\$ 218,241,370	\$ 4,696,579
-	-	125,825,532	-
(35,873,122)	-	(35,884,410)	-
\$ 10,841,224	\$ 35,817,659	\$ 308,182,492	\$ 4,696,579
\$ (1,322,010)	\$ (3,333,460)	\$ (119,549,323)	\$ 179,602
6,209,331	2,707,480	50,716,164	-
(65,931)	943,299	(4,956,202)	664,238
126,408	(54,587)	11,984,547	6,959,776
-	(157,965)	7,370,417	(3,824)
-	-	4,318,232	-
36,591	77	483,135	-
-	(666,713)	(21,605,409)	-
181,639	(1,226,839)	3,543,510	(6,679,325)
-	3,011,226	(725,573)	-
-	-	(128,382)	-
-	-	(1,038,177)	-
-	(708,036)	(708,036)	-
-	-	40,372,379	-
-	-	-	(505,384)
6,488,038	3,847,942	89,626,605	435,481
\$ 5,166,028	\$ 514,482	\$ (29,922,718)	\$ 615,083
\$ -	\$ -	\$ 775,000	\$ -
-	7,161,721	7,161,721	-
-	-	53,413,034	-
-	-	22,119,120	-

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2019

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 218,985,423	\$ 10,850,739
Investments at fair value:		
Repurchase agreements	340,002,002	-
Short-term investments	2,287,276,529	-
Money market funds	755,508,163	-
Bonds and stocks	730,370,932	-
Pooled investments	353,788,449	37,600,835
Receivables:		
Accrued interest receivable	6,853,613	-
ASF recoupment receivable	101,914,441	-
Notes receivable from participants	11,534,906	-
Contribution receivable	7,319,715	-
Other accounts receivable	340,825	-
Receivables from investment sales	90,149,216	-
Cash and investments held as collateral for securities lending	308,686,769	-
Due from other governmental agencies	-	170,063
Capital assets - Net	3,948,774	-
Total assets	5,216,679,757	\$ 48,621,637
Liabilities		
Accounts and contracts payable	5,248,490	\$ 967,252
Due to primary government	3,016,798	-
Due to other funds	-	23,310
Refundable deposits	-	7,697,097
Other liabilities	3,597,914	39,933,978
Claims payable to retirees and beneficiaries	790,538	-
Payables for investment purchases	106,607,286	-
Amount due to broker for securities lending	295,805,341	-
Total liabilities	415,066,367	\$ 48,621,637
Net Position Restricted for Pension and Other Employee Benefits	\$ 4,801,613,390	

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2019

	Pension and Other Employee Benefit Trust Funds
Additions	
Investment income (loss):	
Interest and dividends	\$ 113,336,988
Net increase in fair value of investments	65,068,720
Investment-related expenses	(24,315,768)
Net investment income	154,089,940
Securities lending income - Net	1,994,662
Contributions:	
Employer contributions	97,937,714
Plan member contributions	25,517,596
Total contributions	123,455,310
Other income	1,004,312
State and foundations	18,675,000
AFS recoupment interest	6,437,967
Total additions	305,657,191
Deductions	
Benefit payments	527,973,805
Refunds of contributions	36,107,005
Administrative expenses	9,913,860
ASF recoupment write-off	3,214,754
Total deductions	577,209,424
Net Decrease in Net Position	(271,552,233)
Net Position Restricted for Pension and Other Employee Benefits - Beginning of year (as restated, see Note 1)	5,073,165,623
Net Position Restricted for Pension and Other Employee Benefits - End of year	\$ 4,801,613,390

City of Detroit, Michigan

	Detroit Brownfield Redevelopment Authority	Detroit Public Library	Detroit Transportation Corporation	Detroit Housing Commission	Downtown Development Authority	Eastern Market Corporation
Assets						
Cash and cash equivalents	\$ 44,022,322	\$ 29,933,743	\$ 2,485,686	\$ 29,667,342	\$ 12,932,370	\$ 1,069,087
Investments	10,195,676	11,723,853	21,330	-	78,009,308	-
Receivables - Accounts and contracts receivable, taxes, interest, and penalties receivable - Net	382,667	993,507	375,641	4,169,240	3,914,664	2,509,062
Due from primary government	-	-	3,462,097	-	-	-
Inventory	-	-	3,229,708	-	-	5,038
Prepaid expenses and other assets:						
Prepaid expenses	16,126	346,387	521,832	627,881	690,270	1,655,700
Other assets	224,477	-	-	1,465,710	14,377,000	21,389
Loans, notes, and pledges receivable	-	-	-	2,340,990	6,247,123	-
Due from other governmental agencies	-	3,108,141	-	303,551	-	-
Restricted assets:						
Restricted cash	-	-	1,198,191	17,082,150	-	-
Restricted investment securities	-	-	2,318,819	-	-	-
Other restricted assets	-	-	-	19,000,759	-	-
Capital assets:						
Assets not subject to depreciation	-	1,804,858	3,908,455	101,870,075	55,344,670	-
Assets subject to depreciation - Net	-	19,618,550	24,005,777	223,601,045	908,236,877	9,107,259
Total assets	54,841,268	67,529,039	41,527,536	400,128,743	1,079,752,282	14,367,535
Deferred Outflows of Resources - Related to pension	-	4,144,297	1,510,561	2,364,443	-	-
Liabilities						
Accounts and contracts payable	5,562,515	195,363	1,725,355	2,843,908	4,572,342	345,965
Due to other governmental agencies	-	2,621,818	-	441,353	-	-
Due to primary government	-	1,544,985	-	-	-	-
Other liabilities:						
Accrued salaries and wages	-	495,918	321,992	188,409	-	51,126
Accrued interest payable	-	64,387	-	21,617,623	10,742,497	-
Accrued liabilities	8,324,631	1,560,497	523,136	14,406,893	-	17,497
Unearned revenue	-	-	-	4,173,125	21,230	332,706
Noncurrent liabilities:						
Due within one year - Current portion of bond and contracts payable	195,000	999,776	-	188,900	3,210,892	750,000
Due in more than one year:						
Advance from primary government	-	3,930,294	-	-	-	-
Net pension liability	-	9,753,736	7,740,979	1,813,297	-	-
Bonds and contracts payable - Net of current portion	535,000	14,593,302	532,477	59,685,811	329,838,543	500,000
Total liabilities	14,617,146	35,760,076	10,843,939	105,359,319	348,385,504	1,997,294
Deferred Inflows of Resources						
Other resources received before the period resources may be used	-	-	-	-	-	-
Deferred pension cost reductions	-	909,987	1,427,283	899,040	-	-
Total deferred inflows of resources	-	909,987	1,427,283	899,040	-	-
Net Position						
Net investment in capital assets	-	21,423,408	27,914,232	127,531,757	678,795,312	7,857,259
Restricted:						
Endowment and trust (expendable)	-	11,343,409	-	-	-	-
Endowment and trust (nonexpendable)	-	195,000	-	-	-	-
Capital projects and acquisitions	39,189,256	-	3,517,010	-	46,449,343	-
Community and economic development	-	-	-	153,770,218	-	-
Program activities	-	-	-	-	-	4,110,180
Unrestricted	1,034,866	2,041,456	(664,367)	14,932,852	6,122,123	402,802
Total net position	\$ 40,224,122	\$ 35,003,273	\$ 30,766,875	\$ 296,234,827	\$ 731,366,778	\$ 12,370,241

Component Units Statement of Net Position

June 30, 2019

Economic Development Corporation	Local Development Finance Authority	Museum of African American History	Detroit Land Bank Authority	Eight Mile/Woodward Corridor Imp. Authority	Detroit Employment Solutions Corporation	Community Education Commission	Joint Employment and Procurement Advisory Board	Total
\$ 8,670,110	\$ 1,189,459	\$ 115,316	\$ 13,810,648	\$ 138,300	\$ 6,398,254	\$ 461,873	\$ 757,172	\$ 151,651,682
22,654,620	8,884,385	1,566,518	-	-	-	-	-	133,055,690
2,548,090	-	131,701	-	-	2,480	-	-	15,027,052
-	-	-	-	-	-	-	-	3,462,097
-	-	40,935	-	-	-	-	-	3,275,681
-	-	75,318	186,409	8,363	-	4,009	-	4,132,295
-	-	-	21,919,066	-	29,659	-	-	38,037,301
6,601,382	-	20,000	-	-	-	-	-	15,209,495
-	-	-	38,900,405	-	4,016,584	764,504	-	47,093,185
-	-	-	7,601,956	-	-	-	-	25,882,297
-	-	-	-	-	-	-	-	2,318,819
-	-	-	-	-	-	-	-	19,000,759
-	-	372,429	-	-	-	-	-	163,300,487
-	-	1,051,477	695,096	-	28,813	-	-	1,186,344,894
40,474,202	10,073,844	3,373,694	83,113,580	146,663	10,475,790	1,230,386	757,172	1,807,791,734
-	-	-	-	-	-	-	-	8,019,301
5,927,855	16,931	999,507	27,910,420	6,450	4,931,145	268,348	-	55,306,104
-	-	-	-	-	-	-	-	3,063,171
-	-	-	-	-	-	-	-	1,544,985
-	-	125,902	-	-	-	-	-	1,183,347
2,794	136,653	-	-	-	-	-	-	32,563,954
-	-	-	-	30,516	148,246	58,732	-	25,070,148
-	-	76,250	5,135,708	-	-	-	-	9,739,019
37,283	7,185,000	315,000	2,000,000	-	-	-	-	14,881,851
-	-	-	12,000,000	-	-	-	-	15,930,294
-	-	-	-	-	-	-	-	19,308,012
668,531	9,840,000	-	-	-	-	-	-	416,193,664
6,636,463	17,178,584	1,516,659	47,046,128	36,966	5,079,391	327,080	-	594,784,549
-	-	-	-	-	549,760	-	-	549,760
-	-	-	-	-	-	-	-	3,236,310
-	-	-	-	-	549,760	-	-	3,786,070
-	-	1,423,906	695,096	-	28,813	-	-	865,669,783
-	-	-	-	-	-	-	-	11,343,409
-	-	1,402,847	-	-	-	-	-	1,597,847
11,175,396	9,281,870	-	-	-	-	-	-	109,612,875
-	-	-	7,601,956	-	-	-	-	161,372,174
-	-	694,540	-	-	4,817,826	581,600	-	10,204,146
22,662,343	(16,386,610)	(1,664,258)	27,770,400	109,697	-	321,706	757,172	57,440,182
\$ 33,837,739	\$ (7,104,740)	\$ 1,857,035	\$ 36,067,452	\$ 109,697	\$ 4,846,639	\$ 903,306	\$ 757,172	\$ 1,217,240,416

City of Detroit, Michigan

	Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Detroit Brownfield Redevelopment Authority	Detroit Public Library	Detroit Transportation Corporation	Detroit Housing Commission
Functions/Programs								
Detroit Brownfield Redevelopment Authority	\$ 18,897,957	\$ 296,834	\$ -	\$ 51,771,334	\$ 33,170,211	\$ -	\$ -	\$ -
Detroit Public Library	24,968,111	264,313	1,309,337	-	-	(23,394,461)	-	-
Detroit Transportation Corporation	22,087,252	1,044,769	16,415,786	1,080,858	-	-	(3,545,839)	-
Detroit Housing Commission	102,827,511	18,226,717	69,963,014	-	-	-	-	(14,637,780)
Downtown Development Authority	70,939,845	-	-	23,187,243	-	-	-	-
Eastern Market Corporation	6,342,752	1,613,057	461,171	-	-	-	-	-
Economic Development Corporation	11,287,405	6,800,643	-	-	-	-	-	-
Local Development Finance Authority	1,319,784	-	-	-	-	-	-	-
Museum of African American History	7,480,182	2,239,473	2,641,615	-	-	-	-	-
Detroit Land Bank Authority	80,622,007	-	86,252,629	-	-	-	-	-
Eight Mile/Woodward Corridor Imp. Authority	638,486	-	-	-	-	-	-	-
Detroit Employment Solutions Corporation	61,363,891	-	60,978,289	-	-	-	-	-
Community Education Commission	2,064,032	171,350	2,785,304	-	-	-	-	-
Joint Employment and Procurement Advisory Board	784	-	-	-	-	-	-	-
Total component units	\$ 410,839,999	\$ 30,657,156	\$ 240,807,145	\$ 76,039,435	33,170,211	(23,394,461)	(3,545,839)	(14,637,780)
General revenue:								
Taxes - Property taxes					5,058,212	27,454,254	-	-
Penal fines					-	558,128	-	-
Contributions					-	-	-	-
Investment earnings					181,459	908,473	56,877	3,025,272
Gain on sale of capital assets					-	-	-	-
Other miscellaneous income					-	61,403	548,824	-
Total general revenue					5,239,671	28,982,258	605,701	3,025,272
Change in Net Position					38,409,882	5,587,797	(2,940,138)	(11,612,508)
Net Position (Deficit) - Beginning of year (as restated, see Note 1)					1,814,240	29,415,476	33,707,013	307,847,335
Net Position (Deficit) - End of year					\$ 40,224,122	\$ 35,003,273	\$ 30,766,875	\$ 296,234,827

Component Units Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position

Downtown Development Authority	Eastern Market Corporation	Economic Development Corporation	Local Development Finance Authority	Museum of African American History	Detroit Land Bank Authority	Eight Mile/ Woodward Corridor Imp. Authority	Detroit Employment Solutions Corporation	Community Education Commission	Joint Employment and Procurement Advisory Board	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,170,211
-	-	-	-	-	-	-	-	-	-	(23,394,461)
-	-	-	-	-	-	-	-	-	-	(3,545,839)
-	-	-	-	-	-	-	-	-	-	(14,637,780)
(47,752,602)	-	-	-	-	-	-	-	-	-	(47,752,602)
-	(4,268,524)	-	-	-	-	-	-	-	-	(4,268,524)
-	-	(4,486,762)	-	-	-	-	-	-	-	(4,486,762)
-	-	-	(1,319,784)	-	-	-	-	-	-	(1,319,784)
-	-	-	-	(2,599,094)	-	-	-	-	-	(2,599,094)
-	-	-	-	-	5,630,622	-	-	-	-	5,630,622
-	-	-	-	-	-	(638,486)	-	-	-	(638,486)
-	-	-	-	-	-	-	(385,602)	-	-	(385,602)
-	-	-	-	-	-	-	-	892,622	-	892,622
-	-	-	-	-	-	-	-	-	(784)	(784)
(47,752,602)	(4,268,524)	(4,486,762)	(1,319,784)	(2,599,094)	5,630,622	(638,486)	(385,602)	892,622	(784)	(63,336,263)
40,648,306	-	-	3,778,265	-	-	638,486	-	-	-	77,577,523
-	-	-	-	-	-	-	-	-	-	558,128
-	7,385,352	2,086,884	-	1,556,369	-	-	-	-	-	11,028,605
-	264,557	38,148	229,466	23,785	-	-	-	-	2,217	4,730,254
-	6,504	-	-	-	-	-	-	-	-	6,504
1,338,124	24,153	-	-	-	-	-	16,116	856	-	1,989,476
41,986,430	7,680,566	2,125,032	4,007,731	1,580,154	-	638,486	16,116	856	2,217	95,890,490
(5,766,172)	3,412,042	(2,361,730)	2,687,947	(1,018,940)	5,630,622	-	(369,486)	893,478	1,433	32,554,227
737,132,950	8,958,199	36,199,469	(9,792,687)	2,875,975	30,436,830	109,697	5,216,125	9,828	755,739	1,184,686,189
\$ 731,366,778	\$ 12,370,241	\$ 33,837,739	\$ (7,104,740)	\$ 1,857,035	\$ 36,067,452	\$ 109,697	\$ 4,846,639	\$ 903,306	\$ 757,172	\$ 1,217,240,416

Note 1 - Significant Accounting Policies

Reporting Entity

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

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

Blended Component Units

Detroit Building Authority (DBA)*

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

Greater Detroit Resource Recovery Authority (GDRRA)

The GDRRA was established by the cities of Detroit and Highland Park, Michigan for the acquisition, construction, and operation of a waste-to-energy facility. The GDRRA is a legally separate entity. However, the City appoints the voting majority of the board members and may impose its will. Operating revenue consists of tipping fees received from the City of Detroit, Michigan to be used for the hauling and disposal of the municipal solid waste. GDRRA is blended into the Solid Waste Management Fund as services are provided almost entirely to the City and City resources are used to service the debt.

Public Lighting Authority (PLA)*

The PLA under the provisions of Michigan Public Act 392 of 2012 is governed by a board, and the City appoints the voting majority of the PLA's board members and is able to impose its will. The PLA is a legally separate entity and was formed to develop and implement a plan to improve the City's public lighting system. The PLA is funded through the issuance of bonds, which will be paid back with revenue from the City's utility tax, which meets the criteria for the PLA to be a blended component unit.

Discretely Presented Component Units

Detroit Brownfield Redevelopment Authority (DBRA)*

The DBRA was created by a City Council resolution and approved by the mayor in April 1998 under the provisions of Act 381, Michigan Public Act of 1996. The City appoints the majority of the DBRA's board members and is able to impose its will. The 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.

Note 1 - Significant Accounting Policies (Continued)

Detroit Public Library (DPL)

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

*Detroit Transportation Corporation (DTC)**

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

*Detroit Housing Commission (DHC)**

The DHC is a Michigan public body corporation operating as a public housing authority under the Michigan Housing Facilities Act, MCL 125.653. The DHC was established in 1933 under the Public Facilities Act by the City of Detroit, Michigan. The DHC had been designated as a "Sub Standard Management Agency" performer by the U.S. Department of Housing and Urban Development (HUD) under the public housing assessment system. On July 5, 2005, an agreement was entered into with HUD, under which a HUD recovery administrator was designated to act as the DHC's board of commissioners to handle the day-to-day administration of the DHC. On March 13, 2015, HUD released the DHC from the authority of a HUD recovery administrator. Under the Michigan Housing Facilities Act, the Detroit Housing Commission is governed by a five-member board of commissioners (the "Board"). At least one of the board members must be a resident of public or subsidized housing. The mayor of the City of Detroit, Michigan appointed the five-member Board in accordance with Michigan law. The DHC now operates as a standard performer governed by the five-member Board.

*Downtown Development Authority (DDA)**

The DDA was created to promote and develop economic growth in the City's downtown business district. The DDA is a legally separate entity. However, the City appoints the voting majority of the board members and may impose its will. Funding is provided by an ad valorem tax of 1.0 mill (reduced to 0.9887 by the Headlee amendment) on real and personal property in the downtown development district, a levy on the increased taxable value of a tax increment district, and issuance of revenue and tax increment bonds.

*Eastern Market Corporation (EMC)**

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

*Economic Development Corporation (EDC)**

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

Note 1 - Significant Accounting Policies (Continued)

*Local Development Finance Authority (LDFA)**

The LDFA was created to finance certain improvements for local public roads in the vicinity of the Chrysler Jefferson Avenue Assembly Plant. The LDFA is a legally separate entity. However, the City appoints the voting majority of the board members and may impose its will. Incremental portions of the City's and the County's property taxes fund the LDFA.

*Museum of African American History (MAAH)**

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

*Detroit Land Bank Authority (DLBA)**

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

*Eight Mile/Woodward Corridor Improvement Authority (EMWCIA)**

The EMWCIA was established to correct and prevent deterioration in the Eight Mile/Woodward area. The EMWCIA is a legally separate entity. However, the City appoints the voting majority of the board members and may impose its will.

Community Education Commission (CEC)

The CEC was created in May 2018 to provide resources to ensure access to high-quality schools, transportation, after-school programming, and community information. The CEC is a legally separate entity. However, the City appoints all 11 board members and may impose its will.

*Detroit Employment Solutions Corporation (DESC)**

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

*Joint Employment and Procurement Advisory Board (JEPAB)**

On November 1, 2005, the City and the EDC entered into a funding agreement establishing the EDC as the administrator of casino development fund monies and programs. The casino development funds were contributed from the three casinos in Detroit (MGM Grand Casino, Motor City Casino, and Greektown Casino) for business development purposes in the City in accordance with the revised casino development agreements.

This City/EDC funding agreement provided for the expenditure of business development funds (casino development funds) for a number of programs and purposes, one of which was JEPAB. JEPAB is a separate legal entity. However, the City appoints the voting majority of board members and may impose its will.

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

Note 1 - Significant Accounting Policies (Continued)

Financial Statements of Component Units

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

Blended Component Units

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

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

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

Discretely Presented Component Units

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

Community Education Commission
18100 Meyers Road
Detroit, MI 48226
(313)-224-1222

Detroit Public Library
5201 Woodward Avenue
Detroit, MI 48202
(313) 833-1000

Joint Employment and Procurement Advisory Board
7310 Woodward, Suite 740
Detroit, MI 48202

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

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

Detroit Housing Commission
1301 East Jefferson
Detroit, MI 48207
(313) 877-8000

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

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

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

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

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

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

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

Related Organizations

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

- Detroit Historical Society
- Detroit Zoological Society

Note 1 - Significant Accounting Policies (Continued)

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

The mayor is responsible for appointing the majority of members of the board of the following nonprofit entities:

- Northwest Community Programs, Inc.
- Detroit Economic Growth Corporation

The City's accountability for these organizations does not extend beyond making the appointments.

Joint Venture

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

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

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

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

Basis of Presentation

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

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

Government-wide Financial Statements

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

Note 1 - Significant Accounting Policies (Continued)

The statement of activities presents a comparison between direct expenses and program revenue 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 revenue includes: (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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary fund types. Separate financial statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis in 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 governmental or nonmajor enterprise funds.

The City reports the following major funds:

Governmental Funds

- General Fund - Accounts for several of the City's primary services (police, fire, public works, community, and youth services, etc.) and is the primary operating unit of the City.

Proprietary Funds

- Water Fund - Accounts for the operations of the water treatment plants, booster stations, transmission and distribution system, and reservoirs. The fund provides service to Detroit retail customers.
- 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 retail customers.
- Transportation Fund - Accounts for the City's mass transit system with a fleet of 462 coaches. The fund operates an administration building, which includes a heavy repair facility and plant maintenance building, as well as three other satellite terminals with light repair garages and storage bays.
- Public Lighting Authority Fund - The City's Public Lighting Authority Fund (PLA) is a blended component unit of the City and was created pursuant to Michigan Public Act 392 of 2012. PLA was formed to develop and implement a plan to improve the City's public lighting system.

Additionally, the City reports the following fund types:

Internal Service Funds

- Employees Benefit Plan and Disability Income Protection Plan - Accounts for services provided to other departments or agencies of the government or to other governments on a cost-reimbursement basis.

Fiduciary Funds

- Pension and other employee benefit trust funds - Account for monies held in trust by the City for pension benefits and other employee benefits. The City uses pension trust funds to account for the retirement plans for civilian employees, firefighters, and police officers. The other employee benefit funds account for various health, long-term disability, and death benefits for employees and retirees.
- Agency funds - Account for transactions for assets held by the City as agent for certain activities or for various entities. Payroll deductions and special deposits are the primary transactions accounted for in these funds.

Note 1 - Significant Accounting Policies (Continued)

Interfund Activity

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

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

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

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Note 1 - Significant Accounting Policies (Continued)

Investments

Investments of the City are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments. The fair value of real estate investments is based on periodic appraisals, as well as the judgment of independent real estate advisors and management. The only investments outside the fiduciary funds that do not have an established market are certificates of deposit, which are reported at par value plus accrued interest.

Investments for which market quotations are readily available are generally priced by the custodian using nationally recognized pricing services and practices. For investments that do not have readily observable market prices, including but not limited to private equity, public and private real estate, alternatives, and direct loans, management's estimate of their fair value is based on information provided by investment managers, general partners, real estate advisors, and other means. These sources are held to a standard of reasonable care in verifying that the valuations presented reasonably reflect the underlying fair value of the investments. A variety of factors is considered in the valuation process, including the nature of the investment, local market conditions, trading values on public exchanges for comparable investments, and current and projected operating performance. However, due to the inherent uncertainty and the degree of judgment involved in determining fair value for such investments, the values reflected in the financial statements may differ significantly from values that would have been used had a readily determinable market value for the investments existed, and the difference could be material.

Due from/to Other Governmental Agencies

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

Inventory

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

Interfund Transactions

The City has the following types of interfund transactions:

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

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

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

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

Note 1 - Significant Accounting Policies (Continued)

Capital Assets

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

Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed. Capitalized interest for the year ended June 30, 2019 for the Water Fund and Sewage Disposal Fund was \$1,834,417 and \$41,958, 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 revenue, expenditures, and changes in fund balances as proceeds from sale. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Depreciable Life - Years</u>
Land improvements	5-67
Buildings, structures, and improvements	5-50
Interceptors and regulators	100
Mains	67
Services and meters	20-87
Land improvements	5-50
Machinery, equipment, and fixtures	3-20
Vehicles other than buses	3-10
Buses	12
Other infrastructure	7-60

The City has a collection of artwork presented both in buildings and public outdoor spaces. The true value of the art is expected to either be maintained at cost or appreciate over time, and, thus, the art is not depreciated. If individual pieces are lost or destroyed, the loss is recorded. Further information regarding city-owned art can be found in Note 6.

Bond Premiums and Discounts

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

Note 1 - Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The City reports the following deferred outflows of resources and deferred inflows of resources:

	Outflows	Inflows
Unavailable revenue (those not collected within the period of availability) - Reported only at the modified accrual level		✓
Deferred benefit on bond refunding		✓
Deferred OPEB costs (outflows) or cost reductions (inflows)	✓	
Deferred pension costs (outflows) or cost reductions (inflows)	✓	✓
Other resources received before the period resources may be used		✓

Net Position

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

Net investment in capital assets - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - This consists of net position that is restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, generally it is the City's policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted - This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Balance Policies

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

Nonspendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use of a specific purpose.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments are made and can be rescinded only by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance.

Assigned - Intent to spend resources on specific purposes expressed by the governing body. The City Council is authorized to assign fund balance.

Note 1 - Significant Accounting Policies (Continued)

Unassigned - Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

Property Taxes

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

The 2018 taxable valuation of the City totaled approximately \$6.4 billion (a portion of which is abated and a portion of which is captured by the EMWCIA, LDFA, DDA, and DBRA), on which taxes consisted of 19.952 mills for operating purposes and 7.000 mills for debt service. This resulted in approximately \$98.8 million for operations and approximately \$36.9 million for debt service. These amounts are recognized in the respective General Fund and Debt Service Fund financial statements as tax revenue.

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

For accounting purposes, the transfer of delinquent property taxes receivable is recognized as a sale, with a corresponding liability recorded for the estimated amount that will be charged back to the City. During the year ended June 30, 2019, approximately \$53.6 million of delinquent property taxes receivable was transferred (sold) to the County, and \$23.4 million was charged back to the City from prior year sales. As of June 30, 2019, the City has recorded an approximate liability of \$9.4 million (\$3.3 million in the General Fund and \$6.1 million in the nonmajor governmental funds) for the estimated amount of property tax receivables sold to the County that will be charged back in future years.

Note 1 - Significant Accounting Policies (Continued)

Municipal Income Taxes

The City levies an annual income tax. The rate in effect for fiscal year 2019 (calendar year 2018) consists of an annualized tax of 2.40 percent on the income of resident individuals, 1.20 percent on income earned in the City by nonresidents, and 2.00 percent for corporations. Municipal income taxes are accrued for income tax withholdings collected by employers but not yet remitted to the City. In the government-wide financial statements, income tax revenue is recognized in the period in which the underlying compensation is earned by the taxpayer. In the governmental fund financial statements, the City recognizes municipal income tax revenue when it becomes 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 progress, in which payment has not been made, are recorded as a reduction of revenue. Income tax assessments receivable represent estimated additional taxes assessed as a result of tax return audits or failure to file a return.

Pension

The City offers defined benefit pension plans to its employees. The City records a net pension liability (asset) for the difference between the total pension liability calculated by the actuary and the pension plans' fiduciary net positions. For the purpose of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from the pension plans' fiduciary net positions have been determined on the same basis as they are reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Generally, the funds that report the pension liability are used to liquidate the obligations.

Other Postemployment Benefit Costs

The City offers retiree death benefits to retirees. The City records a net OPEB liability (asset) for the difference between the total OPEB liability calculated by the actuary and the OPEB plans' fiduciary net positions. For the purpose of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plans and additions to/deductions from the OPEB plans' fiduciary net positions have been determined on the same basis as they are reported by the OPEB plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Generally, the funds that report the OPEB liability obligations are used to liquidate the obligations.

Compensated Absences

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

Note 1 - Significant Accounting Policies (Continued)

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

Generally, the funds that report each employee's compensation are used to liquidate the obligations.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Unbilled Revenue

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

Receivables from Great Lakes Water Authority

On January 1, 2016, the City of Detroit, Michigan entered into lease agreements and related service agreements with the Great Lakes Water Authority (GLWA) under which GLWA will operate the regional water and sewage system for the term of 40 years. The agreements transfer all then-outstanding bonded indebtedness to GLWA, along with a leasehold interest in certain capital assets, cash, investments, and receivables in exchange for an annual lease payment of \$22,500,000 to the Water Fund and \$27,500,000 to the Sewage Disposal Fund. Interest is charged on the lease payments at an annual rate of 3.70 percent. The lease receivable is recorded as the present value of all future lease payments.

The current portion of the lease receivable represents the 12 monthly payments required from July 1, 2019 through June 30, 2020.

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 revenue and expenses during the period. Actual results could differ from those estimates.

Fund Reclassification

Employees Benefit Plan and Disability Income Protection Plan Funds

In prior years, the Employees Benefit Plan and Disability Income Protection Plan funds were reported as fiduciary funds for financial statement presentation purposes. In the current year, the City concluded these funds should be reported as internal service funds due to their nature. The impact of this change was an adjustment to beginning net position for governmental activities, resulting in an increase of \$2,825,115. A corresponding decrease in beginning net position of the fiduciary funds was also reflected.

Note 1 - Significant Accounting Policies (Continued)*Joint Employment and Procurement Advisory Board (JEPAB)*

In prior years, JEPAB was not reported by the City, as no financial statements were prepared. In the current year, the City received financial statements for JEPAB and concluded this fund should be reported as a component unit due to its nature. The impact of this change was an adjustment to beginning net position for component units, resulting in an increase of \$758,126.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the City's financial statements for the June 30, 2021 fiscal year.

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90, *Majority Equity Interests*. This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the year ending June 30, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of the standard will be applied retrospectively and are effective for the City's financial statements for the June 30, 2022 fiscal year.

Note 2 - Stewardship, Compliance, and Accountability

Deficit in Fund Equity/Net Position

Fund	Classification	Unassigned/ Unrestricted Deficit Amount
General Grants Fund	Special revenue fund	\$ (4,152,973) (1)
Detroit Transportation Corporation	Component unit	(664,367) (2)
Local Development Finance Authority	Component unit	(16,386,610) (2)
Museum of African American History	Component unit	(1,664,258) (2)
Transportation Fund	Enterprise fund	(255,665,260) (2)
Airport Fund	Enterprise fund	<u>(6,715,358) (2)</u>
Total		<u>\$ (285,248,826)</u>

Management’s plans to address significant deficits are as follows:

(1) As permitted by the Treasury deficit instructions, a governmental fund deficit exists when the unassigned fund deficit exceeds the deferred inflows of resources. The General Grant Fund’s deferred inflows of resources exceed the unassigned fund deficit. Therefore, no deficit plan is necessary.

(2) As permitted by the Treasury deficit instructions, a proprietary fund and a component unit deficit exists when current assets minus current liabilities (excluding the current portion of long-term obligations) is a negative amount. For the Transportation Fund, Airport Fund, Detroit Transportation Corporation, Local Development Finance Authority, and Museum of African American History, current assets exceed current liabilities. Therefore, no deficit plan is necessary.

Compliance with Finance-related Legal and Contractual Provisions

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

The City was not in compliance with the State of Michigan Public Act 2 of 1968, Uniform Budgeting and Accounting Act, Section 141.435 (2), which requires total budgeted expenditures not to exceed estimated revenue plus accumulated fund balance. The City’s final budget for several nonmajor special revenue funds resulted in a projected deficit. The City was not in compliance with the State of Michigan Public Act 2 of 1968, Uniform Budgeting and Accounting Act, Section 141.438 (3), which requires the City to not incur expenditures against an appropriation account in excess of the amount appropriated by the City Council. The City amended the fiscal year 2019 budget subsequent to year end.

Note 3 - Deposits and Investments

The City has deposits and investments that are maintained for its primary government, component unit, and fiduciary fund types.

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers’ acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Note 3 - Deposits and Investments (Continued)

The General Retirement System, the Police and Fire Retirement System, and the other employee benefit funds are managed by the Retirement System of the City of Detroit (the "System" or the "Pension System"). The System is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The investment policy adopted by the board of trustees is in accordance with Public Act 196 of 1997 and has authorized the investments according to Michigan Public Act 314 of 1965, as amended. The System's deposits and investment policies are in accordance with this statutory authority. The City's Retiree Protection Fund is also subject to investments authorized by Michigan Public Act 314 of 1965. Refer to Note 13 for additional details.

Cash held by fiscal agents or by trustees is secured in accordance with the requirements of the agency or trust agreement.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of bank failure, the bank may not return the City's deposits. The City does not have a deposit policy for custodial credit risk. As of June 30, 2019, the bank balances of the City's primary government deposits (certificates of deposit and checking and savings accounts) were \$630,616,464, of which \$627,680,362 was exposed to custodial credit risk, as it was uninsured and uncollateralized.

At June 30, 2019, the General Retirement System and the Police and Fire Retirement System had approximately \$4.3 million and \$2.9 million, respectively, in checking account balances that were uninsured and uncollateralized. The System believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the pension funds evaluate each financial institution with which they deposit funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

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

June 30, 2019

Note 3 - Deposits and Investments (Continued)

At year end, the City had the following investments and maturities:

	Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years	Fair Value
Primary Government					
Money market mutual funds	\$ 73,769,206	\$ 445,699	\$ 26,488	\$ -	\$ 74,241,393
U.S. government funds	327,941,671	-	-	-	327,941,671
Total	<u>\$ 401,710,877</u>	<u>\$ 445,699</u>	<u>\$ 26,488</u>	<u>\$ -</u>	<u>\$ 402,183,064</u>
Agency					
Municipal bonds - Detroit Financial Recovery Bonds	\$ -	\$ -	\$ -	\$ 25,038,708	\$ 25,038,708
U.S. government funds	12,562,128	-	-	-	12,562,128
Total	<u>\$ 12,562,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,038,708</u>	<u>\$ 37,600,836</u>
Other Employee Benefits Fund					
Fixed-income funds	\$ -	\$ 2,177,150	\$ -	\$ -	\$ 2,177,150
Mutual funds	133	-	-	-	133
Total	<u>\$ 133</u>	<u>\$ 2,177,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,177,283</u>
General Retirement System					
Convertible or exchangeable securities	\$ 1,466,000	\$ 39,111,000	\$ 12,768,000	\$ 7,169,000	\$ 60,514,000
Police and Fire Retirement System					
U.S. government	\$ 577,842	\$ 16,876,895	\$ 27,638,229	\$ 34,314,823	\$ 79,407,789
Convertible or exchangeable securities	2,837,582	23,425,612	2,731,247	11,500,735	40,495,176
Domestic fixed income*	7,904,280	87,454,139	80,591,575	172,682,130	348,632,124
International fixed income*	-	735,981	618,571	-	1,354,552
Total	<u>\$ 11,319,704</u>	<u>\$ 128,492,627</u>	<u>\$ 111,579,622</u>	<u>\$ 218,497,688</u>	<u>\$ 469,889,641</u>

*Not all fixed-income securities are subject to interest rate risk.

Mutual funds and U.S. government funds are categorized to the weighted-average maturity of their underlying investments.

Credit Risk

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

June 30, 2019

Note 3 - Deposits and Investments (Continued)

As of June 30, 2019, the investments have the following ratings, as rated by S&P:

	AAAm	AA+	Not Rated	Total
Primary Government				
Money market mutual funds	\$ 72,741,748	\$ 26,488	\$ 33,832,157	\$ 106,600,393
U.S. government funds	328,971,346	-	-	328,971,346
Local government investment pool	45,543,049	-	47,482,806	93,025,855
Total	\$ 447,256,143	\$ 26,488	\$ 81,314,963	\$ 528,597,594
Agency Funds				
U.S. government funds	\$ 12,562,128	\$ -	\$ 25,038,708	\$ 37,600,836
Other Employee Benefits Fund				
Fixed income	\$ -	\$ -	\$ 2,177,150	\$ 2,177,150
Mutual funds	133	-	-	133
Total	\$ 133	\$ -	\$ 2,177,150	\$ 2,177,283

The General Retirement System and the Police and Fire Retirement System debt securities (other than U.S. government) have the following ratings at June 30, 2019, as rated by S&P and Moody's, respectively (amounts presented in \$000):

	Aa3	A2	Baa1	Baa2	Baa3	Ba2	Ba3 and Below	Not Rated
General Retirement System								
Convertible securities	\$ 215	\$ 809	\$ 1,449	\$ 2,532	\$ 3,017	\$ 1,608	\$ 4,309	\$ 56,765
Mutual funds	-	-	-	-	180	-	-	30,746
Total	\$ 215	\$ 809	\$ 1,449	\$ 2,532	\$ 3,197	\$ 1,608	\$ 4,309	\$ 87,511
	AAA	AA	A	BBB	BB	B	Lower Than B	Not Rated
Police and Fire Retirement System								
Convertible securities	\$ -	\$ -	\$ 7,829	\$ 27,758	\$ 2,486	\$ 1,058	\$ -	\$ 19,377
Domestic fixed income	17,143	111,087	42,055	91,181	22,158	22,195	437	48,206
International fixed income	-	-	661	-	-	-	-	710
Total	\$ 17,143	\$ 111,087	\$ 50,545	\$ 118,939	\$ 24,644	\$ 23,253	\$ 437	\$ 68,293

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy specifies a number of limitations to minimize concentration of credit risk, including prohibiting investing in more than 5 percent of the portfolio in securities (excluding U.S. government securities) of any one issuer. At June 30, 2019, there were no such investments held by the City.

June 30, 2019

Note 3 - Deposits and Investments (Continued)

Foreign Currency Risk

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

The foreign currency risk for cash and investments of the pension funds at June 30, 2019 is as follows (in \$000):

	General Retirement System				Police and Fire Retirement System				
	Equity	Cash	Forward Contracts	Net Other Investment Receivable	Equity	Fixed Income	Cash	Forward Contracts Unrealized Gain (Loss)	Net Other Investment Receivable (Payable)
Australian dollar	\$ -	\$ 5	\$ -	\$ -	\$ 12,092	\$ -	\$ 58	\$ 1,576	\$ 584
Brazilian real	1,587	-	-	-	709	-	-	(69)	69
British pound sterling	6,077	-	-	-	-	-	-	-	-
Canadian dollar	1,800	2	-	-	21,080	-	44	(1,759)	1,630
Czech koruna	891	11	-	-	-	-	-	-	-
Danish krone	-	-	-	-	493	-	149	41	566
Euro currency	32,516	192	-	-	102,600	-	780	(6,864)	6,024
Hong Kong dollar	3,295	-	-	-	23,114	-	-	2,486	(50)
Indian rupee	-	-	-	-	857	-	-	-	-
Indonesian rupiah	175	-	(16)	23	390	-	-	-	-
Israeli shekel	-	-	-	-	-	-	1	576	-
Japanese yen	11,810	56	(22)	-	66,005	-	508	4,183	1,132
Mexican peso	1,443	-	-	-	-	1,129	-	-	-
New Taiwan dollar	5,224	-	-	-	1,234	-	-	-	-
Norwegian krone	3,977	48	-	-	-	-	11	675	-
Polish zloty	-	-	-	-	364	-	-	-	-
Pound sterling	-	-	-	-	40,804	-	60	(9,007)	3,523
Singapore dollar	2,185	-	-	-	334	-	3	1,335	-
South African rand	-	-	-	-	649	-	-	-	-
South Korean won	1,795	-	-	-	1,074	-	-	-	-
Swedish krona	-	-	-	-	1,867	-	7	2,266	-
Swiss franc	2,626	137	-	-	11,544	-	474	173	1,142
Ukraine hryvnia	1	-	-	-	-	-	-	-	-
Uruguayan peso	-	-	-	-	-	242	-	-	-
Total	\$ 75,402	\$ 451	\$ (38)	\$ 23	\$ 285,210	\$ 1,371	\$ 2,095	\$ (4,388)	\$ 14,620

Securities Lending

As permitted by state statutes and under the provisions of a securities lending authorization agreement, the Pension System lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Pension System's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. The custodial banks do not have the ability to pledge or sell collateral securities unless the borrower defaults. Borrowers are required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned securities. At June 30, 2019, the collateral provided for the General Retirement System and the Police and Fire Retirement System was 101.46 and 101.09 percent, respectively, of the market value of the loaned securities.

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

June 30, 2019

Note 3 - Deposits and Investments (Continued)

The Pension System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of this investment pool as of June 30, 2019 was 23 days for the General Retirement System and the Police and Fire Retirement System. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral.

The collateral held and the fair market value of the underlying securities on loan for the General Retirement System at June 30, 2019 were \$86,685,950 and \$85,748,875, respectively. The collateral held (at cost) and the fair value of the underlying securities on loan for the Police and Fire Retirement System at June 30, 2019 were \$209,119,391 and \$206,107,852, respectively.

The following represents the balances relating to the securities lending transactions as of June 30, 2019; investments are reported at fair value:

Securities Lent	General Retirement System	Police and Fire Retirement System
U.S. government and agencies	\$ -	\$ 50,695,926
U.S. equities	71,427,448	109,667,310
U.S. corporate fixed income	8,753,163	37,144,480
Non-U.S. equities	5,568,264	8,143,136
Non-U.S. fixed income	-	457,000
Total	<u>\$ 85,748,875</u>	<u>\$ 206,107,852</u>

At June 30, 2019, the fair value of the collateral pool related to securities lending for the General Retirement System and the Police and Fire Retirement System was \$87,700,779 and \$211,867,018, respectively. The collateral was invested in agencies, asset-backed securities, notes (floating rate), money funds, repurchase agreements, and U.S. corporate securities (floating rate). Approximately 76 percent of the General Retirement System securities had a duration less than 1 year, 20 percent had a duration between 1 and 3 years, and 4 percent had a duration over 15 years. Approximately 64.6 percent of the Police and Fire Retirement System securities had a duration less than 1 year, 32.5 percent had a duration between 1 and 3 years, and 2.9 percent had a duration over 15 years.

The credit ratings of the securities lending collateral pool held at June 30, 2019, as rated by S&P, are as follows:

Ratings	General Retirement System	Police and Fire Retirement System
AAA	\$ 11,323,161	\$ 36,575,723
AA	16,437,534	52,808,940
A	40,480,179	83,519,070
CC	2,402,171	5,317,859
CCC	-	755,242
D	996,946	-
Not rated	16,060,788	32,890,184
Total	<u>\$ 87,700,779</u>	<u>\$ 211,867,018</u>

June 30, 2019

Note 3 - Deposits and Investments (Continued)

Fair Value Measurements

The City and Pension System categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City has the following recurring fair value measurements as of June 30, 2019:

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Primary Government				
Money market mutual funds	\$ 89,993	\$ -	\$ -	\$ 89,993
Agency Funds				
Municipal bonds	-	25,038,708	-	25,038,708
Other Employee Benefits Fund				
Private equity funds	-	-	939,133	939,133
Total	<u>\$ 89,993</u>	<u>\$ 25,038,708</u>	<u>\$ 939,133</u>	<u>26,067,834</u>
Investments Measured at NAV				
Primary government:				
Money market mutual funds				73,285,212
U.S. government funds				362,377,723
Local government investment pool				93,025,855
Agency funds - U.S. government funds				12,562,128
Other Employee Benefits Fund:				
Money market mutual funds				133
Equity funds				3,565,964
Fixed-income funds				2,177,150
Global asset allocation funds				4,439,848
REIT				1,703,155
International equity fund				3,175,408
Alternative investment funds				7,766,189
Total investments measured at NAV				<u>564,078,765</u>
Total investments				<u>\$ 590,146,599</u>

A total of \$866,249 of bank pools in the primary government are recorded at amortized cost in accordance with GASB Statement No. 79 and are not included in the fair value tables above. These investments are not subject to any limitations or restrictions on withdrawals.

June 30, 2019

Note 3 - Deposits and Investments (Continued)

Assets Measured at Carrying Value on a Recurring Basis at
June 30, 2019

	Quoted Prices in			
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
General Retirement System				
Investments by Fair Value Level				
Equity securities:				
Common stock	\$ 625,513,158	\$ -	\$ -	\$ 625,513,158
Preferred stock	4,664,467	5,401,443	-	10,065,910
Total equity securities	630,177,625	5,401,443	-	635,579,068
Debt securities:				
Corporate bonds	-	60,514,257	-	60,514,257
Asset-backed securities	-	14,703,032	-	14,703,032
Corporate floating-rate notes	-	56,917,713	-	56,917,713
Total debt securities	-	132,135,002	-	132,135,002
Private equity funds	-	-	2,800,000	2,800,000
Partnership investments	-	-	2,711,000	2,711,000
Real estate private equity funds	-	-	8,200,000	8,200,000
Real estate-related investments	-	-	48,879,450	48,879,450
Total investments fair value	\$ 630,177,625	\$ 137,536,445	\$ 62,590,450	830,304,520
Investments Measured at NAV				
International equity funds				320,774,019
Fixed-income funds				155,234,073
Hedge funds				171,085,933
Private equity funds				102,518,648
Real estate funds				222,618,020
Total investments measured at NAV				972,230,693
Total investments measured at fair value				\$ 1,802,535,213

June 30, 2019

Note 3 - Deposits and Investments (Continued)

Assets Measured at Carrying Value on a Recurring Basis at
June 30, 2019

	Quoted Prices in			
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Police and Fire Retirement System				
Investments by Fair Value Level				
Equity securities:				
Common stock	\$ 998,577,735	\$ -	\$ -	\$ 998,577,735
Preferred stock	14,031,420	4,325,779	-	18,357,199
Total equity securities	1,012,609,155	4,325,779	-	1,016,934,934
Debt securities:				
Government securities (U.S. and other)	79,407,789	12,092,726	-	91,500,515
U.S. government mortgage-backed securities	-	114,054,421	-	114,054,421
Privately negotiated debt	-	-	6,104,127	6,104,127
Corporate bonds	-	264,468,786	-	264,468,786
Asset-backed securities	-	43,764,373	-	43,764,373
Corporate floating-rate notes	-	136,328,011	-	136,328,011
Total debt securities	79,407,789	570,708,317	6,104,127	656,220,233
Private equity funds	-	-	2,800,000	2,800,000
Partnership investments	-	-	1,881,000	1,881,000
Real estate private equity funds	-	-	11,700,000	11,700,000
Real estate-related investments	-	-	4,358,503	4,358,503
Total investments by fair value level	<u>\$ 1,092,016,944</u>	<u>\$ 575,034,096</u>	<u>\$ 26,843,630</u>	1,693,894,670
Investments Measured at NAV				
International equity funds				243,139,443
Fixed-income funds				32,994,924
Global equity funds				164,367,122
Hedge funds				182,702,516
Private equity funds				227,291,352
Real estate funds				369,556,814
Total investments measured at NAV				<u>1,220,052,171</u>
Total investments measured at fair value				<u>\$ 2,913,946,841</u>

A total of \$16,080,034 of repurchase agreements that are recorded at amortized cost for the General Retirement System are not included in the fair value table above. A total of \$31,774,634 of repurchase agreements that are recorded at amortized cost for the Police and Fire Retirement System are not included in the fair value table above.

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Note 3 - Deposits and Investments (Continued)

The fair value of preferred stock and debt securities at June 30, 2019 was determined primarily based on Level 2 inputs. The City and the System estimate the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals for identical or similar assets.

The fair value of remaining investments at June 30, 2019 was determined primarily based on Level 3 inputs. The City and the System estimate the fair value of these investments using the City's and System's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

The valuation method for investments measured at net asset value per share (or its equivalent) is presented in the following table.

Investments in Entities that Calculate Net Asset Value per Share

The City and the System hold shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

June 30, 2019

Note 3 - Deposits and Investments (Continued)

At June 30, 2019, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Primary Government				
Money market mutual funds	\$ 73,285,212	\$ -	Daily	1 day
U.S. government funds	362,377,723	-	Daily	1 day
Local government investment pool	93,025,855	-	Daily	1 day
Total investments measure at NAV	528,688,790	-		
Agency Funds				
U.S. government funds	12,562,128	-	Daily	1 day
Other Employee Benefits Fund				
Money market mutual funds	133	-	Daily	1 day
Equity funds	3,565,964	-	Daily	1 day
Fixed-income funds	2,177,150	-	Daily	10 business days
International equity funds	3,175,408	-	Daily	None
Global asset allocation funds	4,439,848	-	Monthly	15 business days
REIT	1,703,155	-		
Alternative investment fund	7,766,189	-	Weekly	5 days
Total investments measure at NAV	22,827,847	-		
General Retirement System				
International equity funds	320,774,019	-	Monthly	Up to 30 days
Fixed-income funds	155,234,073	-	Daily	10 business days
Hedge funds	171,085,933	-	Quarterly	Up to 100 days
Private equity funds	102,518,648	42,530,780	N/A	N/A
Real estate funds	222,618,020	635,461	Quarterly	Up to 90 days
Total investments measure at NAV	972,230,693	43,166,241		
Police and Fire Retirement System				
International equity funds	243,139,443	-	Monthly	Up to 30 days
Fixed-income funds	32,994,924	-	Monthly	Up to 30 days
Global equity funds	164,367,122	-	Monthly	Up to 30 days
Hedge funds	182,702,516	-	Annually	Up to 100 days
Private equity funds	227,291,352	204,226,048	N/A	N/A
Real estate funds	369,556,814	72,421,840	Quarterly	Up to 90 days
Total investments measure at NAV	1,220,052,171	276,647,888		
Total	<u>\$ 2,756,361,629</u>	<u>\$ 319,814,129</u>		

Multiple funds are held in each category. For reporting purposes, the redemption frequency and redemption notice period provided are the most restrictive of any of the funds in the category.

Note 3 - Deposits and Investments (Continued)

Primary Government and Agency Funds

NAV Investment Disclosures

Money market mutual funds invest their assets in debt securities issued or guaranteed by U.S. government agencies or instrumentalities or government-sponsored enterprises (GSEs) and repurchase agreements fully collateralized by U.S. Treasury and government securities.

The U.S. government funds invest exclusively in short-term U.S. government securities, including repurchase agreements secured by U.S. government securities. U.S. government securities are bonds or other debt obligations issued or guaranteed as to principal and interest by the U.S. government or one of its agencies or instrumentalities. U.S. Treasury securities and some obligations of U.S. government agencies and instrumentalities are supported by the full faith and credit of the U.S. government. Other U.S. government securities are backed by the right of the issuer to borrow from the U.S. Treasury, while others are supported only by the credit of the issuer or instrumentality.

The local government investment pools invest in obligations of the United States government and its agencies, high-quality fixed-income securities of U.S. companies, and obligations of financial institutions.

Other Employee Benefits Fund

NAV Investment Disclosures

The equity class is made up of multiple funds, each with a designated single investment objective to manage a broad market index portfolio and to track, within acceptable tracking parameters, the return and risk characteristics of either the S&P 400, 500, or 600 Indices. The international equity fund has a designated single investment objective to manage a broad market index portfolio and to track, within acceptable tracking parameters, the return and risk characteristics of the MSCI EAFE Index.

The international equity fund has a designated single investment objective to manage a broad market index portfolio and to track, within acceptable tracking parameters, the return and risk characteristics of the MSCI EAFE Index.

The alternative investment fund is designed to capture growth with less risk than equities by managing a broad opportunity set of asset classes, including, but not limited to, global equities, global bonds, commodities, currencies, and cash.

The private equity funds class is an alternative investment class and consists of investments in companies that are not listed on a public exchange. The other employee benefits fund maintains a diversified portfolio of private equity investments by both style (buyout, turnaround, venture capital, etc.) and vintage year exposure. With its private equity allocation, the other employee benefits fund seeks to take advantage of the illiquidity premium associated with these private equity investments. The fair values of the investments in this class have been estimated using net asset value per share of the investments (or its equivalent).

Retirement Systems

NAV Investment Disclosures

The international equity funds class includes investments in funds that invest predominantly in equity securities of non-U.S. companies. The funds invest in developed and emerging market countries and utilize investments across the capitalization spectrum from large to small companies. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

The fixed-income funds class includes investments in funds that invest predominantly in fixed-income instruments in the U.S. and developed and emerging market countries. The funds invest across a diverse group of security types, including government, corporate, and mortgage-backed debt and across the credit quality spectrum of investment grade and high yield. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

Note 3 - Deposits and Investments (Continued)

The global equity funds includes investments in funds that are designed to achieve a return volatility considerably less than the global equity market while providing market-like or above-market returns over a full market cycle. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

The hedge funds class includes investments in funds that achieve capital appreciation through multimanaged and/or multistrategy investments. Within this group of funds, there is exposure to investment strategies, including, but not limited to, credit, event-driven, equity, and relative value. The funds have the ability to invest across all markets and across all asset classes to implement their various strategies. The fair values of the investments in this class have been estimated using net asset value per share of the investments. Approximately 1 percent of the value of the investment in the hedge fund class above is in the process of being liquidated by the fund manager. Distributions from each fund will be received as the underlying investments of the fund are liquidated. It is estimated that the underlying investments of the fund will be liquidated over the next 12 to 18 months and 18 to 24 months for the General Retirement System and Police and Fire Retirement System, respectively.

The private equity funds class is an alternative investment class and consists of investments in companies that are not listed on a public exchange. The General Retirement System and Police and Fire Retirement System maintain a diversified portfolio of private equity investments by both style (buyout, turnaround, venture capital, etc.) and vintage year exposure. With its private equity allocation, the General Retirement System and Police and Fire Retirement System seek to take advantage of the illiquidity premium associated with these private equity investments. The fair values of the investments in this class have been estimated using net asset value per share of the investments (or its equivalents).

The real estate funds class includes investments in funds whose objective is to operate a core portfolio of real estate investments predominantly located in the U.S. The funds acquire ownership in underlying investments either through direct real estate ownership or ownership in real estate companies or the equity of real estate investment trusts. The funds predominantly target purchases in office, industrial, retail, or multifamily real estate classes. The fair values of the investments in this class have been estimated using net asset value per share of the investments (or its equivalents).

Component Units - Downtown Development Authority

Custodial Credit Risk of Bank Deposits

The DDA does not have a deposit policy for custodial credit risk. At June 30, 2019, the DDA had deposits of \$12,219,025 that were exposed to custodial credit risk, as they were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the DDA will not recover its investments due to the inability of the counterparty to fulfill its obligations. State statutes authorize the DDA to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, bankers' acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Act, and mutual funds composed entirely of the above investments. The DDA has no investment policy that would further limit its investment options.

June 30, 2019

Note 3 - Deposits and Investments (Continued)

The DDA's investments have the following ratings at June 30, 2019, as rated by S&P or Moody's:

	AAAmf	AAAm	Not rated	Total
Money market mutual funds	\$ 52,325,776	\$ -	\$ -	\$ 52,325,776
Municipal bonds	-	12,368,244	-	12,368,244
U.S. Treasury fund	-	38,145	-	38,145
Comerica J Fund	-	-	10,277,143	10,277,143
Repurchase agreements	-	-	3,000,000	3,000,000
Total	<u>\$ 52,325,776</u>	<u>\$ 12,406,389</u>	<u>\$ 13,277,143</u>	<u>\$ 78,009,308</u>

Fair Value

The DDA categorizes investments in the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets or liabilities in active markets; Level 3 inputs are unobservable in the market and are the least reliable. The DDA had the following recurring fair value measurements as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investments by Fair Value				
Money market mutual funds	\$ 75,009,308	\$ -	\$ -	\$ 75,009,308
Repurchase agreements	-	3,000,000	-	3,000,000
Total	<u>\$ 75,009,308</u>	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 78,009,308</u>

Component Units - Economic Development Corporation

Custodial Credit Risk of Bank Deposits

The EDC does not have a deposit policy for custodial credit risk. As of June 30, 2019, the EDC had checking and escrow bank balances of \$9,665,847, of which \$8,915,847 was uninsured and uncollateralized.

Investments

The EDC uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable or corroborated or are generally unobservable. The EDC utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the EDC applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

June 30, 2019

Note 3 - Deposits and Investments (Continued)

The measurement of fair value includes a hierarchy based on the quality inputs used to measure fair value. Financial assets and liabilities are categorized into this three-level fair value hierarchy based on the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. Level 1 financial assets and liabilities are based on unadjusted quoted market prices for identical assets and liabilities in active markets that the EDC has the ability to access, Level 2 financial assets and liabilities are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability, and Level 3 financial assets and liabilities whole values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. The EDC’s fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2019 is summarized as follows:

	Level 1	Level 2	Level 3	Total
Investments by Fair Value				
Money market funds	\$ 22,654,620	\$ -	\$ -	\$ 22,654,620

The EDC does not have a formal investment policy that limits investments maturities as a means of managing exposure to fair value losses arising from increasing interest rates. Individual investments that represent 5 percent or more of the EDC’s total investments have the following ratings at June 30, 2019, as rated by S&P Global:

	AAAmf	AAAm	Total
U.S. Gov Money Market Fund	\$ 21,050,000	\$ -	\$ 21,050,000
Prime Money Market Fund	-	1,429,620	1,429,620
U.S. Treasury Plus Money Market Fund	-	175,000	175,000
Total	\$ 21,050,000	\$ 1,604,620	\$ 22,654,620

Note 4 - Restricted Assets

At June 30, 2019, restricted assets of the primary government and component units are restricted for the following purposes:

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Unspent bond proceeds and related interest	\$ 114,532,359	\$ 116,990,670	\$ 231,523,029	\$ -
Other debt-related reserves and escrow balances	172,121,465	-	172,121,465	-
Amounts legally restricted to fund pension benefits	129,540,325	-	129,540,325	-
Amounts legally restricted to cover future General Fund expenditures, as required by the State of Michigan	10,007,492	-	10,007,492	-
Amounts held in escrow from various restricted sources	41,936,878	-	41,936,878	525,083
Amounts required to be set aside by oversight agencies for grants	1,003,073	-	1,003,073	-
Restricted cash held at the State for income taxes	7,786,068	-	7,786,068	-
Other various assets restricted by source and irrevocable held in trust or escrow	9,921,483	7,500,000	17,421,483	2,983,899
Housing projects	-	-	-	27,800,906
Funded reserves	-	-	-	11,013,772
Development program activities	-	-	-	4,271,478
Other	-	1,334,862	1,334,862	606,737
Total	\$ 486,849,143	\$ 125,825,532	\$ 612,674,675	\$ 47,201,875

June 30, 2019

Note 4 - Restricted Assets (Continued)

These balances in restricted assets are composed of the following:

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Restricted cash and cash equivalents	\$ 476,376,146	\$ 125,825,532	\$ 602,201,678	\$ 25,882,297
Restricted assets - Cash held at the State of Michigan	7,786,068	-	7,786,068	-
Restricted assets - Accrued interest receivable	-	-	-	19,000,759
Restricted assets - Investments	2,686,929	-	2,686,929	2,318,819
Total	\$ 486,849,143	\$ 125,825,532	\$ 612,674,675	\$ 47,201,875

Note 5 - Interfund Receivables, Payables, and Transfers

During the course of operations, numerous transactions occur between the City's funds for goods provided and services rendered and for the reimbursement of expenditures. Related interfund receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet and statement of net position and will be settled within one year. Interfund receivables and payables at June 30, 2019 are as follows:

Fund Recording From	Fund Recording Due To					
	General Fund	Nonmajor Governmental Funds	Sewage Disposal Fund	Transportation Fund	Water Fund	Public Lighting Authority
General Fund	\$ -	\$ 40,637,121	\$ 4,328,420	\$ -	\$ 3,521,331	\$ 2,651,379
Nonmajor governmental funds	31,370,686	8,078,767	-	-	-	-
Transportation Fund	18,086,207	307,586	-	-	-	-
Water Fund	-	121,061	4,986,599	-	-	-
Nonmajor enterprise funds	-	196,665	-	82,651	-	-
Internal service funds	-	-	4,245,735	2,164,414	2,110,758	-
Total liabilities	\$ 49,456,893	\$ 49,341,200	\$ 13,560,754	\$ 2,247,065	\$ 5,632,089	\$ 2,651,379

Fund Recording From	Fund Recording Due To		
	Nonmajor Enterprise Funds	Internal Service Funds	Total Assets
General Fund	\$ 8,107,326	\$ 3,744,200	\$ 62,989,777
Nonmajor governmental funds	13,100	-	39,462,553
Transportation Fund	-	-	18,393,793
Water Fund	3,438	-	5,111,098
Nonmajor enterprise funds	355	20,264	299,935
Internal service funds	312,117	-	8,833,024
Total liabilities	\$ 8,436,336	\$ 3,764,464	\$ 135,090,180

June 30, 2019

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

The City has made the following long-term advances between funds and discretely presented component units:

Fund Borrowed From	Fund Loaned To	Amount
General Fund	Sewage Disposal Fund	\$ 18,208,219
	Transportation Fund	17,966,382
	Water Fund	10,924,937
	Nonmajor enterprise funds	<u>841,632</u>
	Total advances to other funds	47,941,170
General Fund	Detroit Public Library	3,930,294
	Detroit Land Bank Authority	<u>12,000,000</u>
	Total advances to component unit	<u>15,930,294</u>
	Total General Fund	<u>\$ 63,871,464</u>

During the course of the fiscal year, transactions occur between the City's funds for operating subsidies. Related interfund receipts and disbursements are classified as "transfers in" and "transfers out" on the statements of revenue, expenditures/expenses, and changes in fund balances/net position. The transfers are routine and consistent with the activities of the funds. Transfers between funds during the year ended June 30, 2019 are as follows:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Transportation Fund	\$ 61,491,425
	Public Lighting Authority	10,099,883
	Nonmajor enterprise funds	2,221,936
	Nonmajor governmental funds	<u>5,942,078</u>
	Total General Fund	79,755,322
Nonmajor governmental funds	Transportation Fund	1,614,801
	General Fund	<u>15,014,307</u>
	Total nonmajor governmental funds	<u>16,629,108</u>
	Total	<u>\$ 96,384,430</u>

The General Fund transferred \$79.8 million to other funds. The largest transfer from the General Fund was made to the Transportation Fund for \$61.5 million. The transfer was of unrestricted funds for operating purposes. The nonmajor governmental funds transferred \$16.6 million to other funds. Included in this amount is \$15.0 million from the Construction Code Fund (Buildings, Safety Engineering, and Environmental Department) to the General Fund to repay several years in operating loans taken from the General Fund per the plan of adjustment.

June 30, 2019

Note 6 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

Governmental Activities

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 369,386,582	\$ 500,000	\$ -	\$ -	\$ 369,886,582
Works of art	29,788,133	-	-	-	29,788,133
Construction in progress	37,893,799	(31,371,252)	29,547,950	-	36,070,497
Total nondepreciable capital assets	437,068,514	(30,871,252)	29,547,950	-	435,745,212
Capital assets being depreciated:					
Buildings and improvements	1,135,322,174	34,183,671	23,690,806	(21,356,916)	1,171,839,735
Machinery, equipment, and fixtures	350,544,027	496,970	56,401,295	(40,450,673)	366,991,619
Infrastructure	1,317,663,167	4,846,611	29,873,881	(447,437)	1,351,936,222
Total depreciable assets	2,803,529,368	39,527,252	109,965,982	(62,255,026)	2,890,767,576
Accumulated depreciation:					
Buildings and improvements	575,252,539	1,238,076	30,169,577	(18,441,773)	588,218,419
Machinery, equipment, and fixtures	262,099,323	256,203	29,112,428	(39,349,457)	252,118,497
Infrastructure	972,625,518	-	39,623,137	(210,584)	1,012,038,071
Total accumulated depreciation	1,809,977,380	1,494,279	98,905,142	(58,001,814)	1,852,374,987
Net capital assets being depreciated	993,551,988	38,032,973	11,060,840	(4,253,212)	1,038,392,589
Net governmental activities capital assets	\$ 1,430,620,502	\$ 7,161,721	\$ 40,608,790	\$ (4,253,212)	\$ 1,474,137,801

During the year, the Automobile Parking Fund transferred assets with a net book value of approximately \$7 million to governmental activities. This is reflected above as part of the reclassification column.

June 30, 2019

Note 6 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Water Fund					
Capital assets not being depreciated:					
Land and land rights	\$ 1,327,637	\$ -	\$ -	\$ -	\$ 1,327,637
Construction in progress	18,657,203	(21,973,437)	42,424,889	-	39,108,655
Total nondepreciable capital assets	19,984,840	(21,973,437)	42,424,889	-	40,436,292
Capital assets being depreciated:					
Land improvements	4,791,365	51,834	-	-	4,843,199
Buildings and structures	55,525,458	282	-	-	55,525,740
Mains	518,035,804	16,280,541	-	-	534,316,345
Services	48,981,409	1,864,397	-	-	50,845,806
Meters	127,829,322	823,320	-	-	128,652,642
Machinery, equipment, and fixtures	87,282,652	4,301,552	-	(8,284,650)	83,299,554
Total depreciable assets	842,446,010	23,321,926	-	(8,284,650)	857,483,286
Accumulated depreciation:					
Land improvements	1,167,870	-	63,922	-	1,231,792
Buildings and structures	42,738,795	-	604,392	-	43,343,187
Mains	140,681,101	-	7,344,153	-	148,025,254
Services	30,694,332	-	517,916	-	31,212,248
Meters	74,530,943	-	4,775,504	-	79,306,447
Machinery, equipment, and fixtures	46,708,683	1,136,567	3,666,569	(6,955,390)	44,556,429
Total accumulated depreciation	336,521,724	1,136,567	16,972,456	(6,955,390)	347,675,357
Net capital assets being depreciated	505,924,286	22,185,359	(16,972,456)	(1,329,260)	509,807,929
Net Water Fund capital assets	\$ 525,909,126	\$ 211,922	\$ 25,452,433	\$ (1,329,260)	\$ 550,244,221

June 30, 2019

Note 6 - Capital Assets (Continued)

Business-type Activities (Continued)

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Sewage Disposal Fund					
Capital assets not being depreciated:					
Land and land rights	\$ 72,326	\$ -	\$ -	\$ -	\$ 72,326
Construction in progress	20,124,349	(4,834,162)	42,241,794	-	57,531,981
Total nondepreciable capital assets	20,196,675	(4,834,162)	42,241,794	-	57,604,307
Capital assets being depreciated:					
Land improvements	8,980,887	1,486,357	-	-	10,467,244
Buildings and structures	508,916,136	(1,132,764)	-	-	507,783,372
Interceptors and regulators	221,968	-	-	-	221,968
Machinery, equipment, and fixtures	107,048,257	261,066	(5,151,601)	-	102,157,722
Total depreciable assets	625,167,248	614,659	(5,151,601)	-	620,630,306
Accumulated depreciation:					
Land improvements	1,393,804	-	103,378	-	1,497,182
Buildings and structures	96,069,186	-	7,069,029	-	103,138,215
Interceptors and regulators	52,996	-	3,330	-	56,326
Machinery, equipment, and fixtures	55,866,224	(1,136,565)	4,804,636	(4,384,111)	55,150,184
Total accumulated depreciation	153,382,210	(1,136,565)	11,980,373	(4,384,111)	159,841,907
Net capital assets being depreciated	471,785,038	1,751,224	(17,131,974)	4,384,111	460,788,399
Net Sewage Disposal Fund capital assets	\$ 491,981,713	\$ (3,082,938)	\$ 25,109,820	\$ 4,384,111	\$ 518,392,706

June 30, 2019

Note 6 - Capital Assets (Continued)

Business-type Activities (Continued)

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Transportation Fund					
Capital assets not being depreciated:					
Land and land rights	\$ 6,434,596	\$ -	\$ 775,000	\$ (399,903)	\$ 6,809,693
Construction in progress	3,503,367	-	5,616,322	(5,860,662)	3,259,027
Total nondepreciable capital assets	9,937,963	-	6,391,322	(6,260,565)	10,068,720
Capital assets being depreciated:					
Buildings and structures	140,143,905	-	8,172,862	(3,104,031)	145,212,736
Vehicles and buses	120,503,434	-	17,196,189	(2,125,425)	135,574,198
Machinery, equipment, and fixtures	30,632,584	-	472,556	(334,714)	30,770,426
Total depreciable assets	291,279,923	-	25,841,607	(5,564,170)	311,557,360
Accumulated depreciation:					
Buildings and structures	67,895,061	-	1,859,512	(2,059,958)	67,694,615
Vehicles	63,210,569	-	9,042,830	(2,438,426)	69,814,973
Furniture and equipment	23,994,704	-	1,944,182	(750,899)	25,187,987
Total accumulated depreciation	155,100,334	-	12,846,524	(5,249,283)	162,697,575
Net capital assets being depreciated	136,179,589	-	12,995,083	(314,887)	148,859,785
Net Transportation Fund capital assets	<u>\$ 146,117,552</u>	<u>\$ -</u>	<u>\$ 19,386,405</u>	<u>\$ (6,575,452)</u>	<u>\$ 158,928,505</u>
	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Public Lighting Authority Fund					
Capital assets being depreciated:					
Structures	\$ 181,885,210	\$ -	\$ 2,574,361	\$ -	\$ 184,459,571
Machinery, equipment, and fixtures	765,743	-	124,497	(42,844)	847,396
Total depreciable assets	182,650,953	-	2,698,858	(42,844)	185,306,967
Accumulated depreciation:					
Structures	6,062,840	-	6,062,840	-	12,125,680
Machinery, equipment, and fixtures	425,879	-	146,491	(35,200)	537,170
Total accumulated depreciation	6,488,719	-	6,209,331	(35,200)	12,662,850
Net Public Lighting Authority Fund capital assets	<u>\$ 176,162,234</u>	<u>\$ -</u>	<u>\$ (3,510,473)</u>	<u>\$ (7,644)</u>	<u>\$ 172,644,117</u>

June 30, 2019

Note 6 - Capital Assets (Continued)

Business-type Activities (Continued)

	Balance July 1, 2018	Transfers	Additions	Disposals and Adjustments	Balance June 30, 2019
Nonmajor Proprietary Funds - Automobile Parking Fund					
Capital assets not being depreciated:					
Land and land rights	\$ 4,241,273	\$ (500,000)	\$ -	\$ -	\$ 3,741,273
Construction in progress	8,445,780	-	1,789,189	(9,175,952)	1,059,017
Total nondepreciable capital assets	12,687,053	(500,000)	1,789,189	(9,175,952)	4,800,290
Capital assets being depreciated:					
Land improvements	214,908	(20,113)	-	-	194,795
Buildings and structures	148,242,439	(10,932,844)	1,512,535	(13,780)	138,808,350
Vehicles and buses	1,619,275	-	4,050	(80,650)	1,542,675
Machinery, equipment, and fixtures	4,611,157	(496,970)	6,571,433	(225,010)	10,460,610
Total depreciable assets	154,687,779	(11,449,927)	8,088,018	(319,440)	151,006,430
Accumulated depreciation:					
Land improvements	212,341	(20,113)	961	-	193,189
Buildings and structures	130,553,360	(4,511,890)	1,121,425	7,784	127,170,679
Vehicles and buses	1,117,952	-	166,929	(80,654)	1,204,227
Machinery, equipment, and fixtures	3,619,862	(256,203)	1,294,745	(339,165)	4,319,239
Total accumulated depreciation	135,503,515	(4,788,206)	2,584,060	(412,035)	132,887,334
Net capital assets being depreciated	19,184,264	(6,661,721)	5,503,958	92,595	18,119,096
Net nonmajor proprietary funds - Automobile Parking Fund capital assets	\$ 31,871,317	\$ (7,161,721)	\$ 7,293,147	\$ (9,083,357)	\$ 22,919,386

During the year, the Automobile Parking Fund transferred assets with a net book value of approximately \$7 million to governmental activities.

June 30, 2019

Note 6 - Capital Assets (Continued)

Business-type Activities (Continued)

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Nonmajor Proprietary Funds - Airport Fund					
Capital assets not being depreciated:					
Land	\$ 16,021,972	\$ -	\$ -	\$ -	\$ 16,021,972
Construction in progress	-	-	1,698,024	-	1,698,024
Total nondepreciable capital assets	16,021,972	-	1,698,024	-	17,719,996
Capital assets being depreciated:					
Infrastructure	-	-	2,368,295	-	2,368,295
Land improvements	9,830,941	-	-	-	9,830,941
Buildings and structures	6,615,899	-	-	-	6,615,899
Vehicles and buses	282,994	-	-	-	282,994
Machinery, equipment, and fixtures	1,567,655	-	97,200	-	1,664,855
Total depreciable assets	18,297,489	-	2,465,495	-	20,762,984
Accumulated depreciation:					
Land improvements	8,151,945	-	83,649	-	8,235,594
Buildings and structures	5,429,628	-	51,610	-	5,481,238
Vehicles and buses	252,811	-	4,163	-	256,974
Machinery, equipment, and fixtures	1,639,672	-	9,859	-	1,649,531
Total accumulated depreciation	15,474,056	-	149,281	-	15,623,337
Net capital assets being depreciated	2,823,433	-	2,316,214	-	5,139,647
Net nonmajor proprietary funds - Airport Fund capital assets	<u>\$ 18,845,405</u>	<u>\$ -</u>	<u>\$ 4,014,238</u>	<u>\$ -</u>	<u>\$ 22,859,643</u>

June 30, 2019

Note 6 - Capital Assets (Continued)

Capital asset activity for certain component units of the City's for the year ended June 30, 2019 was as follows:

Component Units

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Detroit Housing Commission					
Capital assets not being depreciated:					
Land	\$ 73,209,783	\$ -	\$ -	\$ (2,096,132)	\$ 71,113,651
Construction in progress	2,531,607	-	508,034	(84,677)	2,954,964
Total nondepreciable capital assets	75,741,390	-	508,034	(2,180,809)	74,068,615
Depreciable capital assets:					
Structures and improvements	79,100,171	-	64,665	-	79,164,836
Equipment	7,380,050	-	181,444	-	7,561,494
Total depreciable assets	86,480,221	-	246,109	-	86,726,330
Accumulated depreciation:					
Structures and improvements	41,087,059	-	4,540,226	-	45,627,285
Equipment	7,249,864	-	354,170	-	7,604,034
Total accumulated depreciation	48,336,923	-	4,894,396	-	53,231,319
Net capital assets being depreciated	38,143,298	-	(4,648,287)	-	33,495,011
Net Detroit Housing Commission capital assets	<u>\$ 113,884,688</u>	<u>\$ -</u>	<u>\$ (4,140,253)</u>	<u>\$ (2,180,809)</u>	107,563,626
Detroit Housing Commission component unit net capital assets					<u>217,907,494</u>
Total Detroit Housing Commission net capital assets					<u>\$ 325,471,120</u>

June 30, 2019

Note 6 - Capital Assets (Continued)

Component Units (Continued)

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Downtown Development Authority					
Capital assets not being depreciated - Land	\$ 55,344,670	\$ -	\$ -	\$ -	\$ 55,344,670
Depreciable capital assets:					
Buildings	976,529,583	-	3,095,777	-	979,625,360
Equipment	68,446	-	-	-	68,446
Land improvements	2,594,915	-	-	(15,400)	2,579,515
Total depreciable assets	979,192,944	-	3,095,777	(15,400)	982,273,321
Accumulated depreciation:					
Buildings	43,196,952	-	28,227,631	-	71,424,583
Equipment	68,446	-	-	-	68,446
Land improvements	2,430,710	-	128,105	(15,400)	2,543,415
Total accumulated depreciation	45,696,108	-	28,355,736	(15,400)	74,036,444
Net capital assets being depreciated	933,496,836	-	(25,259,959)	-	908,236,877
Net Downtown Development Authority capital assets	<u>\$ 988,841,506</u>	<u>\$ -</u>	<u>\$ (25,259,959)</u>	<u>\$ -</u>	<u>\$ 963,581,547</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
Public protection	\$ 22,111,168
Health	88,092
Economic development	6,167,194
Recreation and culture	12,875,138
Housing supply and conditions	472,665
Physical environment	8,672,731
Transportation facilitation	35,396,117
Development and management	13,122,037
Total governmental activities	<u>\$ 98,905,142</u>

Construction Commitments

See Note 12 for discussion of commitment related to construction activities.

June 30, 2019

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2019 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Refunded and Remarketed	Ending Balance	Due within One Year
Other debt:						
General obligations bonds	\$ 507,020,354	\$ 135,000,000	\$ -	\$ (158,596,097)	\$ 483,424,257	\$ 9,160,000
Unamortized bond premiums	18,990,456	3,210,543	(7,430,024)	-	14,770,975	4,865,742
Total other debt	526,010,810	138,210,543	(7,430,024)	(158,596,097)	498,195,232	14,025,742
Direct placements and borrowings:						
Revenue bonds payable	34,000,000	51,000,000	-	-	85,000,000	-
Notes payable	49,567,000	-	(5,061,000)	-	44,506,000	4,581,000
General obligations bonds	872,865,000	175,985,000	(51,505,000)	-	997,345,000	68,385,000
Total direct placements and borrowings	956,432,000	226,985,000	(56,566,000)	-	1,126,851,000	72,966,000
Other long-term liabilities:						
Compensated absences	85,223,561	56,391,950	(44,028,501)	-	97,587,010	44,028,501
Workers' compensation	63,003,000	7,472,547	(12,611,547)	-	57,864,000	9,337,000
Claims and judgments	61,560,855	59,932,829	(19,534,546)	-	101,959,138	6,404,105
Pollution remediation	54,625	-	-	-	54,625	-
Total other long-term liabilities	209,842,041	123,797,326	(76,174,594)	-	257,464,773	59,769,606
Total governmental activities long-term debt	<u>\$ 1,692,284,851</u>	<u>\$ 488,992,869</u>	<u>\$ (140,170,618)</u>	<u>\$ (158,596,097)</u>	<u>\$ 1,882,511,005</u>	<u>\$ 146,761,348</u>

June 30, 2019

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Water Fund					
Direct borrowings and direct placements - Revenue obligations:					
Revenue bonds payable	\$ 50,740,000	\$ -	\$ -	\$ 50,740,000	\$ -
State revolving loans	8,263,623	5,855,865	(316,620)	13,802,868	365,900
Contractual obligation to GLWA	<u>425,333,500</u>	<u>-</u>	<u>(13,192,900)</u>	<u>412,140,600</u>	<u>13,820,900</u>
Total direct borrowings and direct placements - Revenue obligations	484,337,123	5,855,865	(13,509,520)	476,683,468	14,186,800
Other debt:					
General obligation - Financial recovery bonds	26,540,079	-	(8,294,673)	18,245,406	-
Unamortized bond premiums	<u>6,262,406</u>	<u>-</u>	<u>(135,787)</u>	<u>6,126,619</u>	<u>141,568</u>
Total obligations - Net	517,139,608	5,855,865	(21,939,980)	501,055,493	14,328,368
Other long-term liabilities:					
Compensated absences	1,675,525	797,759	(929,079)	1,544,205	393,433
Workers' compensation	6,311,000	883,490	(2,215,490)	4,979,000	793,000
Claims and judgments	<u>577,199</u>	<u>2,952,801</u>	<u>-</u>	<u>3,530,000</u>	<u>-</u>
Total other long-term liabilities	<u>8,563,724</u>	<u>4,634,050</u>	<u>(3,144,569)</u>	<u>10,053,205</u>	<u>1,186,433</u>
Total Water Fund long-term debt	<u>\$ 525,703,332</u>	<u>\$ 10,489,915</u>	<u>\$ (25,084,549)</u>	<u>\$ 511,108,698</u>	<u>\$ 15,514,801</u>

June 30, 2019

Note 7 - Long-term Debt (Continued)

Business-type Activities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Sewage Disposal Fund					
Direct borrowings and direct placements:					
Contractual revenue obligation to GLWA	\$ 346,828,300	\$ -	\$ (11,253,800)	\$ 335,574,500	\$ 11,741,100
Revenue bonds	-	81,595,000	-	81,595,000	-
Shortfall payable to GLWA	-	53,413,034	(9,367,355)	44,045,679	17,542,669
Total direct borrowings and direct placements - Revenue obligations	346,828,300	135,008,034	(20,621,155)	461,215,179	29,283,769
Other debt:					
General obligation - Financial recovery bonds	44,233,460	-	(13,824,447)	30,409,013	-
Unamortized bond premiums	-	9,936,771	(249,539)	9,687,232	348,679
Total obligations - Net	391,061,760	144,944,805	(34,695,141)	501,311,424	29,632,448
Other long-term liabilities:					
Compensated absences	2,513,288	2,483,475	(1,393,619)	3,603,144	918,010
Workers' compensation	1,727,000	296,200	(891,200)	1,132,000	208,000
Claims and judgments	11,879,600	5,190,000	(11,879,600)	5,190,000	-
Total other long-term liabilities	16,119,888	7,969,675	(14,164,419)	9,925,144	1,126,010
Total Sewage Disposal Fund long-term debt	<u>\$ 407,181,648</u>	<u>\$ 152,914,480</u>	<u>\$ (48,859,560)</u>	<u>\$ 511,236,568</u>	<u>\$ 30,758,458</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Transportation Fund					
Other debt - General obligation - Financial recovery bonds	\$ 43,552,037	\$ -	\$ (13,618,519)	\$ 29,933,518	\$ -
Other long-term liabilities:					
Compensated absences	3,313,177	2,327,856	(2,363,324)	3,277,709	2,396,680
Disability obligation	691,105	230,319	-	921,424	241,341
Total other long-term liabilities	4,004,282	2,558,175	(2,363,324)	4,199,133	2,638,021
Total Transportation Fund long-term debt	<u>\$ 47,556,319</u>	<u>\$ 2,558,175</u>	<u>\$ (15,981,843)</u>	<u>\$ 34,132,651</u>	<u>\$ 2,638,021</u>

June 30, 2019

Note 7 - Long-term Debt (Continued)

Business-type Activities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Public Lighting Authority					
Direct borrowings and direct placements - General obligation bonds (including \$9,735,918 premium)	\$ 182,330,918	\$ -	\$ (3,749,458)	\$ 178,581,460	\$ 374,458
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Nonmajor Proprietary Funds - Automobile Parking Fund					
Other debt - General obligations - Financial recovery bonds	\$ 700,204	\$ -	\$ (218,938)	\$ 481,266	\$ -
Other long-term liabilities:					
Compensated absences	135,499	43,200	-	178,699	178,699
Workers' compensation	327,000	-	-	327,000	276,000
Claims and judgments	3,000	2,606	-	5,606	-
Total other long-term liabilities	465,499	45,806	-	511,305	454,699
Total nonmajor proprietary funds - Automobile Parking Fund long-term debt	\$ 1,165,703	\$ 45,806	\$ (218,938)	\$ 992,571	\$ 454,699
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Nonmajor Proprietary Funds - Airport Fund					
Other debt - General obligations - Financial recovery bonds	\$ 552,308	\$ -	\$ (164,074)	\$ 388,234	\$ -
Other long-term liabilities:					
Compensated absences	36,748	-	(5,161)	31,587	31,587
Claims and judgments	2,000,000	3,000,000	-	5,000,000	-
Total other long-term liabilities	2,036,748	3,000,000	(5,161)	5,031,587	-
Total nonmajor proprietary funds - Airport Fund long-term debt	\$ 2,589,056	\$ 3,000,000	\$ (169,235)	\$ 5,419,821	\$ 31,587

June 30, 2019

Note 7 - Long-term Debt (Continued)

Component Units

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Detroit Public Library					
Other debt - General obligations - Financial recovery bonds	\$ 9,365,699	\$ -	\$ (2,926,988)	\$ 6,438,711	\$ -
Other long-term liabilities:					
Retiree settlement	5,199,500	-	(330,000)	4,869,500	330,000
Accrued compensated absences	3,109,931	1,725,712	(635,776)	4,199,867	635,776
Accrued workers' compensation	106,000	-	(21,000)	85,000	34,000
Total other long-term liabilities	8,415,431	1,725,712	(986,776)	9,154,367	999,776
Total Detroit Public Library Fund long-term debt	\$ 17,781,130	\$ 1,725,712	\$ (3,913,764)	\$ 15,593,078	\$ 999,776
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Downtown Development Authority					
Direct borrowing and direct placement debt obligations:					
Contracts payable	2,800,000	-	-	2,800,000	-
Notes payable	2,175,407	-	(53,513)	2,121,894	2,004,593
Bonds payable	334,090,675	311,530,000	(314,431,368)	331,189,307	1,361,991
Bond discount	(489,023)	(2,839,640)	266,897	(3,061,766)	(155,692)
Total Downtown Development Authority long-term debt	\$ 338,577,059	\$ 308,690,360	\$ (314,217,984)	\$ 333,049,435	\$ 3,210,892

Long-term Advances

During the year, the City entered into a memorandum of understanding with the Detroit Water and Sewerage Department, Detroit Department of Transportation, Airport Department, Municipal Parking Department, and the Detroit Public Library (collectively, the "Debtor Parties") in order to define the obligations of the Debtor Parties to the City with respect to a portion of the Financial Recovery Bonds, Series 2014-B(1) and Series 2014-B(2) that has been purchased and canceled by the City (see further information regarding the purchase and cancellation in the "Financial Recovery Bonds" section of the footnote).

During the year ended June 30, 2018, the City's General Fund redeemed the 2014-C bonds. The City entered into a memorandum of understanding with DWSD (the Water and Sewage Disposal funds), DDOT (the Transportation Fund), and the Detroit Public Library stating that DWSD, DDOT, and the Detroit Public Library agree to repay the General Fund for their respective portion of the redemption by continuing to make payments to the City in accordance with the original amortization schedules of the 2014-C Bonds.

June 30, 2019

Note 7 - Long-term Debt (Continued)

As a result of the agreement above, the Water Fund, Sewage Disposal Fund, Transportation Fund, and Detroit Public Library each recognized a reduction of their share of the general obligation debt and recorded a long-term advance payable to the City in accordance with the same interest rates and amortization schedule applicable to the 2014-C bonds. As of June 30, 2019, the amounts owed to the General Fund by DWSD, DDOT, and the Detroit Public Library were \$2,630,264 (Water Fund), \$4,359,916 (Sewage Disposal Fund), \$4,347,863 (Transportation Fund), and \$1,003,307 (Detroit Public Library). The current portions of these long-term advances are \$300,585 (Water Fund), \$500,975 (Sewage Disposal Fund), \$496,871 (Transportation Fund), and \$109,197 (Detroit Public Library). These long-term advances are considered direct borrowings.

As a result of the agreement above, the Water Fund, Sewage Disposal Fund, Transportation Fund, Parking Fund, Airport Fund, and Detroit Public Library each recognized a reduction of their share of the General Obligation debt and recorded a long-term advance payable to the City in accordance with the same interest rates and amortization schedule applicable to the General Obligation debt purchased and canceled. As of June 30, 2019, the amounts owed by each of the Debtor Parties were \$8,294,673 (Water Fund), \$13,848,303 (Sewage Disposal Fund), \$13,618,519 (Transportation Fund), \$218,938 (Parking Fund), \$622,694 (Airport Fund), and \$2,926,987 (Detroit Public Library). These long-term advances are considered a direct borrowing of each of the Debtor Parties.

General Obligation Bonds***Governmental Activities***

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities and equipment. General obligation bonds were also issued for financial recovery costs, as well as quality of life initiatives. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are backed by the full faith and, in some cases, unlimited taxing power of the City or are unsecured and will be paid by other specific revenue sources of the City. The debt for governmental activities will be retired by future property tax levies, Michigan Transportation Fund distributions, and other resources accumulated in the General Fund and the Debt Service Fund (other governmental). The debt for business-type activities will be retired by revenue from those operations.

Bond Refunding

In a previous year, the following series of outstanding bonds were advance refunded by the 2016-C Distributable State Aid Bonds discussed below: 1999-A; 2001-A(1); 2002; 2003-A; 2004-A(1), B(1), and B(2); 2005-B and C; 2008-A and B(1); 2010; 2012-C; and 2014A1 to K2 (1A-11B). The 1999-A; 2001-A(1); 2002; 2003-A; 2004-A(1), B(1), and B(2); 2005-B and C; and 2008-A and B(1) series bonds were paid in full during the year by the escrow agent. As of June 30, 2019, approximately \$348,424,000 of principal on the 2010, 2012-C, and 2014A1 to K2 (1A-11B) series bonds was outstanding to be paid through the refunded bond proceeds, which were set aside in an escrow account. Because these bond were defeased in substance, the related liability is no longer shown on the City's financial statements.

Series 2018 Unlimited Tax General Obligation Bonds

On December 10, 2018, the City issued its \$135,000,000 Unlimited Tax General Obligation Bonds, Series 2018 (the "2018 UTGO Bonds") for the purpose of financing the cost of certain capital projects of the City and paying costs of issuance associated with the 2018 UTGO Bonds. The 2018 UTGO Bonds are secured by a pledge of the full faith and credit of the City. The 2018 UTGO Bonds are tax exempt and mature on April 1, 2038.

Note 7 - Long-term Debt (Continued)

2016-C Distributable State Aid Bonds

On August 11, 2016, the City issued the following series of City of Detroit Distributable State Aid Bonds in the aggregate principal amount of \$606,180,000:

Issue	Amount
2016 C1 - First Lien LTGO	\$ 240,965,000
2016 C2 - Third Lien LTGO	123,175,000
2016 C3 - Fourth Lien UTGO	222,185,000
2016 C4 - Fourth Lien UTGO	19,855,000

The bonds were issued for the purpose of refunding all of the City's Distributable State Aid Fourth Lien Restructured Bonds (Unlimited Tax General Obligation), Series 2014 A/G; various outstanding Unlimited Tax General Obligation Bonds, the debt service payments of which had been assigned under the plan of adjustment to the General Retirement System and the Police and Fire Retirement System (the "Stub Bonds"); and portions of its 2010 First Lien General Obligation Limited Bonds, Distributable State Aid Third Lien Bonds (Limited Tax General Obligation), Series 2012 (A/B). The refunding of the Stub Bonds resulted in the prepayment or defeasance of the City's remaining obligations to the GRS and PFRS from the assigned debt service in respect of the Stub Bonds, with final payment from the refunding escrow made in April 2018.

Financial Recovery Bonds

2014-B(1) and B(2)

The Financial Recovery Bonds, Series 2014-B(1) and Series 2014-B(2), total \$616,560,047 and \$15,404,098, respectively. They are federally taxable. The bonds' interest rate is 4.0 percent per annum from December 10, 2014 to and including March 31, 2034 and 6.0 percent per annum thereafter until the maturity date of April 1, 2044. The bonds were delivered to classes of creditors in satisfaction of: (1) Class 12 OPEB claims (the bonds were distributed to the new Voluntary Employee Beneficiary Associations (VEBA) for the general retirees and police and fire retirees); (2) Class 9 Pension Obligation Certificate (POC) claims; and (3) Class 14 other unsecured bankruptcy claims. The distribution of the 2014-B(1) and B(2) bonds is detailed as follows:

Use	Series B(1)	Series B(2)	Total
GRS VEBA	\$ 233,414,249	\$ 5,365,910	\$ 238,780,159
PFRS VEBA	248,245,662	5,655,337	253,900,999
LTGO Class 9 Settlement	13,138,835	4,163,026	17,301,861
Class 14 Other Unsecured Claims	20,376,922	219,825	20,596,747
FGIC Settlement DDA Recovery	3,691,591	-	3,691,591
POC Settlement with Syncora	23,500,000	-	23,500,000
POC Settlement with FGIC	74,192,788	-	74,192,788
Total	<u>\$ 616,560,047</u>	<u>\$ 15,404,098</u>	<u>\$ 631,964,145</u>

Note 7 - Long-term Debt (Continued)

On December 13, 2018, the City issued its \$175,985,000 Distributable State Aid Fifth Lien Financial Recovery Refunding Bonds (Limited Tax General Obligation) Series 2018 Bonds (the "2018 DSA Bonds") to the Michigan Finance Authority for the purpose of purchasing a portion of its Financial Recovery Bonds, Series 2014-B(1), and its Financial Recovery Bonds, Series 2014-B(2) (together, the "Financial Recovery Bonds, Series 2014-B") and paying the costs of issuance associated with the 2018 DSA Bonds. The 2018 DSA Bonds are secured by a pledge of the City's Distributable State Aid on a statutory fifth lien priority basis and a pledge of the limited tax full faith and credit of the City.

On December 13, 2018, the City purchased and canceled, at a discount from par, \$197,652,356 of its Financial Recovery Bonds, Series 2014B (specifically \$192,227,454 of Financial Recovery Bonds, Series 2014-B(1) at a purchase price of \$87 per \$100 in principal amount and \$5,424,902 of Financial Recovery Bonds, Series 2014-B(2) at a purchase price of \$85 per \$100 in principal amount), which had been tendered pursuant to the City's December 5, 2018 acceptance of offers.

On December 13, 2018, the City deposited into escrow funds to redeem \$3,075,000 of its Financial Recovery Income Tax Revenue and Refunding Bonds, Series 2014-B. The redemption occurred on January 22, 2019. Because this debt was defeased in substance, the City has removed the related liability from its financial statements as of June 30, 2019.

The above debt issuances were completed by the City in order to reduce the gross debt service for the fiscal years 2025-2030 by approximately \$155 million. Debt service beginning in fiscal year 2025 would have increased by approximately \$31 million per year through fiscal year 2030. In addition to the reduced debt service, the City will also save approximately \$10 million as a result of these issuances.

2014-C Bonds

The Financial Recovery Bonds, Series 2014-C totaled \$88,430,021 and carried an interest rate of 5.0 percent per annum. The bonds were scheduled to mature on December 10, 2026. The 2014-C Bonds were issued as part of the Syncora settlement and FGIC/POC settlement in the plan, and on the effective date, the bonds were distributed as follows:

Use	Series C Bonds
POC Settlement with Syncora	\$ 21,271,804
POC Settlement with FGIC	67,158,217
Total	<u>\$ 88,430,021</u>

As part of the bifurcation of DWSD, as described in Note 13, the Great Lakes Water Authority agreed to pay a portion of the Financial Recovery Bonds (2014-B(1), 2014-B(2), and 2014-C) that were allocated to DWSD. DWSD's allocation outstanding as of June 30, 2019 is approximately \$79 million, and GLWA has agreed to pay approximately \$57 million.

Note 7 - Long-term Debt (Continued)

2014-A and 2014-B Bonds

The Financial Recovery Income Tax Revenue and Refunding Bonds, Series 2014-A and Series 2014-B, totaled \$134,725,000 and \$140,275,000, respectively. The bonds' interest rate at issuance was variable, but was converted to a fixed rate in September 2015 when the Michigan Finance Authority publicly reoffered its bonds as Series F(1) for \$134,725,000 and Series F(2) for \$110,275,000. The Series 2014-A Bonds are tax exempt and mature on October 1, 2029, and the Series 2014-B Bonds are taxable and mature on October 1, 2022. The City's income tax revenue is pledged to and secures the payment of debt service on these bonds. The bond proceeds were used to: (1) redeem the Series 2014 Financial Recovery Bonds, "Quality of Life," issued in April 2014; (2) fund a debt service reserve for the bonds; (3) provide additional funding for the City's reinvestment and revitalization initiatives; (4) pay the final installment of the settlement of the Class 5 POC Swap Claims; and (5) pay the costs of issuance of the bonds. The use of proceeds for each original series is detailed as follows:

Use	Series A	Series B	Total
Redeem quality of life financing	\$ 61,353,638	\$ 58,751,362	\$ 120,105,000
Debt service reserve	13,472,500	14,027,500	27,500,000
Issuance and other costs	1,834,028	1,906,319	3,740,347
Restructuring initiatives (RRI)	58,064,834	27,619,890	85,684,724
Derivatives (swap settlement payoff)	-	37,969,929	37,969,929
Total	<u>\$ 134,725,000</u>	<u>\$ 140,275,000</u>	<u>\$ 275,000,000</u>

Schedule of General Obligation Bonds

The following is a schedule of general obligation bonds outstanding at June 30, 2019:

Purpose	Bond Date	Interest Rates	Maturing	Outstanding
Governmental Activities				
General Obligation Bonds - Unlimited Tax:				
City of Detroit, Michigan, Distributable State Aid Second Lien Bonds (Unlimited Tax General Obligation), Series 2010(A) (Taxable-Recovery Zone Economic Development Bonds - Direct Payment) Amount issued - \$100,000,000*	12/16/10	5.129 to 8.369%	11/1/17-35	\$ 89,390,000
City of Detroit, Michigan, Distributable State Aid Fourth Lien Refunding Bonds (Unlimited Tax General Obligation) Series 2016A-1 (Tax-Exempt) Amount issued - \$222,185,000*	8/11/16	1.941 to 5.00	11/1/19-35	133,195,000
City of Detroit, Michigan, Distributable State Aid Fourth Lien Refunding Bonds (Unlimited Tax General Obligation) Series 2016A-2 (Federally Taxable) Amount issued - \$19,855,000*	8/11/16	1.39 to 3.61	11/1/17-32	13,565,000
City of Detroit, Michigan, Unlimited Tax General Obligation Bonds, Series 2018 Amount issued - \$135,000,000	12/31/18	5.00	4/1/20-38	<u>135,000,000</u>
Total General Obligation Bonds - Unlimited Tax				<u>\$ 371,150,000</u>

June 30, 2019

Note 7 - Long-term Debt (Continued)

Purpose	Bond Date	Interest Rates	Maturing	Outstanding
General Obligation Bonds - Limited Tax:				
City of Detroit, Michigan, Financial Recovery Bonds, Series 2014B(1) Amount issued - \$494,095,548	12/10/14	4.00 to 6.00%	4/1/25-44	\$ 340,081,063
City of Detroit, Michigan, Financial Recovery Bonds, Series 2014B(2) Amount issued - \$12,924,806	12/10/14	4.00 to 6.00	4/1/25-44	8,343,194
City of Detroit, Michigan, Financial Recovery Income Tax Revenue and Refunding Bonds, Series 2014A Amount issued - \$134,725,000*	9/1/15	3.40 to 4.00	10/1/20-29	134,725,000
City of Detroit, Michigan, Financial Recovery Income Tax Revenue and Refunding Bonds, Series 2014B (Taxable) Amount issued - \$110,275,000*	9/1/15	4.60	10/1/29	93,775,000
Distributable State Aid First Lien Refunding Bonds (Limited Tax General Obligation) Series 2016B-1 (Federally Taxable) Amount issued - \$240,965,000*	8/11/16	1.941 to 5.00	11/1/19-35	240,965,000
City of Detroit, Michigan, Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation) Series 2016B-2 (Federally Taxable) Amount issued - \$123,175,000*	8/11/16	1.39 to 3.61	11/1/17-32	115,745,000
City of Detroit, Michigan, Distributable State Aid Fifth Lien Bonds, Series 2018 Amount issued - \$175,985,000*	12/31/18	4.29 to 5.02	6/30/19-44	<u>175,985,000</u>
Total General Obligation Bonds - Limited Tax				<u>\$ 1,109,619,257</u>
Business-type Activities				
Water Fund				
General Obligation Bonds - Limited Tax:				
City of Detroit, Michigan, Financial Recovery Bonds, Series 2014B(1) Amount issued - \$26,041,025	12/10/2014	4.00 to 6.00%	4/1/25-44	\$ 17,922,106
City of Detroit, Michigan, Financial Recovery Bonds, Series 2014B(2) Amount issued - \$499,054	12/10/2014	4.00 to 6.00	4/1/25-44	323,301
Sewage Disposal Fund				
General Obligation Bonds - Limited Tax:				
City of Detroit, Michigan, Financial Recovery Bonds, Series 2014B(1) Amount issued - \$43,401,707	12/10/2014	4.00 to 6.00%	4/1/25-44	\$ 29,870,182
City of Detroit, Michigan, Financial Recovery Bonds, Series 2014B(2) Amount issued - \$831,756	12/10/2014	4.00 to 6.00	4/1/25-44	538,834
Transportation Fund				
General Obligation Bonds - Limited Tax:				
City of Detroit, Michigan, Financial Recovery Bonds, Series 2014B(1) Amount issued - \$42,558,907	12/10/2014	4.00 to 6.00%	4/1/25-44	\$ 29,290,142
City of Detroit, Michigan, Financial Recovery Bonds, Series 2014B(2) Amount issued - \$993,130	12/10/2014	4.00 to 6.00	4/1/25-44	643,377
Public Lighting Authority Fund				
General Obligation Bonds*	7/2/2014	3.00 to 5.00%	4/1/25 - 44	\$ 178,581,460

June 30, 2019

Note 7 - Long-term Debt (Continued)

Purpose	Bond Date	Interest Rates	Maturing	Outstanding
Nonmajor Proprietary Funds - Automobile Parking Fund				
General Obligation Bonds - Limited Tax:				
City of Detroit, Michigan, Financial Recovery Bonds, Series 2014B(1) Amount issued - \$684,540	12/10/2014	4.00 to 6.00%	4/1/25-44	\$ 471,118
City of Detroit, Michigan, Financial Recovery Bonds, Series 2014B(2) Amount issued - \$15,664	12/10/2014	4.00 to 6.00	4/1/25-44	10,148
Nonmajor Proprietary Funds - Airport Fund				
General Obligation Bonds - Limited Tax:				
City of Detroit, Michigan, Financial Recovery Bonds, Series 2014B(1) Amount issued - \$539,953	12/10/2014	4.00 to 6.00%	4/1/25-44	\$ 371,610
City of Detroit, Michigan, Financial Recovery Bonds, Series 2014B(2) Amount issued - \$12,355	12/10/2014	4.00 to 6.00	4/1/25-44	8,004
Component Unit - Detroit Public Library				
General Obligation Bonds - Limited Tax:				
City of Detroit, Michigan, Financial Recovery Bonds, Series 2014B(1) Amount issued - \$9,192,291	12/10/2014	4.00 to 6.00%	4/1/25-44	\$ 6,326,373
City of Detroit, Michigan, Financial Recovery Bonds, Series 2014B(2) Amount issued - \$173,408	12/10/2014	4.00 to 6.00	4/1/25-44	112,339

Revenue Bonds

Governmental Activities

On November 16, 2017, the City issued the City of Detroit, Michigan Transportation Fund Bonds, Series 2017, in the amount of \$124,500,000. The Michigan Finance Authority (MFA) purchased the City's bonds using the proceeds of its MFA Revenue Bonds (City of Detroit Transportation Project), Series 2017A. The bonds were a private placement (i.e., direct purchase).

The City is using the bond proceeds to finance certain road improvement projects. The bonds mature on April 1, 2032 and are subject to optional redemption prior to maturity at par on any date on or after April 1, 2024.

As security for repayment of the bonds, the City pledged and assigned its Michigan Transportation Fund distributions that are received on a monthly basis from the State of Michigan. The City entered into a Transportation Fund Pledge and Intercept Agreement (the "Agreement") with US Bank (the "Trustee"), MFA, and the State Treasurer. Under the Agreement, MTF distributions due to the City are sent directly to the Trustee, from which the Trustee sets aside principal and interest amounts, according to a set aside schedule, in advance of the payment dates. The remaining portion of the MTF distributions that exceed the monthly set aside requirement are transferred to the City. The Agreement remains in effect as long as the bonds are outstanding.

As outlined in Schedule 1 to the Trust Indenture, the bonds are to be drawn down over time, with the final amount paid out on or before October 1, 2020. As of June 30, 2019, draws totaling \$85,000,000 were submitted and received by the City.

Note 7 - Long-term Debt (Continued)

Water Fund and Sewage Disposal Fund

As a result of the lease agreement and resulting bifurcation discussed in Note 13, revenue bonds and SRF debt issuances that were issued by the City prior to January 1, 2016 have been assigned to and assumed by the Great Lakes Water Authority. The liability of the Detroit retail class for its calculated share of this debt is reflected as part of the Contractual Obligation to the Great Lakes Water Authority.

As part of the lease transaction in which the City leased the regional water and sewer system of the Detroit Water and Sewerage Department (DWSD) to the Great Lakes Water Authority (GLWA), all DWSD revenue bonds outstanding as of December 31, 2015, including those purchased by the Michigan Finance Authority under its state revolving loan program, were assumed by GLWA with the consent of bond holders.

Per the Water and Sewer Services Agreement between DWSD and GLWA dated June 12, 2015 and the Master Bond Ordinances dated October 7, 2015, as amended, the Detroit retail class continues to pay its common-to-all share of debt service and its allocated share of debt service associated with improvements to the local water and sewer systems. Payments on the debt service incurred by the Great Lakes Water Authority on the outstanding revenue bonds assumed as of December 31, 2015 are allocated using an agreed-upon percentage of total debt service associated with bond-financed local improvements over the life of such bonds, though the bonds themselves continue to be secured by the net revenue of GLWA, which includes all revenue payable by the Detroit retail class.

On June 27, 2018, DWSD and GLWA executed a memorandum of understanding (MOU), which outlined the requirements for the reconciliation committee (originally defined by the WSSA) to meet quarterly to "expand the level of communication between the two entities related to financial, operational, legal, capital planning, and other matters and opportunities for improved management and coordination of both entities and foster a positive relationship in the water services sector." The MOU further describes a specific function of the reconciliation committee to address any "cumulative negative variance of more than two percent of the total budget for either GLWA or DWSD."

For the years ended June 30, 2018 and 2017, GLWA reported a negative variance (receipts less than costs) for DWSD's Sewage Disposal Fund, which exceeded the 2 percent variance threshold. Based on the terms outlined in the MOU, a budget shortfall not cured by the end of the fiscal year (following the year in which it arises) shall be repaid in full in installments over a period not to exceed three fiscal years, with a surcharge based on the three-year U.S. Treasury Note rate plus 150 basis points. DWSD recorded a shortfall loan payable of \$53,413,034 for the cumulative 2018 and 2017 negative variance reported by GLWA as a result of this agreement.

The Water Fund received loans from the State of Michigan Revolving Loan Fund totaling \$5,855,865 during the year ended June 30, 2019. The proceeds of the loans were used to pay the costs of making certain repairs and improvements to the water system and are reported as a long-term liability on the statement of net position.

Notes and Loans Payable

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

June 30, 2019

Note 7 - Long-term Debt (Continued)

The following is a schedule of notes payable at June 30, 2019:

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
Governmental Activities				
(All notes are secured by future Block Grant revenue)				
Mexicantown Welcome Center Project	09/14/06	5.09 to 5.70%	08/01/19-24	\$ 1,568,000
Book Cadillac Project Note II	06/12/08	4.33 to 5.38	08/01/19-27	4,471,000
Garfield II Note 1	09/14/06	4.33 to 5.30	08/01/19-25	5,072,000
Garfield II Note 2	09/14/06	5.09 to 5.77	08/01/19-26	1,658,000
Garfield II Note 3	09/16/09	0.28 to 3.35	08/01/19-29	6,377,000
Garfield II Note 4	09/16/09	0.93 to 3.35	08/01/19-29	1,053,000
Fort Shelby Project	06/12/08	4.33 to 5.34	08/01/19-26	12,500,000
Woodward Garden Project 1	06/12/08	4.48 to 5.05	08/01/19-21	2,750,000
Woodward Garden Project 2	07/21/10	2.66 to 4.35	08/01/19-28	4,067,000
Woodward Garden Project 3	04/20/12	0.83 to 3.55	08/01/19-31	4,990,000
Total governmental activities				<u>\$ 44,506,000</u>

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities					
	Direct Borrowings and Direct Placements			Other Debt		
	Principal	Interest	Interest Subsidy	Principal	Interest	Total
2020	\$ 72,966,000	\$ 47,942,159	\$ 3,263,683	\$ 9,160,000	\$ 22,749,470	\$ 156,081,312
2021	89,979,000	44,644,339	3,177,319	10,620,000	20,228,970	168,649,628
2022	85,136,000	40,882,310	3,084,567	4,460,000	19,697,970	153,260,847
2023	84,781,000	37,480,334	2,984,861	4,680,000	19,474,970	149,401,165
2024	70,563,000	34,371,638	2,868,130	4,915,000	19,240,970	131,958,738
2025-2029	314,850,000	131,889,625	12,051,078	37,000,931	91,537,259	587,328,893
2030-2034	183,866,000	75,890,308	6,821,070	122,833,155	77,760,359	467,170,892
2035-2039	117,580,000	40,133,497	696,060	163,000,092	65,483,440	386,893,089
2040-2044	107,130,000	13,673,768	-	126,755,080	22,815,913	270,374,761
2045-2049	-	-	-	-	-	-
Total	<u>\$ 1,126,851,000</u>	<u>\$ 466,907,978</u>	<u>\$ 34,946,768</u>	<u>\$ 483,424,258</u>	<u>\$ 358,989,321</u>	<u>\$ 2,471,119,325</u>
Years Ending June 30	Business-type Activities					
	Direct Borrowings and Direct Placements		Other Debt		Total	
	Principal	Interest	Principal	Interest		
2020	\$ 44,769,000	\$ 49,535,491	\$ -	\$ 1,231,776	\$ 95,536,267	
2021	51,588,984	50,782,562	-	1,231,776	103,603,322	
2022	43,204,999	48,764,493	-	1,231,776	93,201,268	
2023	36,498,497	47,014,461	-	1,231,776	84,744,734	
2024	36,498,497	45,335,566	-	1,231,776	83,065,839	
2025-2029	240,655,265	196,510,291	751,453	6,094,124	444,011,133	
2030-2034	271,967,020	138,452,656	20,908,321	11,767,388	443,095,385	
2035-2039	269,753,500	70,943,621	28,894,523	13,860,186	383,451,830	
2040-2044	89,722,743	29,633,673	28,894,519	5,191,828	153,442,763	
2045-2049	67,882,826	5,826,523	-	-	73,709,349	
Total	<u>\$ 1,152,541,331</u>	<u>\$ 682,799,337</u>	<u>\$ 79,448,816</u>	<u>\$ 43,072,406</u>	<u>\$ 1,957,861,890</u>	

Note 7 - Long-term Debt (Continued)

Years Ending June 30	Component Unit Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ 3,366,584	\$ 19,051,672	\$ -	\$ 257,548	\$ 22,675,804
2021	4,754,373	18,977,759	-	257,548	23,989,680
2022	8,581,946	18,712,810	-	257,548	27,552,304
2023	8,868,923	18,339,721	-	257,548	27,466,192
2024	11,915,495	17,948,479	-	257,548	30,121,522
2025-2029	46,148,880	75,549,996	157,767	1,274,235	123,130,878
2030-2034	35,300,000	58,928,500	1,598,094	1,164,928	96,991,522
2035-2039	47,840,000	48,597,250	2,341,425	1,123,887	99,902,562
2040-2044	63,190,000	34,781,000	2,341,425	421,455	100,733,880
2045-2049	106,145,000	15,948,875	-	-	122,093,875
Total	\$ 336,111,201	\$ 326,836,062	\$ 6,438,711	\$ 5,272,245	\$ 674,658,219

*2014-B bonds reflected in the Water and Sewage Disposal funds will be partially paid by the GLWA (71.42 percent allocated to GLWA) and, therefore, are offset by a receivable in the Water and Sewage Disposal funds.

In 2010, the City issued Recovery Zone Economic Development Bonds in the amount of \$100 million. These bonds are direct-pay qualified bonds that provide a federal subsidy through a refundable tax credit allowed under Internal Revenue Code Section 6431. The subsidy is equal to 45 percent of the interest payable by the bond issuer to investors. Beginning in 2013, these refund payments became subject to a federal sequestration reduction rate. During the year ended June 30, 2019, the City received approximately \$3.1 million in federal interest subsidy related to the interest on these bonds. The schedule of future interest payments is presented gross of any federal subsidy related to these bonds. Over the remaining life of the Recovery Zone Economic Development Bonds, the City anticipates that it will receive approximately \$32.9 million of federal interest subsidy.

Assets Pledged as Collateral

The City has \$44,506,000 of HUD Section 108 loans payable for which it has pledged certain assets as collateral. Relative to these loans, the City has generally pledged any mortgage interest and assignment of leases and rents. Relative to one specific HUD Section 108 loan, the City has also pledged (a) its long-term leasehold interest in excess of 50 years held by a third party for subsurface rights to certain geothermal fields located in the City; (b) all geothermal, solar, and wind energy generating equipment owned by a third party in, on, and underground at certain locations in the City; (c) any and all construction equipment purchased with Section 108 Loan Guarantee Funds; and (d) net income, as defined in accordance with generally accepted accounting principles, from the sale of energy produced by geothermal improvements and rental of the geothermal, solar, and wind energy generating equipment owned by a third party.

Debt Limit

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

June 30, 2019

Note 7 - Long-term Debt (Continued)

Detroit Housing Commission - Component Unit

A summary of Detroit Housing Commission’s discretely presented component units’ debt outstanding and maturity dates is as follows:

	Lender	Interest Rate	Maturity Date	Balance - Beginning of Year	(Payments) Additions	Balance - End of Year
Woodbridge Estates Apartments I, LLC	SA Affordable Housing, LLC	7.06%	2035	\$ 1,203,991	\$ (17,875)	\$ 1,186,116
	Detroit Housing Commission	AFR	2048	1,279,824	-	1,279,824
	Detroit Housing Commission	0.00%	2048	840,500	-	840,500
Woodbridge Estates Apartments II, LLC	SA Affordable Housing, LLC	7.06%	2035	1,740,555	(26,351)	1,714,204
	Detroit Housing Commission	AFR	2048	1,888,460	-	1,888,460
	Detroit Housing Commission	0.00%	2048	797,954	-	797,954
Woodbridge Estates Apartments III, LDHA LLC	SA Affordable Housing, LLC	6.04%	2047	1,388,235	(19,459)	1,368,776
	Detroit Housing Commission	4.61%	2042	1,559,212	-	1,559,212
	City of Detroit, Michigan	0.00%	2036	436,795	(7,290)	429,505
Woodbridge Estates Apartments IV, LDHA LLC	SA Affordable Housing, LLC	6.04%	2047	1,846,753	(26,092)	1,820,661
	Detroit Housing Commission	4.61%	2051	1,763,593	-	1,763,593
	City of Detroit, Michigan	0.00%	2036	436,786	(7,289)	429,497
Woodbridge Estates Apartments V, LDHA LLC	SA Affordable Housing, LLC	6.04%	2047	2,988,482	(42,603)	2,945,879
	Detroit Housing Commission	4.61%	2051	2,056,904	-	2,056,904
	City of Detroit, Michigan	0.00%	2036	436,893	(7,295)	429,598
Woodbridge Estates Apartments VI, LDHA LLC	SA Affordable Housing, LLC	6.04%	2047	2,988,482	(42,603)	2,945,879
	Detroit Housing Commission	4.61%	2051	2,056,904	-	2,056,904
Woodbridge Estates Apartments IX, LDHA LLC	City of Detroit, Michigan	0.00%	2036	436,893	(7,295)	429,598
	Detroit Housing Commission	3.75%	2063	2,442,921	1,731	2,444,652
Woodbridge ILF Associates LDHA LP	Detroit Housing Commission	0.00%	2067	874,790	2,530,667	3,405,457
	Citizens	5.00%	2067	448,778	3,833,511	4,282,289
The Villages at Parkside II LLC	Detroit Housing Commission	5.20%	2049	3,680,393	988	3,681,381
	Detroit Housing Commission	0.45%	2038	22,930,193	-	22,930,193
	Detroit Housing Commission	7.00%	2038	2,584,579	-	2,584,579
The Villages at Parkside IV LLC	Detroit Housing Commission	0.45%	2038	20,990,363	-	20,990,363
	Alexandrine Square Apartments LDHA LP	Detroit Housing Commission	AFR	2047	265,780	-
Gardenview Homes I LDHA LLC	MSHDA	6.00%	2046	1,590,257	(22,411)	1,567,846
	MSHDA - HOME Note	3.00%	2058	275,429	(3,222)	272,207
	Detroit Housing Commission	0.00%	2053	9,796,043	(12,689)	9,783,354
Gardenview Homes II, III, IV, V, VI, VII, VIII, and IX LDHA LLC	MSHDA - Section 1602 TCAP funds	0.00%	(a)	13,122,960	-	13,122,960
	MSHDA	3.00%	2062	20,261,000	-	20,261,000
	Detroit Housing Commission	0.00%	2054-2064	19,210,298	(63,939)	19,146,359
	Detroit Housing Commission	0.75%	2060	3,887,485	-	3,887,485
	Detroit Housing Commission	2.50%	2067	5,154,703	686,097	5,840,800
Gardenview Homes X LDHA LLC	MSHDA	4.95%	2020	5,923,998	4,000,405	9,924,403
	MSHDA	2.50%	2067	-	119,760	119,760
	Detroit Housing Commission	0.50%	2056	9,905,966	780	9,906,746
Emerald Springs IA and IB LDHA LP	Detroit Housing Commission	0.50%	2058	7,197,200	21,752	7,218,952
	Detroit Housing Commission	3.79%	2060	3,690,783	1,023	3,691,806
Cornerstone I LDHA LLC	Detroit Housing Commission	0.00%	2060	9,071,757	325	9,072,082
Cornerstone II LDHA LLC	Detroit Housing Commission	0.00%	2060	9,071,757	325	9,072,082
Cornerstone III LDHA LLC	Detroit Housing Commission	4.25%	2061	3,026,820	1,406	3,028,226
Totals				<u>\$ 186,997,433</u>	<u>\$ 10,941,930</u>	197,939,363
Amount due to DHC primary government						<u>(138,064,652)</u>
Net long-term debt reported						<u>\$ 59,874,711</u>

June 30, 2019

Note 7 - Long-term Debt (Continued)***DDA Bonds Payable***

On August 10, 2017, the DDA issued \$36,000,000 in Series 2017 bonds, with the proceeds to be used toward construction changes and enhancements to Little Caesars Arena (the "Arena"). These changes were necessary in order to make the Arena compliant with National Basketball Association requirements and to incentivize the Detroit Pistons to relocate to the City of Detroit, Michigan. Similar to the Series 2014A bonds, these bonds will be repaid through Catalyst Development Project tax increment revenue captured by the DDA.

In 2014, the Michigan Strategic Fund (MSF) issued \$250,000,000 in Series 2014A Bonds and \$200,000,000 in Series 2014B Bonds, with the proceeds to be used toward the construction of the downtown events center. The Series 2014A bonds will be serviced primarily through Catalyst Development Project tax revenue captured by the DDA. Beginning in 2019, there will also be a variable contribution toward the debt service from the DDA's general tax revenue that is captured. The Series 2014B bonds will be serviced by a variable concession management payment from Olympia to the DDA and have a variable interest rate. Series 2014A bonds were disbursed entirely at the outset of the project. Series 2014B bond proceeds are drawn down as required.

On December 30, 2018, DDA issued \$287,425,000 in Series 2018A bonds to refund the 2014 and 2017 bonds. These bonds will be repaid through the same revenue stream that was to repay the original 2014 and 2017 bonds. Payments on these bonds will be made primarily from the stadium fund.

As discussed in Note 3, the DDA entered into a swap novation transaction with Garden Trust on November 9, 2017 for the purpose of removing the DDA from the swap transaction. As part of this transaction, the entire outstanding amount of Series 2014B drawn down, \$188,500,000, was retired through a prepayment of the base concession fees payable by Garden Trust to the DDA under the Concession Management Agreement relating to the Arena.

As the bonds were issued, the DDA entered into a loan agreement with the MSF. The proceeds from the bonds are loaned to the DDA by the MSF, and the DDA is obligated to pay the aforementioned revenue to the MSF to service the bonds. A bond issued by the DDA to the MSF secures this obligation. As of June 30, 2019, the loans have been fully repaid.

DDA Contracts Payable

In 1989, the DDA issued \$15,225,000 in Series 1989A tax-exempt bonds and \$71,000,000 in Series 1989B taxable bonds. In 1996, the DDA issued \$75,014,000 in Series 1996A taxable bonds, \$13,330,000 in Series 1996B tax-exempt bonds, \$64,883,198 in Series 1996C tax-exempt bonds, and \$14,185,000 in Series 1996D tax-exempt bonds. In 1998, the DDA issued \$68,900,000 in Series 1998A tax-exempt bonds, \$32,195,000 in Series 1998B taxable bonds, and \$21,425,000 in Series 1998C junior lien bonds. The principal and interest on the bonds are primarily payable from, and secured by, certain incremental property tax revenue to be received by the DDA from Development Area No. 1 within the downtown business district. Payments on the bonds contract payable are made from the other debt service fund under the general bond resolution.

A portion of the 1996 bond proceeds, \$87,996,800, was put into an escrow account to repay the 1989 bonds. A portion of the 1998 bond proceeds, \$65,124,175, was also put into an escrow account to repay the Series 1996C (partial refund) and the Series 1996D bonds. The escrow agent was responsible for monitoring and making the required debt service payments on those bonds, which were removed as liabilities from the DDA's financial statements. The 1989 bonds, the Series 1996C (partial refund) bonds, and the Series 1996D bonds have been fully repaid.

Note 7 - Long-term Debt (Continued)

Local Development Finance Authority

On September 15, 1998, the LDFA issued \$52,205,000 in 1998 Series A subordinated bonds, of which \$46,869,964 is being used to pay the City for certain costs of public facilities. Principal and interest payments commenced on May 1, 1999 and are payable through May 2021. Interest payments are due semiannually each May and November.

On September 5, 1997, the LDFA issued \$45,865,000 in 1997 Series A tax increment refunding bonds, with an average interest rate of 5.3 percent per annum, to refund \$42,000,000 of outstanding bonds issued in 1991. The proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on all of the refunded bonds. As a result, the refunded bonds are considered defeased, and the liability for those bonds has been removed from the financial statements. The amount of defeased debt outstanding as of June 30, 2019 is \$5,230,000.

On September 5, 1997, the LDFA also issued \$11,500,000 in 1997 Series B and Series C tax increment bonds, the proceeds of which are being used to pay the City for certain costs of public facilities. Principal payments commenced on July 14, 2000 and are payable through July 2021. Interest payments are due semiannually each May and November and commenced on November 1, 1997.

The interest rates on the outstanding fixed-rate bonds range from 4.1 to 6.85 percent per annum. The property taxes of the LDFA are pledged for repayments of the bonds.

Long-term liability activity for the year ended June 30, 2019 is as follows:

Balance - Beginning of year	\$ 28,325,000
Less repayments	<u>(6,810,000)</u>
Balance - End of year	<u>\$ 21,515,000</u>

City Bonds Authorized and Unissued

The following is the schedule of the City's bonds authorized and unissued at June 30, 2019:

	Authority	Date	Authorized Amount	Unissued Amount
General obligation bonds (tax supported):				
Public safety	Electorate	11/2/2004	\$ 120,000,000	\$ 32,714,819
Neighborhood/Economic development	Electorate	11/2/2004	19,000,000	-
Transportation	Electorate	11/2/2004	32,000,000	24,501,849
Public lighting	Electorate	2/24/2009	22,000,000	22,000,000
Neighborhood/Economic development	Electorate	2/24/2009	25,000,000	-
Museums, libraries, recreation, and other	Electorate	2/24/2009	97,000,000	62,047,002
Transportation	Electorate	2/24/2009	12,000,000	1,863,398
Public safety	Electorate	2/24/2009	<u>72,000,000</u>	<u>4,951,218</u>
Total			<u>\$ 399,000,000</u>	<u>\$ 148,078,286</u>

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

Note 7 - Long-term Debt (Continued)

Debt Ratings

The City's debt has the following ratings:

	Date of Rating	Rating Agency	Rating
Distributable State Aid First Lien Refunding Bonds (Limited Tax General Obligation) Series 2016B-1 (Federally Taxable)	12/15/2017 7/24/2018	Moody's S&P	Aa2 AA-
City of Detroit, Michigan, Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation) Series 2016B-2 (Federally Taxable)	12/15/2017 7/24/2018	Moody's S&P	Aa2 AA-
City of Detroit, Michigan, Distributable State Aid Fourth Lien Refunding Bonds (Unlimited Tax General Obligation) Series 2016A-1 (Tax-Exempt)	12/15/2017 7/24/2018	Moody's S&P	Aa2 AA-
City of Detroit, Michigan, Distributable State Aid Fourth Lien Refunding Bonds (Unlimited Tax General Obligation) Series 2016A-2 (Federally Taxable)	12/15/2017 7/24/2018	Moody's S&P	Aa2 AA-
City of Detroit, Michigan, Distributable State Aid Second Lien Bonds (Unlimited Tax General Obligation), Series 2010(A) (Taxable-Recovery Zone Economic Development Bonds- Direct Payment)	12/15/2017	Moody's	Aa2
City of Detroit Issuer Rating	5/23/2018	Moody's	Ba3
City of Detroit, Michigan, Distributable State Aid Fifth Lien Bonds, Series 2018	11/12/2018	Moody's	Aa3
City of Detroit Issuer Rating	2/5/2019	S&P	BB-

Note 8 - Pension Plans

Plan Description

The City of Detroit Retirement System consists of the General Retirement System (GRS) and the Police and Fire Retirement System (PFRS) (collectively, the "Systems"). Each system comprises two single-employer plans composed of a defined benefit plan component and a defined contribution annuity plan component (the "Combined Plan"). The plans provide retirement, disability, and survivor benefits to plan members and beneficiaries. Each plan is administered by its own board of trustees. Plan members include active employees, retirees, and beneficiaries from various departments within the City. Benefit terms have been established by contractual agreements between the City and the employees' collective bargaining units; amendments are subject to the same process.

The City filed for bankruptcy in June 2013 and subsequently exited bankruptcy on December 10, 2014. This resulted in the adoption of the Eighth Amended Plan for Adjustment of Debts of the City of Detroit (the "Plan of Adjustment or the "POA").

Note 8 - Pension Plans (Continued)

In June 2014, separate and apart from the bankruptcy proceedings and resulting POA, the emergency manager directed the City and its professional pension advisors to undertake efforts to prepare documentation and emergency manager orders necessary to freeze the existing plans for GRS and PFRS as of June 30, 2014 and establish a new hybrid plan for GRS and PFRS effective July 1, 2014. The emergency manager effectuated this action pursuant to authority under PA 436, separate and apart from those pension changes requiring bankruptcy court approval. The plan in existence for each system as of June 30, 2014 is known as the "legacy plan" or "Component II." As of July 1, 2014, all eligible employees began participating in the new hybrid pension plan, or Component I. Eligible city employees will receive the benefits they have earned under the legacy Component II plan for services performed through June 30, 2014 plus an additional benefit under the new hybrid plan formula for services after June 30, 2014.

For GRS, with respect to Component II benefit adjustments resulting from the POA, the pension settlement (for which benefit levels were and are contingent on other factors, including receipt of outside contributions), provided: for a loss of cost of living adjustments, or "escalators" (COLAs) paid after July 1, 2014; for a 4.5 percent reduction to the remaining accrued pension benefit after the COLA loss; and, for GRS members who participated in the Annuity Savings Fund (ASF) plan between 2003 and 2013, subject to certain caps, recoupment of certain amounts of interest deemed by the City to be in "excess" of that which should have been credited to individual ASF accounts, referred to as "ASF Recoupment." ASF Recoupment, like other provisions of the pension settlement, was not optional. Most members will pay their ASF Recoupment by a monthly deduction from their future pension benefits for a set term of months, including interest calculated at 6.75 percent. All members were offered a lump-sum cash option, which was limited in the aggregate to \$30 million in member recoupment. The POA also included the possibility of restoration of certain pension benefit reductions, based on a program for the most financially vulnerable pensioners and beneficiaries through the Michigan Department of Treasury, as well as a new feature of Component II allowing restoration of benefits depending on GRS' funding level over time.

For PFRS, with respect to benefit adjustments resulting from the POA, the pension settlement (for which benefit levels were and are contingent on other factors, including receipt of outside contributions) did not reduce PFRS legacy plan pension benefits, but provided for a 55 percent reduction in cost of living adjustments, or "escalators" (COLAs) paid after June 30, 2014. The Plan of Adjustment also includes the possibility of restoration of certain pension benefit reductions based on a program for the most financially vulnerable pensioners and beneficiaries through the Michigan Department of Treasury, as well as a new feature of the legacy plan allowing restoration of benefits depending on PFRS' funding level over time.

Benefits Provided

Component II

Component II is the legacy plan, the original defined benefit plan for each system, which includes a defined benefit component and a defined contribution component. Component II generally applies to benefits accrued by members prior to July 1, 2014. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Except as specifically provided in the Combined Plan, benefits provided under Component II are frozen effective June 30, 2014. Component II also includes the Income Stabilization Fund. The fund was established as a provision of the POA for the sole purpose of paying the Income Stabilization Benefits and Income Stabilization Benefits Plus to eligible pensioners.

Note 8 - Pension Plans (Continued)

The Income Stabilization Fund is outlined in Section G-3 of the POA. The annual supplemental pension income stabilization benefit is equal to the lesser of either (i) the amount needed to restore an eligible retiree's reduced annual pension benefit to 100 percent of the amount of the annual pension benefit that the eligible retiree was receiving from the Systems in 2013; or (ii) the amount needed to bring the total annual 2013 household income of the eligible retiree up to 130 percent of the Federal Poverty Level for 2013. The Income Stabilization Fund did not have an impact on total pension liability as of the measurement date of June 30, 2018 because the assets held by the Income Stabilization Fund are not considered as being available to fund the normal retirement benefit provisions under the pension plan but instead are restricted to paying Income Stabilization Benefits and Income Stabilization Benefits Plus. No liability currently exists for these benefits.

GRS Component II plan members who retire postbankruptcy will receive an annuity that shall be the actuarial equivalent of the member's accumulated contributions in the 1973 Defined Contribution Annuity Savings Fund at the time of retirement. In addition, each member will receive a basic service and a membership service pension. The basic service pension will consist of \$12.00 per annum multiplied by the number of years and fractions of years of credited service, not to exceed 10 years. The membership service pension will be calculated as follows:

- For members who retired on or before June 30, 1992, a membership service pension of 1.5 percent of average final compensation for the first 10 years of service and 1.63 percent for service in excess of 10 years
- For members who retired on or after July 1, 1992 but prior to July 1, 1998, a membership service pension of 1.5 percent of average final compensation for each year of service for the first 10 years, plus 1.7 percent of average final compensation for each year of service in excess of 10 years up to 20 years of service, plus 1.9 percent of average final compensation for each year of service in excess of 20 years. In no event shall benefits paid by the Systems exceed 90 percent of average final compensation.
- For members who retire on or after July 1, 1998, a membership service pension for service rendered prior to July 1, 2012 of 1.6 percent of average final compensation for each year of service for the first 10 years; plus 1.8 percent of average final compensation for each year of service in excess of 10 years, up to 20 years of service; plus 2 percent of average final compensation for each year of service in excess of 20 years up to 25 years; plus 2.2 percent of average final compensation for each year of service in excess of 25 years; plus, for service rendered after July 1, 2012 and prior to July 1, 2014, 1.5 percent of average final compensation for each year of service; plus \$12 for each year of city service not to exceed \$120. Notwithstanding the foregoing, for members of the Michigan Council 25 of the American Federation of State, County and Municipal Employees, AFL-CIO Local 2920 and the Detroit Senior Water Systems Chemists Association bargaining units, the effective date of the 1.5 percent multiplier was April 1, 2013 for all years of service rendered after that date. In no case shall benefits paid by the Systems exceed 90 percent of average final compensation.

Note 8 - Pension Plans (Continued)

Upon retirement, PFRS Component II plan members will receive a straight life retirement allowance. The benefits consist of an annuity that is the actuarial equivalent of the member’s accumulated contributions credit in the Annuity Savings Fund at the time of retirement. In addition, a pension is added to the member’s annuity providing a straight life retirement allowance equal to: 2.0 percent of his or her average final compensation, multiplied by the number of years, and fraction of a year, of his or her creditable service, not to exceed 25 years, provided that the retirement allowance of a police employee shall in no case exceed 15/22 of the maximum earnable compensation of a patrolman and the retirement allowance of a firefighter shall not exceed 15/22 of the maximum earnable compensation of a firefighter (and if either or both of the said ranks shall be hereafter abolished, the equivalent thereof). The foregoing pension limitation shall not apply to any police employee or fire employee who, on July 1, 1941, shall be entitled to a certificate for 20 years or more of prior service and who remains under the provisions of Chapter XV or Chapter XXI of Title IV of the 1918 Detroit City Charter.

In the event the eligible retiree’s estimated adjusted annual household income in any calendar year after the first year that the eligible retiree receives a benefit from the Income Stabilization Fund is less than 105 percent of the Federal Poverty Level in that year, the eligible retiree will receive an additional Income Stabilization Benefit Plus benefit commencing as of the next following July 1.

Component I

Component I is considered a "hybrid" plan because it includes a defined benefit component and a defined contribution component. Component I of the plan document applies to benefits accrued by members of the GRS and PFRS on and after July 1, 2014. The Component I plans provide retirement, disability, and survivor benefits to plan members and beneficiaries. Upon retirement, PFRS Component I plan members will receive a straight life retirement allowance that shall be equal to 2 percent of the member’s average final compensation multiplied by the member’s years of credited service earned after June 30, 2014. For GRS, plan members will receive a straight life retirement allowance that shall be equal to 0.5 percent of the member’s average final compensation multiplied by the member’s years of credited service earned after June 30, 2014.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	GRS Component I	GRS Component II	PFRS Component I	PFRS Component II
Date of member count	June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2018
Inactive plan members or beneficiaries currently receiving benefits	247	11,684	90	8,151
Inactive plan members entitled to but not yet receiving benefits	1,021	3,236	471	410
Active plan members (includes DROP members)	5,629	3,018	2,687	2,446

Note 8 - Pension Plans (Continued)

Employer Contributions

Component II

GRS: During fiscal year 2019, employer contributions were determined by the provisions of the POA detailed under Exhibit II.B.3.r.ii.A. Included within contributions recognized by the pension plan for fiscal year 2019 in Component II are contributions from the Foundation for Detroit's Future (the "Foundation") in the amount of \$375,000 and \$67,900,000 of contributions from the City, city-related entities, and the Great Lakes Water Authority.

PFRS: During fiscal year 2019, employer contributions were determined by the provisions of the POA detailed under Exhibit II.B.3.q.ii.A. Included in employer contributions in Component II are contributions from the Foundation for Detroit's Future in the amount of \$18,300,000. Going forward, until 2024, the only contributions to be made to Component II will be those received from the Foundation, as specified in the POA.

Component I

GRS: Per Section 9.3 of the Combined Plan, commencing on July 1, 2014 and ending on June 30, 2023, the City is required to contribute 5 percent of compensation. During the fiscal year ended June 30, 2019, the City and related entities contributed \$12,195,432.

PFRS: During fiscal year 2019, employer contributions are not actuarially determined but are determined by the provisions of the Combined Plan. Contributions from the City into Component I range from 11.2 to 12.25 percent of base compensation for eligible employees. These contributions rates are fixed by the POA through June 30, 2023 and may be increased if required according to the fiscal responsibility provision in the plan. During fiscal year 2019, employer contributions to Component I were \$17,832,015.

Employee Contributions

Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2019, there were no employee contributions into Component II, as the plan was frozen as of June 30, 2014. Effectively, employee contributions were allowed only until August 1, 2014.

Contributions into Component I began with the members' first payroll date occurring in August 2014. With respect to GRS Component I, nonuniformed employees who are members of GRS are now required to make mandatory contributions of 4 percent of pay toward their defined benefit. Additionally, employees can make voluntary contributions of 3, 5, or 7 percent of annual pay. During fiscal year 2019, the GRS Component I plan received mandatory and voluntary employee contributions of \$15,570,185. With respect to PFRS Component I, members hired on June 30, 2014 or before contribute 6 percent of base compensation, and all employees hired on or after July 1, 2014 contribute 8 percent of compensation. During fiscal year 2019, the PFRS Component I plan received employee contributions of \$9,768,284.

Net Pension Liability (Asset)

As permitted by GASB Statement No. 68, the City has chosen to use June 30, 2018 as its measurement date for the net pension liability (asset) for its fiscal year 2019 financial statements. The net pension liability (asset) was calculated using the total pension liability and the Systems' fiduciary net position as of June 30, 2018. The June 30, 2018 total pension liability was determined by an actuarial valuation performed as of June 30, 2017, which used updated procedures to roll forward the estimated liability to June 30, 2018. In determining the fiduciary net position, the balances of the Income Stabilization Fund have not been included. The Income Stabilization Fund balances are approximately \$12.6 million and \$4.6 million for Component II for the GRS and PFRS, respectively.

Note 8 - Pension Plans (Continued)

Effective January 1, 2016, Great Lakes Water Authority (GLWA) was launched. Accordingly, the prior DWSD division was split into two - one representing the ongoing DWSD department, now referenced as DWSD-Retail (DWSD-R), and another to represent the GLWA serving water and sewer customers in areas outside of the City. In accordance with the pension reporting agreement, the net position and liabilities of DWSD were allocated between DWSD-R and GLWA. Per the agreement, GLWA is to be allocated 70.3 percent of the net position and liabilities of DWSD. Because GLWA has no employees or retirees in the Combined Plan, GLWA is considered a nonemployer contributing entity in accordance with GASB Statement No. 67.

The net pension liability (asset), total deferred outflows of resources, and total deferred inflows of resources included in the following tables include the portion allocable to GLWA. GLWA's portion of the total Component II net pension liability of \$832,682,511 at June 30, 2018 was \$131,981,167, with the remainder allocable to the City and related entities. GLWA's portion of the total Component II deferred outflow was \$32,073,837. There were no deferred inflows reported for Component II. As this arrangement meets the definition of a special funding situation per GASB Statement No. 68, GLWA's pension expense is recognized by the City.

Changes in the net pension liability (asset) during the measurement year were as follows:

GRS Component I

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at July 1, 2017	\$ 72,683,584	\$ 62,922,324	\$ 9,761,260
Changes for the year:			
Service cost	22,359,382	-	22,359,382
Interest	5,438,061	-	5,438,061
Differences between expected and actual experience	4,546,865	-	4,546,865
Changes in assumptions	(5,758,189)	-	(5,758,189)
Contributions - Employer	-	14,673,644	(14,673,644)
Contributions - Employee	-	8,837,967	(8,837,967)
Voluntary contributions	-	5,302,650	(5,302,650)
Net investment income	-	8,445,590	(8,445,590)
Benefit payments, including refunds	(2,390,592)	(2,390,592)	-
Administrative expenses	-	(2,171,693)	2,171,693
Other	-	12,436	(12,436)
Net changes	24,195,527	32,710,002	(8,514,475)
Balance at June 30, 2018	\$ 96,879,111	\$ 95,632,326	\$ 1,246,785

The plan's fiduciary net position represents 98.7 percent of the total pension liability.

June 30, 2019

Note 8 - Pension Plans (Continued)

GRS Component II

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at July 1, 2017	\$ 2,910,858,226	\$ 1,966,728,975	\$ 944,129,251
Changes for the year:			
Interest	192,359,745	-	192,359,745
Differences between expected and actual experience	33,805,327	-	33,805,327
Changes in assumptions	(110,274,515)	-	(110,274,515)
Contributions - Employer	-	68,275,000	(68,275,000)
Net investment income	-	155,423,193	(155,423,193)
Benefit payments, including refunds	(253,442,630)	(253,442,630)	-
Administrative expenses	-	(3,313,418)	3,313,418
Other (ASF recoupment)	-	6,952,522	(6,952,522)
Net changes	(137,552,073)	(26,105,333)	(111,446,740)
Balance at June 30, 2018	\$ 2,773,306,153	\$ 1,940,623,642	\$ 832,682,511

The plan's fiduciary net position represents 70.0 percent of the total pension liability.

PFRS Component I

Changes in Net Pension Asset	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Asset
Balance at July 1, 2017	\$ 68,577,964	\$ 93,356,020	\$ (24,778,056)
Changes for the year:			
Service cost	24,907,507	-	24,907,507
Interest	5,787,404	-	5,787,404
Changes in benefits	(305,021)	-	(305,021)
Differences between expected and actual experience	(3,622,053)	-	(3,622,053)
Contributions - Employer	-	19,244,806	(19,244,806)
Contributions - Employee	-	9,170,876	(9,170,876)
Net investment income	-	8,634,498	(8,634,498)
Benefit payments, including refunds	(561,561)	(561,561)	-
Administrative expenses	-	(1,928,606)	1,928,606
Other	-	55,353	(55,353)
Net changes	26,206,276	34,615,366	(8,409,090)
Balance at June 30, 2018	\$ 94,784,240	\$ 127,971,386	\$ (33,187,146)

The plan's fiduciary net position represents 135.0 percent of the total pension liability.

Note 8 - Pension Plans (Continued)

PFRS Component II

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at July 1, 2017	\$ 3,750,305,804	\$ 2,922,141,978	\$ 828,163,826
Changes for the year:			
Interest	257,841,119	-	257,841,119
Differences between expected and actual experience	32,674,674	-	32,674,674
Changes in assumptions	(6,975,457)	-	(6,975,457)
Contributions - Employer	-	18,300,000	(18,300,000)
Contributions - Employee	-	42,114	(42,114)
Net investment income	-	237,991,220	(237,991,220)
Benefit payments, including refunds	(308,390,724)	(308,390,724)	-
Administrative expenses	-	(4,933,928)	4,933,928
Other income	-	1,153,145	(1,153,145)
Net changes	(24,850,388)	(55,838,173)	30,987,785
Balance at June 30, 2018	<u>\$ 3,725,455,416</u>	<u>\$ 2,866,303,805</u>	<u>\$ 859,151,611</u>

The plan's fiduciary net position represents 76.9 percent of the total pension liability.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, pension expense (recovery) was \$8,140,345 for the General Retirement System Component I, \$(20,865,737) for the General Retirement System Component II, \$13,159,864 for the Police and Fire Retirement System Component I, and \$58,125,080 for the Police and Fire Retirement System Component II.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	GRS - Component I		GRS - Component II	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,519,146	\$ (5,718,589)	\$ -	\$ -
Changes in assumptions	3,222,672	(5,533,651)	-	-
Net difference between projected and actual earnings on pension plan investments	-	(5,125,889)	12,946,084	-
Employer contributions to the plan subsequent to the measurement date	12,195,432	-	68,275,000	-
Total	<u>\$ 21,937,250</u>	<u>\$ (16,378,129)</u>	<u>\$ 81,221,084</u>	<u>\$ -</u>

Note 8 - Pension Plans (Continued)

	PFRS - Component I		PFRS - Component II	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (13,913,550)	\$ -	\$ -
Changes in assumptions	1,562,997	(995,333)	-	-
Net difference between projected and actual earnings on pension plan investments	-	(2,432,687)	22,019,360	-
Changes in proportionate share, or difference between amount contributed and proportionate share of contributions	1	-	-	-
Employer contributions to the plan subsequent to the measurement date	17,832,015	-	18,300,000	-
Total	\$ 19,395,013	\$ (17,341,570)	\$ 40,319,360	\$ -

A total of \$12,195,432 for the General Retirement System Component I, \$68,275,000 for the General Retirement System Component II, \$17,832,015 for the Police and Fire Retirement System Component I, and \$18,300,000 for the Police and Fire Retirement System Component II are reported as deferred outflows of resources resulting from employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Included in those amounts are amounts sourced from the sale of city-owned artwork with proceeds from the Foundation for Detroit's Future, as outlined in the POA (also referred to as the "Grand Bargain"). The deferred outflows of resources and deferred inflows of resources related to the change in actuarial assumptions and the net differences between projected and actual earnings on pension plan investments will be amortized and recognized as an addition to or a reduction of pension expense as follows:

Years Ending June 30	GRS - Component I	GRS - Component II	PFRS - Component I	PFRS - Component II
2020	\$ (2,489,474)	\$ 24,256,814	\$ (2,612,384)	\$ 37,645,904
2021	(2,588,297)	13,683,106	(2,761,586)	16,486,077
2022	(2,381,223)	(19,835,029)	(3,184,454)	(24,311,137)
2023	(349,999)	(5,158,807)	(2,311,101)	(7,801,484)
2024	335,171	-	(2,107,032)	-
Thereafter	837,511	-	(2,802,016)	-
Total	\$ (6,636,311)	\$ 12,946,084	\$ (15,778,573)	\$ 22,019,360

Actuarial Assumptions

The total pension liability in each actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	GRS Component I	GRS Component II	PFRS Component I	PFRS Component II
Salary increases (including inflation)	2.0 - 3.0%	N/A	2.0 - 3.0%	N/A
Investment rate of return (net of investment expenses)	7.38%	7.38%	7.19%	7.19%

Note 8 - Pension Plans (Continued)

Based on an experience study from 2008-2013 issued in February 2015, the mortality table assumption was based on the RP-2014 Blue Collar Annuitant Table for males and females. The tables are projected to be fully generational, based on the two-dimensional sex-distinct mortality scale MP-2014. Other than mortality and the investment rate of return, the actuarial assumptions used in the valuation to calculate the total pension liability at June 30, 2018 were based on the results of an actuarial experience study for the period from 2002-2007 modified as necessary to account for the difference in eligibility of this new plan.

Cost of Living Adjustments

GRS Component I plan has a postretirement COLA feature, known as the Variable Pension Improvement Factor (VPIF), of a 2 percent simple COLA. It can be granted beginning on July 1, 2018 only if the five-year projection shows the plan funded status at 100 percent based upon 6.75 percent future investment return. For the purpose of the total pension liability, the actuary assumed a 0.50 percent simple COLA beginning on July 1, 2018 to model the potential average COLA over time. Had no COLA been assumed, the net pension asset would have been \$(1,851,675). Had the full 2 percent COLA been assumed, the net pension liability would have been \$10,447,252.

PFRS Component I plan also has a VPIF of a 1 percent compound COLA. It can be granted beginning on July 1, 2015 only if the five-year projection shows the plan's funded status above 90 percent based upon 6.75 percent future investment return. For the purpose of the total pension liability, the actuary assumed a 0.50 percent compound COLA beginning on July 1, 2018 to model the potential average COLA over time. Had no COLA been assumed, the net pension asset would have been \$(37,952,246). Had the full 1 percent COLA been assumed, the net pension asset would have been \$(27,988,603).

Discount Rates

The discount rate used to measure the total pension liability as of June 30, 2018 was 7.38 percent for both General Retirement System plans and 7.19 percent for both Police and Fire Retirement System plans; however, the single discount rate used at the beginning of the year was 6.91 percent for both General Retirement System plans and 7.17 percent for both Police and Fire Retirement System plans. For the Component II plans, the projection of cash flows used to determine the discount rates assumed that employee contributions will cease as of June 30, 2014 and that city contributions, including contributions sourced from the proceeds of the sale of artwork from the State of Michigan and the Foundation for Detroit's Future, will be made at rates equal to those set by the final Plan of Adjustment through June 30, 2023 and a 30-year closed level dollar amortization thereafter. For the Component I plans, the projection of cash flows used to determine the discount rates assumed that employee contributions will be made at the current contribution rate. Contributions to the Combined Plan are projected to be at the minimum amounts required by the Plan of Adjustment through 2023, followed by actuarially determined contributions beginning in 2024. While no funding policy has been adopted by the City of Detroit, Michigan, the projection of cash flows assumes full funding of contributions such that the plan's net position will be sufficient to make all benefit payments. The Combined Plan's management believes that the funding practice adopted by the City will be consistent with the underlying objective used in the projection to develop the single discount rate.

Note 8 - Pension Plans (Continued)

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return as of June 30, 2018 for each major asset class, including the pension plan's target asset allocation are summarized in the following table

GRS Component I and II

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	43.00 %	5.23 %
Global fixed income	19.00	3.04
Private equity	8.00	7.18
Cash	1.00	0.25
Real estate	10.00	4.46
Global asset allocation/risk parity/real assets	14.00	4.30
Hedge funds	5.00	4.06

PFRS Component I and II

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	38.00 %	5.24 %
Global fixed income	28.00	3.46
Real estate	13.00	4.48
Private equity	10.00	7.18
Cash	1.00	0.25
Master limited partnerships	5.00	5.71
Hedge funds	5.00	4.06

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

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.38 percent for both General Retirement System plans and 7.19 percent for both Police and Fire Retirement System plans, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.38% for GRS and 6.19% for PFRS)	Current Discount Rate (7.38% for GRS and 7.19% for PFRS)	1 Percent Increase (8.38% for GRS and 8.19% for PFRS)
Net pension liability (asset) of the GRS Component I	\$ 14,262,376	\$ 1,246,785	\$ (9,322,506)
Net pension liability of the GRS Component II	1,077,775,085	832,682,511	623,238,266
Net pension asset of the PFRS Component I	(15,801,650)	(33,187,146)	(47,020,603)
Net pension liability of the PFRS Component II	1,240,086,907	859,151,611	538,954,870

Note 8 - Pension Plans (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. The report can be obtained from City of Detroit Retirement Systems, One Detroit Center, 500 Woodward Ave., Suite 3000, Detroit, MI 48226 or obtained from the Systems' website (www.rscd.org). For the purpose of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Assumption Changes

The discount rate used to calculate the June 30, 2018 total pension liability was 7.19 percent for PFRS and 7.38 percent for GRS. The discount rate used to calculate the total pension liability as of June 30, 2017 was 7.17 percent for PFRS and 6.91 percent for GRS.

Deferred Retirement Option Program (DROP)

In lieu of terminating employment and accepting a retirement allowance under the plan, any member of the Police and Fire Retirement System who is eligible for the DROP program may defer the receipt of his or her retirement allowance, continue services, and be paid compensation. At the time of the DROP election, the member no longer accrues a benefit. The program credits the employee for benefit payments that would have been paid had they retired normally by depositing 75 percent of the monthly payment with a third-party administrator in the member's name. The remaining 25 percent of the monthly payments is retained in the trust for general purposes. The DROP allocations continue if the member continues to be actively employed as a police officer or a firefighter with the City. The member is eligible to withdraw the amounts deposited with the third-party administrator upon retirement and from that point on the retiree receives 100 percent of retirement benefits. There are no amounts held by PFRS at June 30, 2019, as all amounts due to the members pursuant to the DROP election are held by a third-party administrator.

June 30, 2019

Note 9 - Pension Allocations

The calculation of key pension elements was performed by the actuary based on underlying census data for governmental activities, transportation, DWSD (water and sewage disposal), library, airport, and parking. DWSD was further allocated between water and sewer based on budgeted payroll expense. One hundred percent of PFRS amounts is reported in governmental activities. Pension amounts for each reporting unit are as follows:

	Governmental Activities		Total Governmental Activities	Water Fund	Sewage Disposal Fund	Transportation Fund
	Police and Fire System	General System				
Proportionate share of the net pension liability (1)	100.00 %	48.63 %		4.04 %	2.72 %	26.81 %
Net pension liability	\$ 859,151,611	\$ 405,504,005	\$ 1,264,655,616	\$ 33,670,532	\$ 22,700,393	\$ 223,607,960
Net pension asset	33,187,146	-	33,187,146	-	-	-
Pension expense (recovery)	71,284,944	(13,398,645)	57,886,299	(4,146,861)	(2,729,963)	29,303,464
Deferred outflows of resources representing contributions subsequent to the measurement date	36,132,015	31,463,552	67,595,567	8,185,474	5,885,787	1,686,256
Deferred outflows of resources representing the net difference between projected and actual earnings on pension plan investments	22,019,360	3,380,274	25,399,634	41,153	-	2,199,558
Deferred inflows of resources representing the net difference between projected and actual earnings on pension plan investments	(2,432,687)	-	(2,432,687)	-	(306,537)	-
Deferred outflows of resources representing assumption changes related to economic and demographic factors	1,562,997	1,869,348	3,432,345	259,261	368,490	481,564
Deferred inflows of resources representing assumption changes related to economic and demographic factors	(995,333)	(3,503,738)	(4,499,071)	(335,936)	(477,469)	(838,512)
Deferred outflows of resources representing difference between expected and actual experience	-	6,246,119	6,246,119	-	-	144,904
Deferred inflows of resources representing difference between expected and actual experience	(13,913,550)	(868,997)	(14,782,547)	(1,856,359)	(2,638,458)	(35,493)
Deferred outflows of resources representing changes in proportion and differences between employer contributions and share of contributions	-	290,389	290,389	-	-	-
Deferred inflows of resources representing changes in proportion and differences between employer contributions and share of contributions	-	-	-	-	-	-
Amortization of deferred amounts (exclusive of deferred outflows of resources resulting from contributions subsequent to measurement date):						
2020	\$ 35,033,520	\$ 13,286,484	\$ 48,320,004	\$ 296,310	\$ (404,863)	\$ 3,119,990
2021	13,724,491	7,296,122	21,020,613	(212,037)	(753,881)	1,779,221
2022	(27,495,591)	(12,036,225)	(39,531,816)	(1,547,483)	(1,478,326)	(2,296,142)
2023	(10,112,585)	(2,948,008)	(13,060,593)	(386,769)	(357,346)	(483,819)
2024	(2,107,032)	569,212	(1,537,820)	(41,902)	(59,556)	(71,812)
Thereafter	(2,802,016)	955,420	(1,846,596)	-	-	(95,416)
Total	\$ 6,240,787	\$ 7,123,005	\$ 13,363,792	\$ (1,891,881)	\$ (3,053,972)	\$ 1,952,022
Sensitivity analysis:						
Net pension liability at 6.23 (GRS) and 6.15 (PFRS) percent discount rate	\$ 1,224,285,257	\$ 531,057,817		\$ 44,118,313	\$ 29,703,419	\$ 292,775,243
Net pension liability at 8.23 (GRS) and 8.15 (PFRS) percent discount rate	491,934,267	298,547,234		24,802,197	16,698,508	164,590,815

June 30, 2019

Note 9 - Pension Allocations (Continued)

	Other Enterprise Funds	Total Business-type Activities	Total Reporting Entity	Detroit Public Library - Component Unit	GLWA (1)	Total General Retirement System
Proportionate share of the net pension liability (1)	0.80 %		- %	1.17 %	15.83 %	
Net pension liability	\$ 6,711,504	\$ 286,690,389	\$ 1,551,346,005	\$ 9,753,736	\$ 131,981,166	\$ 833,929,296
Net pension asset	-	-	33,187,146	-	-	-
Pension expense (recovery)	(201,523)	22,225,117	80,111,416	(4,951,761)	(16,600,103)	(12,725,392)
Deferred outflows of resources representing contributions subsequent to the measurement date	590	15,758,107	83,353,674	3,090,073	30,158,700	80,470,432
Deferred outflows of resources representing the net difference between projected and actual earnings on pension plan investments	44,454	2,285,165	27,684,799	546,155	1,915,137	8,126,731
Deferred inflows of resources representing the net difference between projected and actual earnings on pension plan investments	-	(306,537)	(2,739,224)	-	-	(306,537)
Deferred outflows of resources representing assumption changes related to economic and demographic factors	38,345	1,147,660	4,580,005	205,665	-	3,222,673
Deferred inflows of resources representing assumption changes related to economic and demographic factors	(71,870)	(1,723,787)	(6,222,858)	(306,126)	-	(5,533,651)
Deferred outflows of resources representing difference between expected and actual experience	128,122	273,026	6,519,145	-	-	6,519,145
Deferred inflows of resources representing difference between expected and actual experience	(17,825)	(4,548,135)	(19,330,682)	(301,457)	-	(5,718,589)
Deferred outflows of resources representing changes in proportion and differences between employer contributions and share of contributions	586	586	290,975	-	-	290,975
Deferred inflows of resources representing changes in proportion and differences between employer contributions and share of contributions	(290,975)	(290,975)	(290,975)	-	-	(290,975)
Amortization of deferred amounts (exclusive of deferred outflows of resources resulting from contributions subsequent to measurement date):						
2020	\$ 219,466	\$ 3,230,903	\$ 51,550,907	\$ 916,244		17,433,631
2021	120,005	933,308	21,953,921	491,255		8,720,685
2022	(201,271)	(5,523,222)	(45,055,038)	(873,397)		(18,432,844)
2023	(48,247)	(1,276,181)	(14,336,774)	(275,327)		(4,499,516)
2024	11,676	(161,594)	(1,699,414)	(72,447)		335,171
Thereafter	19,598	(75,818)	(1,922,414)	(42,091)		837,511
Total	\$ 121,227	\$ (2,872,604)	\$ 10,491,188	\$ 144,237		
Sensitivity analysis:						
Net pension liability at 6.23 (GRS) and 6.15 (PFRS) percent discount rate	\$ 8,736,299	\$ -		\$ 12,776,828		
Net pension liability at 8.23 (GRS) and 8.15 (PFRS) percent discount rate	4,911,326	-		7,182,814		

1. In accordance with the lease agreement with GLWA (see Note 13), portions of the General Retirement System - Component II net pension liability are allocated to Great Lakes Water Authority and deemed to be a special funding situation.

Note 10 - Other Postemployment Benefit Plan

Prior to the City's bankruptcy in 2014, the City had offered retiree healthcare, life insurance, and a supplemental death benefit plan. Under the City's plan of adjustment approved in the bankruptcy case, the City did the following:

- Restructured retiree health benefits through the creation of two new voluntary employee beneficiary associations (or VEBAs), which include the General Retiree Health Care Trust and the Police and Fire Retiree Health Care Trust
- Terminated the Employee Health and Life Insurance Benefit Plan effective December 31, 2014
- Closed the existing supplemental death benefits plan to new members effective December 10, 2014; benefits to be paid to individuals retiring prior to that date are limited to the assets allocated to that closed plan. There are no further contribution requirements for the City for plan members who were retired as of that date.

Remaining plans as of June 30, 2019 are as follows:

- Defined benefit plans:
 - o Death Benefit Plan - Open to all employees providing services after December 10, 2014
 - o Closed Death Benefit Plan
- Defined contribution plans:
 - o General Retiree Health Care Trust (VEBA)
 - o Police and Fire Retiree Health Care Trust (VEBA)
 - o Post-2014 Non-Safety Employee Retiree Health Care Trust (VEBA)
 - o Coalition of Detroit Public Safety Unions Trust (VEBA)

Death Benefit Plan

Plan Description

The Death Benefit Plan is a prefunded single-employer defined benefit plan administered by the employee benefit board of trustees and is accounted for in the Employee Death Benefits Fund. The Death Benefit Plan does not issue a separate stand-alone financial statement. The money is held in the City of Detroit Employee Benefit Trust, and the City uses the trust fund to account for the Death Benefit Plan.

Management of the plan is vested in the pension board, which consists of 10 members. Five members of the board are elected by the active membership to serve six-year terms. One member is elected by the retiree membership to serve a two-year term. One member is appointed by the mayor of the City from the citizens of the City to serve a six-year term. Three members serve ex officio, these members being the mayor of the City (or designee), the city treasurer, and one representative from the City Council. Expirations of terms of elected trustees are staggered.

Benefits Provided

In accordance with Section 13, Article 8 of the Code of Ordinances, effective July 1, 1999 and prior to the member's retirement from the City, a death benefit of \$10,000 will be paid. After retirement of the member from the City, the amount of death benefits paid is based upon the retiree's years of city service ranging from \$1,860 (for 8 to 10 years of service) to \$3,720 (for 30 years of service). For years of service beyond 30 years, \$93.00 will be added per year for each additional year of service.

June 30, 2019

Note 10 - Other Postemployment Benefit Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	<u>Death Benefit Plan</u>
Date of member count	June 30, 2019
Retirees and beneficiaries	1,976
Active plan members	<u>8,204</u>
Total plan members	<u><u>10,180</u></u>

Contributions

The City is under no legal obligation to prefund the plan benefits. Plan members have no contribution requirements. During the year ended June 30, 2019, there were employer contributions of \$92,990 and employee contributions of \$73,457.

Net OPEB Asset

The City has chosen to use the June 30, 2019 measurement date as its measurement date for the net OPEB asset. The June 30, 2019 fiscal year end reported net OPEB asset was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2019 measurement date. The June 30, 2019 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, which used updated procedures to roll forward the estimated liability to June 30, 2019.

Changes in the net OPEB asset during the measurement year were as follows:

<u>Changes in Net OPEB Asset</u>	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Asset</u>
Balance at July 1, 2018	\$ 3,702,441	\$ 3,955,799	\$ (253,358)
Changes for the year:			
Service cost	129,558	-	129,558
Interest	255,501	-	255,501
Differences between expected and actual experience	197,652	-	197,652
Contributions - Employer	-	92,990	(92,990)
Contributions - Employee	-	73,457	(73,457)
Net investment income	-	246,685	(246,685)
Benefit payments, including refunds	(234,422)	(234,422)	-
Administrative expenses	-	(61,160)	61,160
Net changes	<u>348,289</u>	<u>117,550</u>	<u>230,739</u>
Balance at June 30, 2019	<u><u>\$ 4,050,730</u></u>	<u><u>\$ 4,073,349</u></u>	<u><u>\$ (22,619)</u></u>

The plan's fiduciary net position represents 100.56 percent of the total OPEB liability.

Note 10 - Other Postemployment Benefit Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$167,644.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 411,317	\$ -
Net difference between projected and actual earnings on OPEB plan investments	989	-
Total	<u>\$ 412,306</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2020	\$ 67,268
2021	67,268
2022	67,268
2023	73,793
2024	68,652
Thereafter	<u>68,057</u>
Total	<u>\$ 412,306</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, which used updated procedures to roll forward the estimated liability to June 30, 2019. The valuation used an inflation assumption of 2.5 percent, an investment rate of return (net of investment expenses) of 7.0 percent, and the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement.

Based on an experience study from 2008-2013 issued in February 2015, the mortality table assumption for general, EMS, and D.O.T. was 100 percent of the RP-2014 Blue Collar Annuitant Table set forward one year for males and 100 percent of the RP-2014 Blue Collar Annuitant Table set forward one year for females. For police and fire, the mortality tables used in evaluating death benefits to be paid to retired members was 100 percent of the RP-2014 Blue Collar Annuitant Table with no set-forward for males or females. Tables were extended below age 50 with a cubic spline to the published juvenile rates. This table contains no margin for future improvements in life expectancies for conservatism.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate.

June 30, 2019

Note 10 - Other Postemployment Benefit Plan (Continued)

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The board has not adopted a formal investment policy, however, the pension board approved a formal investment allocation in August 2014. The target allocation and best estimates of geometric real rates of return as of the June 30, 2019 measurement date for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	17.00 %	5.00 %
International equities	11.00	5.90
Bonds	8.00	2.55
Private equity	5.00	7.81
REITs	9.00	5.53
Global multisector fixed income	25.00	2.46
Risk parity	25.00	3.89

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the City, calculated using the discount rate of 7.0 percent, as well as what the City's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percent Increase (8.0%)
Net OPEB liability (asset)	\$ 712,968	\$ (22,619)	\$ (597,788)

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 2.97 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Closed Death Benefit Plan

Plan Description

The Closed Death Benefit Plan is a prefunded single-employer defined benefit plan administered by the employee benefit board of trustees and is accounted for in the Employee Death Benefits Fund. The Closed Death Benefit Plan does not issue separate stand-alone financial statements. The money is held in the City of Detroit Employee Benefit Trust, and the City uses the trust fund to account for the Closed Death Benefit Plan. Management of the Closed Death Benefit Plan is vested with the employee benefit board of trustees.

Note 10 - Other Postemployment Benefit Plan (Continued)

Benefits Provided

In accordance with Section 13, Article 8 of the Code of Ordinances, effective July 1, 1999 and prior to the member's retirement from the City, a death benefit of \$10,000 will be paid. After retirement of the member from the City, the amount of death benefits paid is based upon the retiree's years of city service ranging from \$1,860 (for 8 to 10 years of service) to \$3,720 (for 30 years of service). For years of service beyond 30 years, \$93.00 will be added per year for each additional year of service. The Closed Death Benefit Plan covers those retirees who retired on or before December 31, 2014.

Contributions

The City of Detroit, Michigan allocated \$30,423,997 to the Closed Death Benefit Plan as of December 31, 2014 to fully fund the plan. There are no required additional contributions.

Total OPEB Liability

The Closed Death Benefit Plan will provide future benefits only to the extent that plan assets are available to pay them. After the contribution in 2014, no further employer contributions will be made to the Plan. As such, the total OPEB liability as of June 30, 2019 is equal to the plan net position of \$21,414,792.

The majority of net position of the Closed Death Benefit Plan is in investments. Valuation of these investments is at current market value.

Other Retiree Healthcare Plans - Defined Contribution

Plan Description

The City provides retiree healthcare benefits to eligible retirees, spouses, and dependents through four plans: the General Retiree Health Care Trust, the Police and Fire Retiree Health Care Trust, the Post-2014 Non-Safety Employee Retiree Health Care Trust, and the Coalition of Public Safety Employees' Health Care Trust (the "C.O.P.S. Trust"). All four trusts are established as governmental voluntary employee beneficiary associations (VEBAs) pursuant to Section 501(c)(9) of the Internal Revenue Code of 1986, as amended, and all four are governed by a separate board of trustees responsible for administering benefits.

During the fiscal year ended June 30, 2019, the Detroit Fire Fighters Association (DFFA), the Detroit Police Officers Association (DPOA), the Detroit Police Lieutenants and Sergeants Associations (DPLSA), and the Detroit Police Command Officers Association (DPCOA) agreed to create a separate tax-exempt VEBA to provide postretirement healthcare reimbursement arrangement (HRA) benefits to eligible city retired public safety employees and their qualifying dependents. The Coalition of Detroit Public Safety Unions (CDPSU) was established pursuant to Section 501(c)(9) of the Internal Revenue Code of 1986, as amended, and is governed by a separate board of trustees responsible for administering benefits. The assets with the Coalition of Public Safety Employees' Health Care Trust were transferred to fund this new trust in May 2019.

Plan Provisions

Benefits provisions and contribution requirements for the General Retiree Health Care Trust and the Police and Fire Retiree Health Care Trust were established under the Plan of Adjustment. These trusts provide retiree health care to retirees who retired prior to December 31, 2014. The trusts were distributed proceeds from the City's financial recovery bonds. These bonds represent the entire funding responsibility of the City. City contributions of \$43,750 to each trust will continue to be made annually until 2034 under a grant agreement with the Foundation for Detroit's Future. Required member contributions are based on the benefit plans selected. Retiree contributions during the most recent plan year ended December 31, 2018 were \$7,275,307 and \$4,976,696 for the General Retiree Health Care Trust and Police and Fire Retiree Health Care Trust, respectively.

Note 10 - Other Postemployment Benefit Plan (Continued)

Benefit provisions and contribution requirements for the Post-2014 Non-Safety Employee Retiree Health Care Trust, the CDPSU, and the C.O.P.S. Trust, three defined contribution plans, were established under collective bargaining agreements with the City and its unions. The Post-2014 Non-Safety Employee Retiree Health Care Trust Fund established health reimbursement arrangements (HRA) accounts for City of Detroit, Michigan nonsafety employee retirees who retired on or after January 1, 2015 on a service retirement. The C.O.P.S. Trust is a nonprofit statewide health and welfare fund established by the Michigan Association of Police Organizations in 1994 with the City of Detroit, Michigan as a member organization. As mentioned above, the assets with the C.O.P.S. Trust were transferred to the newly created CDPSU trust during the fiscal year ended June 30, 2019. CDPSU provides HRA accounts for City of Detroit, Michigan public safety employees covered under labor agreements and/or collective bargaining agreements with the DFFA, DPOA, DPLSA, and DPCOA unions.

The City is required to contribute 2 percent of base pay of eligible employees to the Post-2014 Non-Safety Employee Retiree Health Care Trust. The City was required to contribute 1 percent of base pay of eligible employees to the C.O.P.S. Trust. With the new CDPSU trust, the City will be required to contribute a total sum of \$1 million to the CDPSU trust to fund retiree medical benefits for members represented by the DPLSA, DFFA, DPCOA, and DPOA unions. Members are required to contribute 0 percent of base pay. For the fiscal year ended June 30, 2019, the City contributed a combined \$5,782,136. There were no member contributions for the fiscal year ended June 30, 2019.

Note 11 - Risk Management

The City is exposed to various types of risk of loss, including torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; natural disasters; and environmental occurrences. Also included is risk of loss associated with providing health, dental, and life insurance benefits to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years except for the DDOT Shoemaker Terminal Fire claim in 2017 for \$9.8 million.

The City provides health and dental insurance benefits to employees through self-insured health plans that are administered by third-party administrators. The City does not purchase excess or stop-loss insurance for its self-insured health plans. The City currently is also self-insured for losses such as workers' compensation, legal, disability benefits, and vehicular liabilities and does not purchase stop-loss insurance except for workers' compensation with a \$7,000,000 specific retention.

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

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

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

Note 11 - Risk Management (Continued)

The City currently reports the risk management activities (excluding health and dental) of nonenterprise funds and the Transportation Fund (an enterprise fund) in its General Fund. Each fund pays insurance premiums to the General Fund based on past claims activities. Because the Transportation Fund is included in the General Fund's risk management activities, it does not record a liability in its financial statements. Risk management activities for the other enterprise funds are recorded and reported separately in those funds. The Detroit Public Library (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.

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

Changes in the reported liabilities for workers' compensation, legal, disability benefits, general, and vehicular liabilities for the past two fiscal years were as follows:

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Balance - Beginning of year	\$ 124,563,855	\$ 100,204,729	\$ 23,679,800	\$ 23,230,084
Current year claims and changes in estimates	67,405,376	34,463,901	12,861,022	6,668,759
Claim payments	(32,146,093)	(10,104,775)	(15,455,792)	(6,219,043)
Balance - End of year	<u>\$ 159,823,138</u>	<u>\$ 124,563,855</u>	<u>\$ 21,085,030</u>	<u>\$ 23,679,800</u>

Changes in the accrued liabilities for health and dental claims for the past two fiscal years are as follows:

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Balance - Beginning of year	\$ 3,702,164	\$ 4,084,845	\$ 818,535	\$ (1,597,570)
Current year claims and changes in estimates	88,079,890	56,470,244	18,568,460	12,485,360
Claim payments	(84,944,987)	(56,852,925)	(17,945,647)	(10,069,255)
Balance - End of year	<u>\$ 6,837,067</u>	<u>\$ 3,702,164</u>	<u>\$ 1,441,348</u>	<u>\$ 818,535</u>

The General Fund reported committed fund balance of \$20 million and assigned fund balance of approximately 57 million at June 30, 2019 for the purpose of funding future claim liabilities.

Note 12 - Commitments and Contingencies

Lawsuits and Claims

The City is a defendant in numerous lawsuits and is also subject to other claims, including claims for workers' compensation payments. The City uses in-house and, where necessary, outside counsel to adjudicate lawsuits. Each case is initially rated by the City's supervising or senior attorney handling or overseeing the case with respect to its viability for success against the City. Only cases rated "probable" for recovery from the City are reported for financial statement purposes. The dollar value reserved for any eventual payout on any said case is based upon the facts of the case, industry standards relative to the type of injury or damage involved, and the experience of the supervising or senior attorney. The legal reserve as of June 30, 2019 is a product of this analysis.

Note 12 - Commitments and Contingencies (Continued)

The City used a third-party actuary to perform a workers' compensation reserve analysis (estimated loss reserve) at June 30, 2019. The actuary used a general approach that relied upon actual loss development patterns for the City of Detroit, Michigan to the extent they are available, and the estimated loss reserve is augmented with industry benchmark loss development patterns based on insurance industry sources and patterns to project ultimate losses. While it is not possible to project the final outcome of these lawsuits and claims, the City and its legal department have estimated that the liability for all such litigation and claims totaled approximately \$181 million for the primary government as of June 30, 2019 (see Note 11).

Grant Audits

Several of the City's funds participate in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. These program compliance audits are regularly performed. The amount, if any, of expenditures that may be disallowed by the granting agencies in future compliance audits cannot be determined as of June 30, 2019. Since the City believes such adjustments, if any, will not be material, no provision for possible adjustments has been made.

Other Contingencies

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

Construction and Other Contractual Commitments

The City has active construction projects and other commitments at year end. Construction to date and remaining commitments at June 30, 2019 were as follows:

	Spent as of June 30, 2019	Remaining
Recreation and culture	\$ 805,038	\$ 98,230
Public protection	10,881,605	17,337,764
Municipal facilities	867,390	4,132,610
Municipal services	-	6,586,775
Development and management	9,599,626	4,186,140
Transportation facilities	9,946,338	3,039,776
	<u>\$ 32,099,997</u>	<u>\$ 35,381,295</u>
Total		

DWSD is engaged in numerous projects that are part of its five-year capital improvement program, including water main replacements, fire hydrant replacements, sewer system rehabilitation, vehicle and equipment purchases, and information technology upgrades. The program is being financed primarily from lease payments from the Great Lakes Water Authority and proceeds from the issuance of revenue bonds by the Great Lakes Water Authority. The total amount of construction contract commitments outstanding at June 30, 2019 was approximately \$103 million and \$51 million for Water Fund and Sewage Disposal Fund, respectively.

Note 12 - Commitments and Contingencies (Continued)

Operating Leases

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

Years Ending	Amount
2020	\$ 6,549,494
2021	4,814,591
2022	3,363,169
2023	2,112,157
2024	2,002,585
2025 - 2029	8,149,274
Thereafter	<u>1,342,392</u>
Total minimum payments	<u>\$ 28,333,662</u>

Rental expense for all operating leases approximated \$23.9 million for the year ended June 30, 2019.

Note 13 - Bankruptcy

On July 18, 2013, the City filed a petition in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"), initiating its bankruptcy case, *In re City of Detroit, Michigan*, Case No. 13-53846 (Bankr. E.D. Mich.) (the "Bankruptcy Case"). On December 5, 2013, the Bankruptcy Court entered its (1) *Opinion Regarding Eligibility* (Docket No. 1945), finding the City eligible for bankruptcy relief, and (2) *Order for Relief Under Chapter 9 of the Bankruptcy Code* (Docket No. 1946), permitting the City to be a debtor under Chapter 9 of the Bankruptcy Code.

On October 22, 2014, the City filed its Eighth Amended Plan for the Adjustment of Debts of the City of Detroit (October 22, 2014) (the "Plan," Docket No. 8045). On November 12, 2014, the Bankruptcy Court entered an order confirming the Plan with minor modifications (the "Confirmation Order," Docket No. 8272). The Plan became effective on December 10, 2014 (the "Effective Date"). On that date, among other things, (1) the City issued \$1.3 billion of debt, of which \$1.1 billion was delivered to various classes of creditors in satisfaction of their claims; (2) the City paid \$110.1 million in cash to various parties and escrow accounts; (3) the holders of certain of the City's UTGO bonds assigned debt service payments on remaining original UTGO bonds primarily to the income stabilization funds for the General Retirement System (GRS) and Police and Fire Retirement System (PFRS); (4) the City issued settlement credits totaling \$25.0 million to insurers of the POCs; and (5) in consideration for the payments by the State, a number of foundations and the DIA donors to the GRS and PFRS, the City irrevocably transferred the assets of the Detroit Institute of Arts (DIA) to the DIA as trustee. The discharge of claims under the Plan provided the City \$6.8 billion in aggregate debt relief.

In connection with the Plan, the City entered into various agreements, including the following: (1) the GRS and PFRS pension settlements; (2) matters relating to the Great Lakes Water Authority (GLWA); (3) the Syncora settlement, including the Syncora Development Agreement and the other Syncora settlement documents; and (4) the FGIC/POC settlement, including the FGIC Development Agreement and the other FGIC/POC settlement documents.

The Plan of Adjustment may be obtained via the following link:

www.kccllc.net/detroit/document/135384614102200000000007

Note 13 - Bankruptcy (Continued)

Bankruptcy Appeals

A number of parties filed appeals of the Confirmation Order. All of these appeals have been dismissed or otherwise resolved in favor of the City. Two sets of appellants filed petitions with the United States Supreme Court, seeking writs of certiorari (i.e., asking the Supreme Court to hear their appeal). One petition, filed on February 9, 2017, was denied by the Supreme Court on April 17, 2017. The other petition, filed on April 14, 2017, was denied by the Supreme Court on June 19, 2017.

Pension Settlements

On the Effective Date, the City assumed the obligations related to the already-accrued benefits under the GRS pension plan and the PFRS pension plan, as those benefits were modified by the Plan. The old GRS and old PFRS plans (which were frozen on July 1, 2014) are closed to new participants, and vested active employees have not accrued additional pension benefits under the terms and conditions of those plans since that date. As of the Effective Date, the City retained the responsibility to fund all amounts necessary to provide the adjusted (reduced) pension benefits to its employees and retirees who accrued benefits in either of the old frozen GRS or PFRS pension plans, although the City's contributions are fixed through June 30, 2023 and are payable from the sources shown in the table below. Thereafter, the City will be required to contribute all amounts necessary to fund the frozen plans. During November 2015, the actuary for each of the plans revised the calculation of the unfunded actuarial accrued liabilities (UAAL) for the frozen plans using updated mortality tables and other assumptions. The effect of the revised calculations was to increase the UAAL for the frozen plans by approximately \$491 million. Beginning in 2024, the Plan assumed that the UAAL would be funded over 30 years and projected an annual General Fund contribution of \$111 million beginning in fiscal year 2024. Based on the latest actuarial valuation as of June 30, 2018, the anticipated General Fund contributions starting in FY 2024 are projected to be \$164.3 million for Component II.

Effective August 11, 2017, the City established the City of Detroit Retiree Protection Fund (the "RPF") to set aside additional funds, in trust, for future deposit, beginning in FY 2024, to the frozen GRS and PFRS pension plans to increase the City's capacity to meet required annual pension contributions that resume in FY 2024. The City deposited \$125 million through June 30, 2019. With investment earnings, the balance was \$129.5 million as of June 30, 2019. The FY 2020-2023 Four-Year Financial Plan includes an additional \$210 million for deposit to the RPF from FY 2020 to FY 2023. Once all monies in the RPF have been disbursed over several years, the RPF will be terminated.

The tables below details the actual FY 2019 contributions and anticipated pension contributions to the GRS and PFRS from December 10, 2014 through June 30, 2023 in accordance with the Plan of Adjustment:

Source of Pension Contributions	Required or Paid FY 2019	Anticipated Contributions per POA Through June 30, 2023	Beneficiary
General Retirement System			
GLWA/DWSD	\$ 45,400,000	\$ 428,600,000	GRS
DIA	375,000	40,511,828	GRS
General Fund	20,000,000	92,100,000	GRS
Library	2,500,000	22,500,000	GRS
Stub UTGO Bond	-	31,229,959	GRS
State of Michigan	-	98,800,000	GRS
	<u>\$ 68,275,000</u>	<u>\$ 713,741,787</u>	
Total GRS contributions			

Note 13 - Bankruptcy (Continued)

Source of Pension Contributions	Required or Paid FY 2019	Anticipated Contributions per POA Through June 30, 2023	Beneficiary
Police and Fire Retirement System			
Foundation for Detroit's Future	\$ 18,300,000	\$ 164,700,000	PFRS
DIA	-	19,487,744	PFRS
State of Michigan	-	96,000,000	PFRS
Total PFRS contributions	<u>\$ 18,300,000</u>	<u>\$ 280,187,744</u>	

The net pension liability for both retirement systems decreased by \$1,287,722,963 (\$731,824,895 for GRS and \$555,898,068 for PFRS) because of the pension settlements.

Great Lakes Water Authority

On September 8, 2014, the emergency manager and the mayor of the City executed a memorandum of understanding regarding the formation of the Great Lakes Water Authority with the county executives of the counties of Wayne, Oakland, and Macomb, Michigan (the "Counties") and the governor of the State, establishing a framework for the creation of a regional water and sewer authority.

On June 12, 2015, the GLWA board approved and the mayor and GLWA executed two separate leases (the "Leases") of the regional facilities comprising Regional Systems (the "Leased Facilities") and a water and sewer services agreement for the provision by GLWA of water supply and sewage disposal services to city retail customers (the "Water and Sewer Services Agreement"). Under the Leases, which became effective on January 1, 2016, the City leased the Leased Facilities and assigned and transferred its interest in all revenue derived from the sale of sewage disposal and water supply services to the wholesale customers and the retail customers of the systems to GLWA for an initial term of 40 years. The City conveyed to GLWA, for the term of the Leases, a leasehold interest in all of the City's right, title, and interest in and to the Leased Facilities in order to enable GLWA to operate the Leased Facilities.

The City, through its Water and Sewerage Department, under the oversight of the board of water commissioners, continues to own, operate, and be responsible for the operation and maintenance of all water supply and sewage disposal facilities that provide water supply and sewage disposal services directly to the retail customers (the "Local Facilities"). GLWA operates the regional systems, and all revenue of the systems is paid to GLWA by virtue of the assignment described above.

On December 15, 2015, effective as of the date the Leases became effective (January 1, 2016), the federal court, in *United States of America vs. City of Detroit, et al.*, Case No. 77-71100, entered an order (the "December 15, 2015 Order") modifying the court's prior orders in the case, restoring the powers of the board of water commissioners under the City Charter, Sections 7-1201 through 7-1204, and the power of the board of water commissioners to receive certain services from other city departments as long as such arrangements do not impair the City's ability to comply with its NPDES permit No. MI0022802; the Clean Water Act; or its obligations under the Leases, the Water and Sewer Services Agreement, or other agreements with GLWA. Furthermore, the court approved the transactions and arrangements contemplated by the Leases.

Note 13 - Bankruptcy (Continued)

The Leases assign all DWSD bonds and all capital assets used to provide services to the suburban customers to GLWA. The annual debt service related to the portion of the DWSD bonds that were used to construct in-city capital assets has been and will continue to be allocated to DWSD directly as part of the rate structure. As part of this agreement, all collection of sewage disposal and water billings is deposited into accounts created by the GLWA Master Bond Ordinances, in order to provide continued protection to those bondholders. The initial lease term is 40 years. At any time GLWA issues bonds with a maturity date after the initial term of the Leases, the term of the Leases automatically extends to coincide with the date on which the last of the GLWA bonds are required to be paid or at such time as they are defeased.

Rate Setting

Pursuant to the Leases, (i) GLWA has the exclusive right to establish rates for water and sewer service for customers of the systems, including retail customers; (ii) GLWA may delegate its rights to establish rates for services to customers of the systems to one or more agents, as it deems necessary or convenient; and (iii) directly or through an agent, GLWA has the exclusive right to charge and bill to and collect from such customers amounts from services constituting the revenue of the systems, including the retail rates and charges. Under the Water and Sewer Services Agreement, and as provided in the December 15, 2015 Order, GLWA delegated to the City's board of water commissioners its rights to set rates and collect revenue with respect to retail customers of the City.

Lease Payments

The lease payments will be applied, as provided below. The lease payments follow the flow of funds under the related GLWA Master Bond Ordinance. The parties to the Leases anticipated that, due to efficiencies, restructuring opportunities, local and regional capital improvements underway or planned for the future, and other cost savings, funding of the lease payment would not increase the revenue requirements for the Regional Systems by more than 4 percent per year. Nothing in the Leases changes the obligation of GLWA to comply with the rate covenant under the Master Bond Ordinances. The lease payments are not treated as a GLWA operation and maintenance expense and may be applied by the City, solely at the City's direction and discretion, to the cost of improvements to the local system infrastructure located within the City (payable after debt service and pension liability payments in the flow of funds), the payment of debt service on GLWA bonds associated with such improvements, or the City's share of debt service on GLWA bonds associated with common-to-all improvements. Any bonds to finance regional system improvements or DWSD local infrastructure are now issued by the GLWA and are secured by the net revenue (as defined in the Master Bond Ordinances) of the systems. DWSD has reported the consideration receivable at its net present value, using a discount rate of 3.7 percent. It has reported the allocation of all assets and liabilities based on management's best estimates available as of the opinion date of these financial statements.

As a result of the Leases, DWSD reports activity only related to city retail customers.

The Syncora Settlement

Syncora owned and was an insurer of certain of the City's POC debt (insurer of \$351.9 million prepetition balance). Syncora also insured certain interest rate swap agreements and UTGO debt (\$34.4 million prepetition balance).

The City and Syncora reached an agreement effecting a global settlement of all matters and litigation between the parties related to the Bankruptcy Case, as set forth in the Syncora settlement documents. Among other actions taken in connection with the agreement, the parties entered into the Syncora Development Agreement and the Syncora Option Agreement.

Note 13 - Bankruptcy (Continued)

The City and Grand Circus Holdings, LLC, an affiliate of Pike Pointe Holdings, have negotiated and executed long-term master lease for the Grand Circus Park Garage upon terms consistent with the Syncora Option Agreement. Representatives of Syncora have presented to the Planning and Development Department (PDD) and the Detroit Economic Development Corporation (EDC) an initial master plan and marketing booklet for contiguous parcels at Atwater and Rivard streets.

The FGIC/POC Settlement

Financial Guaranty Insurance Company (FGIC) was an insurer of certain of the City's POC debt (\$1.1 billion prepetition balance).

The City and FGIC reached an agreement effecting a global settlement of all matters and litigation between the parties related to the Bankruptcy Case, as set forth in the FGIC/POC settlement documents. Among other actions taken in connection with the settlement agreement, the City and the developer, for the benefit of FGIC and the FGIC POC holders, entered into the FGIC Development Agreement. Representatives of FGIC presented PDD and EDC with an initial development proposal. PDD and the Downtown Development Authority (DDA) led a planning engagement with FGIC and adjacent property owners to look at options for a more integrated development plan for the Near West Riverfront. The FGIC Development Agreement allowed FGIC a two-year extension under existing condition. FGIC sued for a two-year extension, and the parties settled on a one and a half-year extension. In July 2018, the court granted an extension to January 15, 2019, and then there was a subsequent extension granted to allow for negotiation of a new deal. The new development plan submission deadline is June 15, 2020.

Settlement Credits

On the Effective Date, pursuant to the Syncora settlement and the FGIC/POC settlement, the City transferred settlement credits to a trustee on behalf of Syncora and FGIC in the aggregate amount of \$25 million, which may be applied to 50 percent of the purchase price of certain eligible city assets, subject to the terms and conditions of those settlement credits. Syncora was credited with \$6.0 million, and FGIC was credited with \$19.0 million of settlement credits. As of the date of this report, Syncora has redeemed \$0, and FGIC has redeemed \$0 of settlement credits.

Financial Review Commission

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

Beginning with fiscal year 2016, Public Act 182 requires the City to adopt a financial plan covering the current fiscal year and the next three succeeding fiscal years (the "Financial Plan"). The Financial Plan is the basis for the City's required budget under Act 2. The Financial Plan is proposed by the mayor and approved by the City Council. Unless the City is under a waiver of active oversight, the Financial Plan must be approved by the Commission before it takes effect. The Commission approved the City's Financial Plan for fiscal years 2019 through 2022 on April 20, 2018.

Note 13 - Bankruptcy (Continued)

Act 181 provides for the oversight of the City for no less than 13 years. However, if the City meets certain criteria, the nature of the oversight is scaled back. Those criteria include: the City's adoption and adherence to a balanced budget for three consecutive years; certification by the state treasurer and the City's CFO that all debt obligations sold in the public market by or for the benefit of the City in the immediately preceding and current fiscal years satisfied the City's capital needs for those periods; the City's current four-year financial plan projecting a balanced budget in each year of the plan; the Commission concurring that the City has sufficient ability to borrow in the capital markets; the City not violating and not currently being in violation of the plan; and state treasurer confirmation that the City is in compliance with the Uniform Budgeting and Accounting Act.

On April 30, 2018, the City met the criteria above, and the Commission granted the City a waiver of active oversight. The annual waiver extended through June 30, 2019. The Commission subsequently granted its second annual waiver on June 24, 2019, which extends through June 30, 2020. The Commission will continue to monitor the City and will review the waiver annually and, by July 1 of each year, will make a determination as to whether to renew the waiver for the subsequent year. As a condition of renewing the waiver, the Commission requires the City to submit monthly, quarterly, and annual reports related to the City's financial condition, which include (but are not limited to) information related to the City's ability to make payments on the City's debt and pension obligations. The City is providing these reports and is in compliance with the waiver resolution. The City must also, by April 30 of each year, submit its adopted budget and four-year financial plan to the Commission. However, the City's adopted budget and four-year financial plan is not subject to commission approval while the City remains under the waiver.

Note 14 - Tax Abatements

The City of Detroit, Michigan, Michigan enters into various agreements with taxpayers to promote economic development or social welfare within the City. Below is a summary of those programs and the estimated amount of taxes abated during the most recent year:

Program Description	Legislation	Performance by Taxpayer	General Taxes Abated	Detroit Debt Service Taxes Abated	Total City Taxes Abated
Brownfield Redevelopment Authority (BRA) provides local governmental units ways to enhance local economic development capacities and market difficult sites based on private investment incentives. Taxpayers are reimbursed eligible costs related to environmental cleanup. Reimbursement amount is limited to the property taxes collected on related property in any given year.	Act 381 of 1996	Cleanup of environmental issues at old industrial site	\$ 1,179,840	\$ -	\$ 1,179,840
Industrial Facilities Tax (IFT) provides a tax incentive to manufacturers for renovation and expansion of aging facilities, building of new facilities, and the establishment of high-tech facilities. Exemptions allow businesses to be taxed at 50 percent of the usual property tax rates (for rehabilitation properties, the taxable value is instead frozen at the previous level and full tax rates are applied).	Act 198 of 1974	(Re)development of facility and creation of jobs	294,079	132,137	426,216
Commercial Rehabilitation Act (CRA) provides tax incentive for the rehabilitation of vacant/aging commercial property for the primary purpose and use as a commercial business or multifamily residential facility. Exemptions are approved for a term of 1-10 years by the local governmental unit. Restoration property taxes are based on the taxable value frozen in the year prior to rehabilitation for the duration.	Act 210 of 2005	Rehabilitation of qualified facility	1,455,588	510,933	1,966,521

June 30, 2019

Note 14 - Tax Abatements (Continued)

Program Description	Legislation	Performance by Taxpayer	General Taxes Abated	Detroit Debt Service Taxes Abated	Total City Taxes Abated
Commercial Redevelopment Act (CFT) encourages the replacement, restoration, and new construction of real commercial property. Exemptions are approved for a term of 1-12 years by the local governmental unit. Restoration property taxes are based on the taxable value frozen in the year prior to rehabilitation for the duration.	Act 255 of 1978	Redevelopment of commercial property	\$ 4,866	\$ 1,707	\$ 6,573
Renaissance Zone Act (RZ) provides tax incentives to individuals and businesses to encourage economic stability and development within designated urban areas. Properties are exempt from city income and utility user tax, most city and county property taxes (except debt), and state income tax.	Act 376 of 1996	To qualify, taxpayer must not be delinquent in any state or local taxes abated by RZ law and file annual MI and city income tax returns	5,086,256	8,563	5,094,819
Obsolete Property Rehabilitation Act (OPRA) provides tax incentives to encourage redevelopment of obsolete/blighted buildings. Property taxes are based on the taxable value frozen in the year prior to redevelopment for the duration. (State treasurer can exempt one-half of the school mileage for up to six years on 25 projects per year.)	Act 146 of 2000	Redevelopment of obsolete and blighted buildings	1,278,700	450,575	1,729,275
Neighborhood Enterprise Zone (NEZ) provides for development and rehabilitation of residential housing located within eligible distressed communities. Property tax exemptions are generally approved for a term of 6-15 years by the local governmental unit. Calculation of NEZ special tax depends on the type of facility and date of issuance of the certificate.	Act 147 of 1992	Financial investment in property	3,527,683	751,097	4,278,780
Land Bank Fast Track (LB) enables land banks to acquire, manage, maintain, and repurpose vacant, abandoned, and foreclosed properties. Land banks in Michigan are allowed to receive 50 percent of the specific property tax generated on all properties sold by the land bank for five years after the transfer of the property.	Act 258-263 of 2003	Improvement of property to receive a portion of specific taxes paid	357,855	125,607	483,462
Senior Citizen/Disabled Family Housing exemption applies to HUD Section 202, 235, and 811 approved nonprofit or limited dividend housing facilities with at least eight units. Program allows municipalities to be reimbursed by the MI Dept of Treasury for property tax lost due to the exemption of eligible senior citizen/disabled family housing facilities (except school operating, hold harmless, SET, admin fees, special assessments, penalty/interest fees, other fee-related charges, or utility charges).	Act 78 of 2016 (formerly Act 66 of 2012)	Provide and manage senior citizen and disabled family housing. Responsible for payment of assessments, fees, and charges not paid by MI Dept of Treasury	57,202	6,450	63,652
The Michigan State Housing Development Authority (MSHDA) enhances economic and community vitality through housing and historic preservation activities. MSDHA provides direct lending to low-income housing projects with PILOT-based tax abatements. Housing projects pay an annual service charge (equal to a percentage of annual shelter rents or contract rents actually collected by the housing project during the operating year) in lieu of property taxes.	Act 346 of 1966	Provide and manage low-income housing facilities	3,968,403	1,392,283	5,360,686
Total			\$ 17,210,472	\$ 3,379,352	\$ 20,589,824

The programs do not include provisions to recapture taxes for nonperformance. However, the Industrial Facilities Tax abatement program may be eliminated if taxes are not paid timely.

There are no significant abatements made by other governments that reduce the City's tax revenue.

Note 15 - Subsequent Events

Debt Issuance

On June 10, 2019, the City entered into a loan agreement with the Michigan Strategic Fund and issued its 2019 Capital Improvement Bond in an amount not to exceed \$10 million for the purpose of demolishing the Joe Louis Arena. Under the terms of the loan, the principal amount of the loan is equal to the sum of four drawdowns. The first drawdown, in the amount of \$850,000, occurred on July 29, 2019. The second drawdown, in the amount of \$3,000,000, occurred on July 12, 2019. The third drawdown, in the amount of \$390,104, occurred on September 24, 2019. The final drawdown request is due no later than January 20, 2020. The loan is secured by a limited tax pledge of the full faith and credit of the City. The interest rate is 1 percent in the first two years and 2 percent thereafter. The loan matures on July 9, 2039.

Progress on Resolution of Unsecured Bankruptcy Claims

After confirmation of the Plan of Adjustment, the City began working on resolving the approximately 3,845 filed proofs of claim by general unsecured creditors in Class 14 in the Bankruptcy Case. Of these, approximately 1,400 were claims related to litigation. The approximately 2,500 other proofs of claim include trade claims, labor-related claims, tax claims, pension-related claims, and others.

The City has resolved approximately 3,300 of the approximately 3,845 proofs of claim. The City believes that all claimants holding potentially unresolved proofs of claim have been served with stay modification notices. These stay modification notices require the claimant to promptly liquidate the claim in an appropriate forum. These notices have prompted the reopening of many lawsuits that were administratively closed during the bankruptcy; however, some remaining claimants and/or their attorneys have not taken the appropriate steps yet to pursue these claims.

The City has been and is currently negotiating with several significant claimants with complex prepetition claims, including the State of Michigan, in an effort to resolve claims without the necessity of litigation. The majority of the nonlitigation unsecured claims have been resolved, however, including many of the largest. For example, certain unions filed claims against the City asserting a face value of nearly \$9 billion in unsecured prepetition obligations. These claims have been voluntarily resolved and allowed in face amounts totaling \$110 million and, on that basis, will share pro rata in \$20.6 million in B Notes along with other creditors holding allowed Class 14 claims. The \$20.6 million in B Notes is a fixed amount, regardless of the total amount of allowed Class 14 claims.

On May 11, 2018, the City filed its sixth motion for an extension of the claims objection bar date, and the court entered an order extending the bar date through and including December 7, 2018. Subsequent to year end, the court extended the bar date through and including March 9, 2020.

FCA Land Acquisition for North Jefferson Assembly Plant

In May 2019, the mayor announced a project whereby the City of Detroit, Michigan would acquire specific parcels of land either through land swaps or outright of purchase of the parcels. The purpose of the anticipated acquisitions is to provide FCA with additional acreage to extend its footprint of the Jefferson North assembly plant.

The property consists of 214.6 acres from nine property owners and includes 55.6 acres of city-owned property. Once acquired, the City is to remediate environmental issues with the parcels. Purchase price and remediation costs are estimated to be \$107.6 million, of which \$57.0 million is expected to be provided by the State of Michigan from grants and loans. During the year ended June 30, 2019, the City has provided funding of \$36.0 million to DBRA from General Fund and Capital Projects Fund towards this commitment. No other activity under this project occurred in fiscal year 2019.

The mayor's presentation included the arrangement whereby, in exchange for receiving the remediated land from the City, FCA will provide an exclusive hiring window for Detroit residents (after initial priority to UAW candidates) for an anticipated an estimated 5,000 new jobs.

Note 15 - Subsequent Events (Continued)

Millennium Sale

At June 30, 2019 the City owned the Millennium Parking Garage, an above-ground parking structure located in downtown Detroit located at 450 W. Congress.

On July 19, 2019, the City, in conjunction with the Detroit Building Authority, closed on its sale. The closing passed title of the garage to the purchasers of the Millennium Parking Garage for \$18.7 million. The net book value of the asset at the time of sale was approximately \$7 million, resulting in a gain of approximately \$11 million before expenses relating to the sale, less commissions and fees.

Net proceeds of the sale were transferred to various city agencies. The predominate transfer was for property acquisitions in conjunction with the FCA project announced by the mayor in May 2019.

Joe Louis Arena

On July 9, 2019, the City entered into a loan agreement with the Michigan Strategic Fund and issued its 2019 Capital Improvement Bond (the "2019 JLA Loan") in an amount not to exceed \$10 million for the purpose of demolishing the Joe Louis Arena (JLA). Under the terms of the loan, the principal amount of the loan is equal to the sum of four drawdowns. The first drawdown, in the amount of \$850,000, occurred on July 9, 2019. The second drawdown, in the amount of \$3,000,000, occurred on July 12, 2019. The third drawdown, in the amount of \$390,104, occurred on September 24, 2019. The final drawdown request is due no later than January 20, 2020. The loan is secured by a limited tax pledge of the full faith and credit of the City. The interest rate is 1 percent in the first two years and 2 percent thereafter. The loan matures on July 9, 2039.

On October 24, 2019, the City entered into an agreement of purchase and Sale to sell the JLA and the JLA parking garage to a local developer (the "Purchaser"). The conditions precedent to closing the transaction include, in part, (1) completion of demolition of the JLA by the City; (2) the assignment, by Financial Guaranty Insurance Company (FGIC), of the development agreement executed on December 10, 2014, between FGIC and the City as part of the City's bankruptcy settlement; and (3) the subsequent termination of the aforementioned development agreement by the City and the Purchaser. The considerations to be paid by the Purchaser to the City include, in part, a \$2 million payment for the properties and annual payments through December 1, 2038, totaling \$12.1 million, in amounts similar to the debt service payment to be made by the City to repay the 2019 JLA Loan.

Required Supplemental Information

Required Supplemental Information
Schedule of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund

Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenue				
Taxes, assessments, interest, and penalties:				
Property taxes	\$ 133,806,000	\$ 133,806,000	\$ 119,526,903	\$ (14,279,097)
Municipal income tax	299,388,000	299,388,000	361,039,390	61,651,390
Utility users' tax	40,000,000	40,000,000	28,358,585	(11,641,415)
Wagering taxes	180,779,000	180,779,000	183,815,690	3,036,690
Other taxes and assessments	6,564,000	6,564,000	5,035,762	(1,528,238)
Interest and penalties on taxes	<u>2,590,000</u>	<u>2,590,000</u>	<u>3,137,335</u>	<u>547,335</u>
Total taxes, assessments, interest, and penalties	663,127,000	663,127,000	700,913,665	37,786,665
Licenses, permits, and inspection charges:				
Business licenses	2,269,654	2,269,654	3,022,978	753,324
Permits	1,625,000	1,625,000	1,845,629	220,629
Inspection charges	8,742,130	8,742,130	7,850,507	(891,623)
Other licenses	<u>62,000</u>	<u>62,000</u>	<u>155,299</u>	<u>93,299</u>
Total licenses, permits, and inspection charges	12,698,784	12,698,784	12,874,413	175,629
Intergovernmental:				
Federal	250,000	250,000	2,528,254	2,278,254
State:				
State-shared revenue	201,988,405	201,988,405	202,633,844	645,439
Other state-sourced revenue	<u>-</u>	<u>-</u>	<u>5,665,922</u>	<u>5,665,922</u>
Total intergovernmental	202,238,405	202,238,405	210,828,020	8,589,615
Sales and charges for services:				
Maintenance and construction	-	-	441	441
Electrical	-	-	122,054	122,054
Recreation fees	442,000	442,000	142,048	(299,952)
Collection fees	4,200,100	4,200,100	4,296,034	95,934
Other fees	46,963,959	46,963,959	44,259,396	(2,704,563)
Personal services	27,470,812	27,470,812	23,872,660	(3,598,152)
Other departmental sales	<u>25,011,824</u>	<u>25,509,195</u>	<u>7,471,797</u>	<u>(18,037,398)</u>
Total sales and charges for services	104,088,695	104,586,066	80,164,430	(24,421,636)
Ordinance fines and forfeitures	21,350,000	21,350,000	19,762,527	(1,587,473)
Revenue from use of assets:				
Investment earnings	1,100,000	1,461,818	18,626,707	17,164,889
Real estate rentals	1,048,000	1,048,000	1,264,041	216,041
Concessions	2,020,790	2,020,790	2,319,512	298,722
Sale of real property	<u>2,080,000</u>	<u>2,071,301</u>	<u>-</u>	<u>(2,071,301)</u>
Total revenue from use of assets	6,248,790	6,601,909	22,210,260	15,608,351
DIA and foundation revenue	-	-	18,675,000	18,675,000
Other revenue	131,851,135	107,316,227	29,063,699	(78,252,528)
Financing revenue	<u>-</u>	<u>-</u>	<u>25,803,304</u>	<u>25,803,304</u>
Total revenue	1,141,602,809	1,117,918,391	1,120,295,318	2,376,927

Required Supplemental Information
 Schedule of Revenue, Expenditures, and Changes in Fund Balance
 Budget and Actual - General Fund (Continued)

Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Expenditures				
Public protection:				
Construction code	\$ 3,170,025	\$ 3,170,025	\$ 2,679,982	\$ 490,043
Fire	127,133,263	126,818,764	116,504,283	10,314,481
Human rights	1,012,824	1,009,324	747,075	262,249
Ombudsperson	1,011,089	1,011,089	933,318	77,771
Parking enforcement	6,383,521	6,383,521	5,905,337	478,184
Police	309,797,692	315,012,291	293,734,521	21,277,770
Office of the Inspector General	1,198,500	1,198,500	1,135,322	63,178
36th District Court	<u>33,338,505</u>	<u>32,423,505</u>	<u>30,614,779</u>	<u>1,808,726</u>
Total public protection	483,045,419	487,027,019	452,254,617	34,772,402
Department of Health	13,419,542	12,588,490	9,254,288	3,334,202
Recreation and culture	24,557,535	25,819,796	25,695,671	124,125
Economic development	14,529,438	14,529,438	14,523,405	6,033
Housing supply and conditions - Planning and development	40,083,898	33,554,117	31,723,679	1,830,438
Physical environment:				
Public lighting	8,168,656	8,168,656	6,244,770	1,923,886
Public works	<u>7,218,886</u>	<u>7,213,886</u>	<u>6,996,883</u>	<u>217,003</u>
Total physical environment	15,387,542	15,382,542	13,241,653	2,140,889
Development and management:				
Auditor general	3,901,422	3,901,422	3,189,562	711,860
City clerk	2,523,592	2,523,592	2,467,414	56,178
City Council	10,838,664	11,534,580	10,389,844	1,144,736
Elections	9,109,048	9,110,548	8,912,207	198,341
Finance	56,131,119	54,633,623	41,625,195	13,008,428
General services	83,554,209	83,147,344	68,155,362	14,991,982
Law	15,983,445	18,239,655	17,813,135	426,520
Mayor's office	9,547,940	9,613,876	8,970,466	643,410
Human resources	13,396,254	13,408,254	11,653,079	1,755,175
Information technology services	42,576,012	28,922,728	26,046,000	2,876,728
Board of zoning appeals	612,874	597,874	543,171	54,703
Administrative hearings	1,065,830	1,065,830	930,651	135,179
Nondepartmental	<u>186,876,403</u>	<u>271,020,369</u>	<u>138,507,180</u>	<u>132,513,189</u>
Total development and management	436,116,812	507,719,695	339,203,266	168,516,429
Capital outlay	42,130,337	51,892,082	43,395,434	8,496,648
Debt service:				
Principal	29,472,625	204,396,677	178,836,097	25,560,580
Interest on bonded debt	49,039,618	50,669,026	43,935,385	6,733,641
Bond issuance costs	<u>65,308</u>	<u>2,725,547</u>	<u>2,667,838</u>	<u>57,709</u>
Total debt service	<u>78,577,551</u>	<u>257,791,250</u>	<u>225,439,320</u>	<u>32,351,930</u>
Total expenditures	<u>1,147,848,074</u>	<u>1,406,304,429</u>	<u>1,154,731,333</u>	<u>251,573,096</u>
Excess of Expenditures Over Revenue	(6,245,265)	(288,386,038)	(34,436,015)	253,950,023

Required Supplemental Information
 Schedule of Revenue, Expenditures, and Changes in Fund Balance
 Budget and Actual - General Fund (Continued)

Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Other Financing Sources (Uses)				
Sources:				
Transfers in	\$ 29,437,403	\$ 29,437,403	\$ 15,014,307	\$ (14,423,096)
Proceeds from sale of capital assets	-	-	4,079,982	4,079,982
Face amount of bonds and notes issued	-	175,985,000	175,985,000	-
Total other financing sources	29,437,403	205,422,403	195,079,289	(10,343,114)
Uses - Transfers out	(23,192,138)	(16,192,138)	(79,755,322)	(63,563,184)
Total other financing sources	6,245,265	189,230,265	115,323,967	(73,906,298)
Net Change in Fund Balance	-	(99,155,773)	80,887,952	180,043,725
Fund Balance - Beginning of year	611,183,961	611,183,961	611,183,961	-
Fund Balance - End of year	\$ 611,183,961	\$ 512,028,188	\$ 692,071,913	\$ 180,043,725

Required Supplemental Information
 Schedule of Changes in the Net Pension Liability and Related Ratios
 General Retirement System (GRS) Component II

	Last Five Fiscal Years				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ 32,736,019
Interest	192,359,745	201,919,235	214,011,164	263,007,329	242,611,073
Changes in benefit terms	-	-	-	(731,824,895)	(113,311,571)
Differences between expected and actual experience	33,805,327	(27,508,380)	(43,719,112)	24,644,531	-
Changes in assumptions	(110,274,515)	76,925,957	90,034,927	(101,559,893)	(271,190,194)
Benefit payments, including refunds	<u>(253,442,630)</u>	<u>(266,900,539)</u>	<u>(292,282,179)</u>	<u>(297,538,990)</u>	<u>(397,733,807)</u>
Net Change in Total Pension Liability	(137,552,073)	(15,563,727)	(31,955,200)	(843,271,918)	(506,888,480)
Total Pension Liability - Beginning of year	<u>2,910,858,226</u>	<u>2,926,421,953</u>	<u>2,958,377,153</u>	<u>3,801,649,071</u>	<u>4,308,537,551</u>
Total Pension Liability - End of year	<u>\$ 2,773,306,153</u>	<u>\$ 2,910,858,226</u>	<u>\$ 2,926,421,953</u>	<u>\$ 2,958,377,153</u>	<u>\$ 3,801,649,071</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 68,275,000	\$ 90,889,402	\$ 104,792,657	\$ 189,282,095	\$ 25,126,131
Contributions - Member	-	-	-	609,074	10,241,761
Net investment income (loss)	155,423,193	206,896,567	(12,450,547)	93,054,978	289,789,607
Administrative expenses	(3,313,418)	(6,021,837)	(3,742,618)	(7,556,822)	(11,237,767)
Benefit payments, including refunds	(253,442,630)	(266,900,539)	(292,282,179)	(297,538,990)	(397,733,807)
Other (includes ASF recoupment)	<u>6,952,522</u>	<u>8,324,075</u>	<u>5,945,783</u>	<u>138,219,997</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	(26,105,333)	33,187,668	(197,736,904)	116,070,332	(83,814,075)
Plan Fiduciary Net Position - Beginning of year	<u>1,966,728,975</u>	<u>1,933,541,307</u>	<u>2,131,278,211</u>	<u>2,015,207,879</u>	<u>2,099,021,954</u>
Plan Fiduciary Net Position - End of year	<u>\$ 1,940,623,642</u>	<u>\$ 1,966,728,975</u>	<u>\$ 1,933,541,307</u>	<u>\$ 2,131,278,211</u>	<u>\$ 2,015,207,879</u>
Plan's Net Pension Liability - Ending	<u>\$ 832,682,511</u>	<u>\$ 944,129,251</u>	<u>\$ 992,880,646</u>	<u>\$ 827,098,942</u>	<u>\$ 1,786,441,192</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.98 %	67.57 %	66.07 %	72.04 %	53.01 %
Covered Payroll*	\$ 246,173,916	\$ 199,307,987	\$ 185,147,364	\$ 188,210,536	\$ 238,669,871
Plan's Net Pension Liability as a Percentage of Covered Payroll	338.25 %	473.70 %	536.27 %	439.45 %	748.50 %

*Covered payroll excludes overtime and longevity pay, which was included as compensation for the purpose of determining employer contributions.

Schedule will be built prospectively from GASB Statement No. 68 adoption until 10 full years are presented.

Required Supplemental Information
 Schedule of Changes in the Net Pension Liability and Related Ratios
 Police and Fire Retirement System (PFRS) Component II

Last Five Fiscal Years

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ 34,967,708
Interest	257,841,119	261,449,503	264,233,822	306,063,331	304,737,369
Changes in benefit terms	-	-	-	(555,898,068)	(102,236,878)
Differences between expected and actual experience	32,674,674	(10,648,606)	45,955,554	(59,621,651)	-
Changes in assumptions	(6,975,457)	(4,082,068)	114,463,361	(95,014,469)	540,356,835
Benefit payments, including refunds	(308,390,724)	(306,098,871)	(304,467,163)	(313,816,916)	(323,540,473)
Net Change in Total Pension Liability	(24,850,388)	(59,380,042)	120,185,574	(718,287,773)	454,284,561
Total Pension Liability - Beginning of year	3,750,305,804	3,809,685,846	3,689,500,272	4,407,788,045	3,953,503,484
Total Pension Liability - End of year	\$ 3,725,455,416	\$ 3,750,305,804	\$ 3,809,685,846	\$ 3,689,500,272	\$ 4,407,788,045
Plan Fiduciary Net Position					
Contributions - Employer	\$ 18,300,000	\$ 18,300,000	\$ 37,787,744	\$ 114,300,000	\$ -
Contributions - Member	42,114	14,055	24,801	42,576	7,783,141
Net investment income	237,991,220	282,398,412	24,618,573	122,736,820	568,760,793
Administrative expenses	(4,933,928)	(4,433,657)	(3,103,689)	(7,630,692)	(11,373,226)
Benefit payments, including refunds	(308,390,724)	(306,098,871)	(304,467,163)	(313,816,916)	(323,540,473)
Transfers out	-	(20,000,000)	-	-	-
Other	1,153,145	1,491,589	855,743	2,919,354	-
Net Change in Plan Fiduciary Net Position	(55,838,173)	(28,328,472)	(244,283,991)	(81,448,858)	241,630,235
Plan Fiduciary Net Position - Beginning of year	2,922,141,978	2,950,470,450	3,194,754,441	3,276,203,299	3,034,573,064
Plan Fiduciary Net Position - End of year	\$ 2,866,303,805	\$ 2,922,141,978	\$ 2,950,470,450	\$ 3,194,754,441	\$ 3,276,203,299
Plan's Net Pension Liability - Ending	\$ 859,151,611	\$ 828,163,826	\$ 859,215,396	\$ 494,745,831	\$ 1,131,584,746
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.94 %	77.92 %	77.45 %	86.59 %	74.33 %
Covered Payroll*	\$ 116,288,356	\$ 137,250,599	\$ 130,510,339	\$ 131,220,124	\$ 157,622,578
Plan's Net Pension Liability as a Percentage of Covered Payroll	738.81 %	603.40 %	658.35 %	377.04 %	717.91 %

*Covered payroll excludes overtime and longevity pay, which was included as compensation for the purpose of determining employer contributions.

Schedule will be built prospectively from GASB Statement No. 68 adoption until 10 full years are presented.

Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios
GRS Component I

	Last Four Fiscal Years			
	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 22,359,382	\$ 18,417,037	\$ 18,302,706	\$ 19,318,576
Interest	5,438,061	4,084,391	2,495,896	695,469
Differences between expected and actual experience	4,546,865	(4,667,487)	(1,263,760)	-
Changes in assumptions	(5,758,189)	2,780,462	2,111,451	(1,202,109)
Voluntary contributions	-	5,043,346	5,213,744	5,775,885
Benefit payments, including refunds	(2,390,592)	(2,134,809)	(2,287,214)	-
Net Change in Total Pension Liability	24,195,527	23,522,940	24,572,823	24,587,821
Total Pension Liability - Beginning of year	72,683,584	49,160,644	24,587,821	-
Total Pension Liability - End of year	\$ 96,879,111	\$ 72,683,584	\$ 49,160,644	\$ 24,587,821
Plan Fiduciary Net Position				
Contributions - Employer	\$ 14,673,644	\$ 9,484,992	\$ 9,048,831	\$ 8,811,368
Contributions - Member	8,837,967	7,752,058	7,345,515	6,970,544
Net investment income (loss)	8,445,590	9,100,741	(76,608)	20,690
Benefit payments, including refunds	(2,390,592)	(2,134,809)	(1,031,060)	-
Benefit payments and refunds based on voluntary contributions	-	-	(1,256,154)	-
Administrative expenses	(2,171,693)	(2,639,392)	(3,094,197)	(1,481,590)
Voluntary contributions	5,302,650	5,043,346	5,213,744	5,775,885
Other (includes ASF recoupment)	12,436	61,834	6,586	-
Net Change in Plan Fiduciary Net Position	32,710,002	26,668,770	16,156,657	20,096,897
Plan Fiduciary Net Position - Beginning of year	62,922,324	36,253,554	20,096,897	-
Plan Fiduciary Net Position - End of year	\$ 95,632,326	\$ 62,922,324	\$ 36,253,554	\$ 20,096,897
Plan's Net Pension Liability - Ending	\$ 1,246,785	\$ 9,761,260	\$ 12,907,090	\$ 4,490,924
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	98.71 %	86.57 %	73.75 %	81.74 %
Covered Payroll	\$ 2,461,773,916	\$ 199,307,987	\$ 185,147,364	\$ 180,069,852
Plan's Net Pension Liability as a Percentage of Covered Payroll	0.05 %	4.90 %	6.97 %	2.49 %

Schedule will be built prospectively from GASB Statement No. 68 adoption until 10 full years are presented.

Required Supplemental Information
 Schedule of Changes in the Net Pension (Asset) Liability and Related Ratios
 PFRS Component I

	Last Four Fiscal Years			
	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 24,907,507	\$ 25,414,182	\$ 24,068,808	\$ 24,835,814
Interest	5,787,404	4,474,574	2,743,066	894,089
Differences between expected and actual experience	(3,622,053)	(10,708,737)	(4,077,124)	-
Changes in assumptions	(305,021)	(221,533)	2,424,058	(1,008,119)
Voluntary contributions	-	34,134	15,459	14,370
Benefit payments, including refunds	(561,561)	(223,826)	(101,251)	-
Net Change in Total Pension Liability	26,206,276	18,768,794	25,073,016	24,736,154
Total Pension Liability - Beginning of year	68,577,964	49,809,170	24,736,154	-
Total Pension Liability - End of year	\$ 94,784,240	\$ 68,577,964	\$ 49,809,170	\$ 24,736,154
Plan Fiduciary Net Position				
Contributions - Employer	\$ 19,244,806	\$ 16,448,246	\$ 15,831,763	\$ 14,606,971
Contributions - Member	9,170,876	8,554,893	7,958,271	7,390,335
Net investment income	8,634,498	8,897,790	252,125	21,019
Benefit payments, including refunds	(561,561)	(223,826)	(63,882)	(19,554)
Administrative expenses	(1,928,606)	(2,648,040)	(3,000,369)	(685,677)
Refunds	-	-	(37,369)	-
Voluntary contributions	-	34,134	15,459	14,370
Other (includes ASF recoupment)	55,353	20,009,060	301	-
Net Change in Plan Fiduciary Net Position	34,615,366	51,072,257	20,956,299	21,327,464
Plan Fiduciary Net Position - Beginning of year	93,356,020	42,283,763	21,327,464	-
Plan Fiduciary Net Position - End of year	\$ 127,971,386	\$ 93,356,020	\$ 42,283,763	\$ 21,327,464
Plan's Net Pension (Asset) Liability - Ending	\$ (33,187,146)	\$ (24,778,056)	\$ 7,525,407	\$ 3,408,690
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	135.01 %	136.13 %	84.89 %	86.22 %
Covered Payroll	\$ 141,225,328	\$ 137,250,599	\$ 130,510,339	\$ 121,627,871
Plan's Net Pension Liability as a Percentage of Covered Payroll	(23.50)%	(18.05)%	5.77 %	2.80 %

Schedule will be built prospectively from GASB Statement No. 68 adoption until 10 full years are presented.

Required Supplemental Information
 Schedule of Pension Contributions
 GRS Component II

**Last Ten Fiscal Years
 Years Ended June 30**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially/contractually determined contribution*	\$ 68,275,000	\$ 68,275,000	\$ 91,238,402	\$ 104,792,657	\$ 189,282,095	\$ 72,643,307	\$ 62,297,432	\$ 64,065,214	\$ 55,138,044	\$ 37,338,960
Contributions in relation to the actuarially determined contribution	68,275,000	68,275,000	91,238,402	104,792,657	189,282,095	25,126,131	26,515,782	64,065,214	55,138,044	37,338,960
Contribution Deficiency	\$ -	\$ (47,517,176)	\$ (35,781,650)	\$ -	\$ -	\$ -				
Covered Payroll	\$ 143,882,722	\$ 143,882,722	\$ 143,882,722	\$ 200,722,197	\$ 203,507,079	\$ 238,669,871	\$ 213,291,083	\$ 257,992,240	\$ 303,379,482	\$ 334,343,506
Contributions as a Percentage of Covered Payroll	47.45 %	47.45 %	63.41 %	52.21 %	93.01 %	10.53 %	12.43 %	24.83 %	18.17 %	11.17 %

*Starting with fiscal year 2015, the contributions were determined by the provisions of the POA.

Required Supplemental Information
 Schedule of Pension Contributions
 PFRS Component II

Last Ten Fiscal Years
 Years Ended June 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially/contractually determined contribution*	\$ 18,300,000	\$ 18,300,000	\$ 18,300,000	\$ 37,787,744	\$ 114,300,000	\$ 50,642,443	\$ 42,005,173	\$ 49,760,229	\$ 81,642,112	\$ 57,808,485
Contributions in relation to the actuarially determined contribution	18,300,000	18,300,000	18,300,000	37,787,744	114,300,000	-	-	20,733,429	81,642,112	32,808,485
Contribution Deficiency	\$ -	\$ (50,642,443)	\$ (42,005,173)	\$ (29,026,800)	\$ -	\$ (25,000,000)				
Covered Payroll	\$ 116,288,356	\$ 126,865,176	\$ 134,758,956	\$ 132,566,687	\$ 186,694,166	\$ 157,622,578	\$ 186,694,166	\$ 205,800,278	\$ 220,461,691	\$ 228,829,999
Contributions as a Percentage of Covered Payroll	15.74 %	14.42 %	13.58 %	28.50 %	61.22 %	- %	- %	10.07 %	37.03 %	14.34 %

*Starting with fiscal year 2015, the contributions were determined by the provisions of the POA.

**Required Supplemental Information
Schedule of Pension Contributions
GRS Component I**

	Last Five Fiscal Years Years Ended June 30				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually determined contribution	\$ 12,195,432	\$ 14,673,644	\$ 9,484,992	\$ 9,048,831	\$ 8,811,369
Contributions in relation to the contractually determined contribution	<u>12,195,432</u>	<u>14,673,644</u>	<u>9,484,992</u>	<u>9,048,831</u>	<u>8,811,369</u>
Contribution Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	- %	- %	- %	- %	- %

There were no contributions prior to 2015, as the POA was effective starting on July 1, 2014.

Required Supplemental Information
Schedule of Pension Contributions
PFRS Component I

	Last Five Fiscal Years				
	Years Ended June 30				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 17,832,015	\$ 19,244,806	\$ 16,448,246	\$ 15,831,763	\$ 14,606,971
Contributions in relation to the contractually required contribution	<u>17,832,015</u>	<u>19,244,806</u>	<u>16,448,246</u>	<u>15,831,763</u>	<u>14,606,971</u>
Contribution Excess	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	- %	- %	- %	- %	- %

There were no contributions prior to 2015, as the POA was effective starting on July 1, 2014.

Notes to Schedule of Contributions (Component II of GRS and PFRS)

Actuarial valuation information relative to the determination of contributions:

GRS Component II	2019	2018	2017	2016	2015
Valuation date	See Note 1				
Methods and assumptions used to determine contribution rates:					
Actuarial cost method					
Amortization method					
Remaining amortization period					
Asset valuation method					
Inflation					
Salary increases					
Investment rate of return					
Retirement age					
Mortality					
Other information					

Note 1: Actuarially determined contribution rates were calculated as of June 30, two years prior to the end of fiscal year in which the contributions were reported. From 2015 until 2024, annual contributions are based on specific provisions of the Plan of Adjustment.

Required Supplemental Information Schedule of Actuarial Assumptions

**Last Ten Fiscal Years
Years Ended June 30**

2014	2013	2012	2011	2010
June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Level Percent	Level Percent	Level Percent	Level Percent	Level Percent
30 years, Open	30 years, Open	30 years, Open	30 years, Open	30 years, Open
7-year Smoothed Market	7-year Smoothed Market	5-year Smoothed Market	3-year Smoothed Market	3-year Smoothed Market
4.0%	4.0%	4.0%	4.0%	4.0%
4.0% - 8.9%	4.0% - 8.9%	4.0% - 8.9%	4.0% - 8.9%	4.0% - 9.5%
7.9%	7.9%	7.9%	7.9%	7.9%
Experience-based table of rates are specific to the type of eligibility condition	Experience-based table of rates are specific to the type of eligibility condition	Experience-based table of rates are specific to the type of eligibility condition	Experience-based table of rates are specific to the type of eligibility condition	Experience-based table of rates are specific to the type of eligibility condition
110% of the RP-2000 Combined Table, set back zero years for males and two years for females	110% of the RP-2000 Combined Table, set back zero years for males and two years for females	90% (150% for disabled members) of the 1983 Group Annuity Mortality Table	90% (150% for disabled members) of the 1983 Group Annuity Mortality Table	90% (150% for disabled members) of the 1983 Group Annuity Mortality Table
Cost of living adjustments are 2.25% of original pension amounts at retirement	Cost of living adjustments are 2.25% of original pension amounts at retirement	Cost of living adjustments are 2.25% of original pension amounts at retirement	Cost of living adjustments are 2.25% of original pension amounts at retirement	Cost of living adjustments are 2.25% of original pension amounts at retirement

PFRS Component II

	2019	2018	2017	2016	2015
Valuation date	See Note 1				
Methods and assumptions used to determine contribution rates:					
Actuarial cost method					
Amortization method					
Remaining amortization period					
Asset valuation method					
Inflation					
Salary increases					
Investment rate of return					
Retirement age					
Mortality					
Other information					

Note 1: Actuarially determined contribution rates were calculated as of June 30, two years prior to the end of fiscal year in which the contributions were reported. From 2015 until 2024, annual contributions are based on specific provisions of the Plan of Adjustment.

Required Supplemental Information Schedule of Actuarial Assumptions (Continued)

**Last Ten Fiscal Years
Years Ended June 30**

2014	2013	2012	2011	2010
June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008
Entry Age				
Level Dollar, Closed	Level Dollar, Closed	Level Percent	Level Percent	Level Percent
29 years, Closed	30 years, Closed	30 years, Closed	26 years, Closed	27 years, Closed
7-year Smoothed Market	7-year Smoothed Market	7-year Smoothed Market	3-year Smoothed Market	3-year Smoothed Market
0% for two years, 4.0% thereafter	0% for three years, 4.0% thereafter	4.0%	4.0%	4.0%
5.0% - 9.2%	5.0% - 9.2%	5.0% - 9.2%	5.0% - 9.2%	5.0% - 9.2%
8.00%	8.00%	8.00%	7.5%	7.5%
Experience-based table of rates are specific to the type of eligibility condition	Experience-based table of rates are specific to the type of eligibility condition	Experience-based table of rates are specific to the type of eligibility condition	Experience-based table of rates are specific to the type of eligibility condition	Experience-based table of rates are specific to the type of eligibility condition
95% of the RP-2000 Combined Table for males and 100% of the RP-2000 Combined Table set back two years for females	95% of the RP-2000 Combined Table for males and 100% of the RP-2000 Combined Table set back two years for females	95% of the RP-2000 Combined Table for males and 100% of the RP-2000 Combined Table set back two years for females	95% of the RP-2000 Combined Table for males and 100% of the RP-2000 Combined Table set back two years for females	95% of the RP-2000 Combined Table for males and 100% of the RP-2000 Combined Table set back two years for females
Cost of living adjustments are 2.25% of original pension amounts at retirement	Cost of living adjustments are 2.25% of original pension amounts at retirement	Cost of living adjustments are 2.25% of original pension amounts at retirement	Cost of living adjustments are 2.25% of original pension amounts at retirement	Cost of living adjustments are 2.25% of original pension amounts at retirement

Required Supplemental Information
 Schedule of Changes in the Net OPEB Asset and Related Ratios
 Open Death Benefit Plan

	Last Three Fiscal Years		
	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 129,558	\$ 114,919	\$ 103,457
Interest	255,501	223,231	215,053
Differences between expected and actual experience	197,652	325,148	-
Benefit payments, including refunds	<u>(234,422)</u>	<u>(184,826)</u>	<u>(230,000)</u>
Net Change in Total OPEB Liability	348,289	478,472	88,510
Total OPEB Liability - Beginning of year	<u>3,702,441</u>	<u>3,223,969</u>	<u>3,135,459</u>
Total OPEB Liability - End of year	<u>\$ 4,050,730</u>	<u>\$ 3,702,441</u>	<u>\$ 3,223,969</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 92,990	\$ 107,627	\$ 88,709
Contributions - Employee	73,457	96,337	80,151
Net investment income	246,685	296,957	315,310
Administrative expenses	(61,160)	(32,001)	(61,755)
Benefit payments, including refunds	(234,422)	(184,826)	(230,000)
Other	<u>-</u>	<u>(221,948)</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	117,550	62,146	192,415
Plan Fiduciary Net Position - Beginning of year	<u>3,955,799</u>	<u>3,893,653</u>	<u>3,701,238</u>
Plan Fiduciary Net Position - End of year	<u>\$ 4,073,349</u>	<u>\$ 3,955,799</u>	<u>\$ 3,893,653</u>
Net OPEB Asset - Ending	<u>\$ (22,619)</u>	<u>\$ (253,358)</u>	<u>\$ (669,684)</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	100.56 %	106.84 %	120.77 %

GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and does not require retrospective implementation. Data will be added as information is available until 10 years of such information is reported.

GASB Statement No. 74, as amended, requires covered employee payroll to be presented, as well as the net OPEB liability as a percentage of covered employee payroll. Covered employee payroll is not available.

Required Supplemental Information
 Schedule of Changes in the Net OPEB Liability and Related Ratios
 Closed Death Benefit Plan

	Last Three Fiscal Years		
	2019	2018	2017
Total OPEB Liability			
Increase (decrease) in total OPEB liability due to availability of assets	\$ 12,295	\$ 38,822	\$ (15,035)
Net Change in Total OPEB Liability	12,295	38,822	(15,035)
Total OPEB Liability - Beginning of year	21,402,497	21,363,675	21,378,710
Total OPEB Liability - End of year	\$ 21,414,792	\$ 21,402,497	\$ 21,363,675
Plan Fiduciary Net Position			
Retiree contribution	\$ 9,080	\$ 9,528	\$ -
Net investment income	1,295,090	1,416,686	1,996,352
Benefit payments, including refunds	(1,230,715)	(1,355,391)	(1,949,612)
Other	(61,160)	(32,001)	(61,775)
Net Change in Plan Fiduciary Net Position	12,295	38,822	(15,035)
Plan Fiduciary Net Position - Beginning of year	21,402,497	21,363,675	21,378,710
Plan Fiduciary Net Position - End of year	\$ 21,414,792	\$ 21,402,497	\$ 21,363,675
Net OPEB Liability - Ending	\$ -	\$ -	\$ -
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	100.00 %	100.00 %	100.00 %

GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and does not require retrospective implementation. Data will be added as information is available until 10 years of such information is reported.

As the plan will provide future benefits only to the extent that plan assets are available to pay them, the total OPEB liability is the plan's ending net position.

There is no applicable payroll; therefore, no covered payroll is presented.

**Required Supplemental Information
Schedule of OPEB Investment Returns
Open and Closed Death Benefit Plans**

**Last Three Fiscal Years
Years Ended June 30**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return - Net of investment expense	2.97 %	5.93 %	7.23 %

GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and does not require retrospective implementation. Data will be added as information is available until 10 years of such information is reported.

Budgeting Policy

The City's budget process is informed by a comprehensive planning process that includes departmental, procurement, grant, staffing, technology, capital, and long-term financial planning. The City adopts a budget annually for the next fiscal year, in accordance with the Uniform Budgeting and Accounting Act, 1968 PA 2 MCL 141.421 to 141.440a; the City Charter; and Chapter 17, Article II of the 2019 Detroit City Code. Pursuant to Section 4t of the Home Rule City Act 1909 PA 279 MCL 117.4t, the budget process also includes independent biannual consensus revenue estimating conferences that establish the revenue estimates for the budget and an annually balanced four-year financial plan that includes the City's adopted budget plus an additional three forecasted years. The total of expenditures cannot exceed the total of estimated revenue, so that the budget as adopted is a balanced budget. Through its four-year financial plan, the City ensures ongoing expenditures are supported by ongoing revenue.

Budgetary Compliance

The mayor submitted a proposed FY 2019 budget and FY 2019-2022 four-year financial plan to the City Council on February 23, 2018. The City Council adopted it, with amendments, on March 9, 2018. Since the City was under active oversight at the time, the Michigan Financial Review Commission Act, 2014 PA 181 MCL 141.1631 to 141.1643, required the City to submit its FY 2019 budget and FY 2019-2022 four-year financial plan to the Financial Review Commission for review by March 23, 2018, at least 100 days prior to the commencement of the fiscal year. The Commission approved it on April 20, 2018. On April 30, 2018, the Commission granted the City its first annual waiver of active oversight. The budget process in effect following that date is described below.

On or before March 7 of each year, the mayor submits to the City Council a proposed annual budget and four-year financial plan for the next fiscal year. After public hearings, the City Council adopts the annual budget and four-year financial plan, with or without amendment, no later than April 7. The mayor can veto amendments made by the City Council, and the City Council can then override the veto with a two-thirds majority vote.

The City's annual budget and four-year financial plan cannot exceed revenue certified by the independent Revenue Estimating Conference. The chief financial officer must certify the annual budget complies with the Uniform Budgeting and Accounting Act, 1968 PA 2 MCL 141.421 to 141.440a. The City must transmit the adopted annual budget and four-year financial plan to the Financial Review Commission, established under 2014 PA 181, by April 30 of each year. However, it is not subject to commission approval while the City is under a waiver of active oversight.

The budget has been prepared in accordance with U.S. generally accepted accounting principles, except that transfers to/from other funds have been included in revenue and expenditures. Budgetary appropriations are made at the function level, the legal level of budgetary control. Expenditures for a specific function cannot exceed its appropriation.

The mayor may propose budget amendments during the fiscal year, which are subject to the City Council's approval. If the mayor advises the City Council during the fiscal year that there are available appropriations and revenue 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 City must maintain a balanced budget, and the mayor may request that the City Council decrease certain appropriations to do so. 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.

Pension Information

Benefit Changes

Component II

As of June 30, 2014, the Component II pension plans were frozen. No new employees are allowed to participate in the Component II plans. All benefits for active employees are frozen as of June 30, 2014 based on service and average final compensation accrued as of that date.

In fiscal year 2015, for GRS, benefits were reduced by 4.5 percent, and the cost of living adjustments were eliminated. For PFRS, the cost of living adjustments decreased to 1.0125 percent.

Component I

As of July 1, 2014, all current and future employees participate in the new hybrid pension plans. Component I of the plan document applies to benefits accrued by members on or after July 1, 2014.

Changes in Assumptions

The discount rate used to calculate the June 30, 2018 total pension liability was 7.19 percent for PFRS and 7.38 percent for GRS. The discount rate used to calculate the total pension liability as of June 30, 2017 was 7.17 percent for PFRS and 6.91 percent for GRS.

The discount rate used to calculate the June 30, 2016 total pension liability was 7.15 percent for PFRS and 7.23 percent for GRS. The discount rate used to calculate the total pension liability as of June 30, 2015 was 7.47 percent for PFRS and 7.61 percent for GRS.

For GRS, the amounts reported as changes of assumptions in 2014 resulted from adjustment of the discount rate from 5.88 to 7.2 percent, updating the mortality tables from RP-2000 Combined Table to RP-2014 Blue Collar Annuitant Table, and adjustments for longevity and unused sick leave being eliminated.

For PFRS, the amounts reported as changes in assumptions in 2014 resulted from adjustment of the discount rate from 8 to 7.2 percent and updating the mortality tables from RP-2000 Combined Table to RP-2014 Blue Collar Annuitant Table.

Other Supplemental Information

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than certain major capital facilities) that are restricted by law and administrative action to expenditures for specified purposes.

Community Development Block Grant Fund

To account for activities financed by federal governmental grants under Title I of the Housing and Community Development Act of 1974.

Construction Code Fund

In accordance with State of Michigan Public Act No. 245 of 1999, to account for financing activities related to the acts and services performed by the Building and Safety Fund, including, without limitation, issuance of building permits, examination of plans and specifications, inspection of construction undertaken pursuant to a building permit, the issuance of certificates of use, and occupancy and hearing appeals in accordance with this act.

Urban Development Fund

To account for funding received from the federal government earmarked for the acquisition and site preparation of property for future development.

Detroit Workforce Development Fund

To account for employment and training program grants received from government sources.

Drug Law Enforcement Fund

To account for forfeited narcotics proceeds that are used for the enhancement of narcotics enforcement.

General Grants Fund

To account for various activities financed by federal, state, and local grants.

Solid Waste Management Fund

To account for local revenue collected for curbside rubbish pickup and discard restricted under Chapter 22 of the Detroit city code.

Street Funds

To account for Michigan State Gas and Weight Tax revenue and other related grants used for the construction and maintenance of major and local streets.

Targeted Business Development Fund

To account for revenue received via the casino development agreements restricted to foster the presence of minority businesses in the City.

Telecommunication Fund

To account for state grant revenue as a result of Public Act 48 of 2002 (Metropolitan Extension Telecommunication Rights-of-Way Oversight Act), which was designed to promote expanded telecommunication services in Michigan.

Renewable Energy Fund

To account for Public Act 295 of 2008, Clean, Renewable, and Efficient Energy Act activities of the Public Lighting Authority.

Donated Monies Fund

To account for donated funding received for Recreation Bequest Fund.

Non-Compliance Fees Fund

To account for all activity related to noncompliance fee collection and disbursement committed by the City Council for community service.

Bridging Neighborhoods Fund

To account for resources restricted by interlocal agreement to the relocation of homeowners near the Gordie Howe International Bridge and the improvement of houses that may be affected by elevated truck traffic upon completion of the bridge.

Debt Service Fund

The Debt Service Fund is established to account for the accumulation of resources for the payment of principal and interest of certain general obligations.

Capital Projects Fund

The Capital Projects Fund is established to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by special revenue funds and proprietary funds).

Permanent Funds

The 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.

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Permanent Funds	Total
Assets					
Cash and cash equivalents	\$ 254,165,817	\$ 37,705	\$ 30,157,189	\$ 2,616,265	\$ 286,976,976
Receivables:					
Estimated withheld income taxes receivable	270,268	-	-	-	270,268
Property taxes receivable	-	6,713,834	-	-	6,713,834
Special assessments receivable	-	-	541,890	-	541,890
Loans receivable	230,669,761	-	-	-	230,669,761
Trade receivables	38,526,436	-	113,640	-	38,640,076
Total receivables	269,466,465	6,713,834	655,530	-	276,835,829
Allowance for doubtful accounts	(264,746,392)	(4,858,383)	(541,890)	-	(270,146,665)
Net receivables	4,720,073	1,855,451	113,640	-	6,689,164
Due from component units	1,957	-	-	-	1,957
Due from other funds	39,342,431	90,977	-	29,145	39,462,553
Prepaid expenses	4,376	-	-	-	4,376
Due from other governmental agencies	38,466,818	-	10,573,123	-	49,039,941
Restricted assets:					
Restricted cash	7,900,211	51,315,915	114,558,624	-	173,774,750
Restricted investment securities	2,686,929	-	-	-	2,686,929
Total assets	\$ 347,288,612	\$ 53,300,048	\$ 155,402,576	\$ 2,645,410	\$ 558,636,646
Liabilities					
Accounts and contracts payable	\$ 42,013,570	\$ -	\$ 14,940,008	\$ 207,420	\$ 57,160,998
Due to other governmental agencies	12,807,153	1,118,988	4,067,686	-	17,993,827
Due to other funds	47,893,097	-	1,448,103	-	49,341,200
Deposits from vendors and customers	1,742,241	-	-	8,750	1,750,991
Other liabilities:					
Accrued salaries and wages	1,088,842	-	-	-	1,088,842
Accrued liabilities	14,481,603	1,120,827	1,228,931	731,631	17,562,992
Unearned revenue	1,823,088	-	1,362,653	-	3,185,741
Total liabilities	121,849,594	2,239,815	23,047,381	947,801	148,084,591
Deferred Inflows of Resources -					
Unavailable revenue	9,881,908	1,855,451	-	-	11,737,359
Total liabilities and deferred inflows of resources	131,731,502	4,095,266	23,047,381	947,801	159,821,950

Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds

June 30, 2019

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Permanent Funds	Total
Fund Balances					
Nonspendable:					
Prepaid expenditures	\$ 4,376	\$ -	\$ -	\$ -	\$ 4,376
Permanent fund principal - Nonexpendable	-	-	-	1,005,096	1,005,096
Restricted:					
Highway and street improvements	100,851,195	-	-	-	100,851,195
Police	5,070,312	-	-	-	5,070,312
Debt service	-	49,204,782	-	-	49,204,782
Grants	20,132,903	-	-	-	20,132,903
Construction code	6,135,381	-	-	-	6,135,381
Rubbish collection and disposal	67,449,728	-	-	-	67,449,728
Local business growth	478,084	-	-	-	478,084
Endowments and trusts - Expendable	-	-	-	692,513	692,513
Capital acquisitions	-	-	114,532,360	-	114,532,360
Community and economic development	18,202,935	-	-	-	18,202,935
Committed for community service	1,385,169	-	-	-	1,385,169
Assigned - Capital acquisitions	-	-	17,822,835	-	17,822,835
Unassigned (deficit)	(4,152,973)	-	-	-	(4,152,973)
Total fund balances	<u>215,557,110</u>	<u>49,204,782</u>	<u>132,355,195</u>	<u>1,697,609</u>	<u>398,814,696</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 347,288,612</u>	<u>\$ 53,300,048</u>	<u>\$ 155,402,576</u>	<u>\$ 2,645,410</u>	<u>\$ 558,636,646</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2019

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Permanent Funds	Total
Revenue					
Taxes:					
Property taxes	\$ -	\$ 42,918,288	\$ -	\$ -	\$ 42,918,288
Interest and penalties on taxes	-	83,985	-	-	83,985
Intergovernmental:					
Federal grants	81,060,461	-	-	-	81,060,461
State sources:					
Gas and weight tax	85,289,870	-	-	-	85,289,870
Other	25,773,466	4,445,026	-	-	30,218,492
Revenue from use of assets	600,000	-	-	-	600,000
Sales and charges for services	65,726,134	-	21,014,407	-	86,740,541
Ordinance fines and forfeitures	3,911,521	-	-	-	3,911,521
Licenses, permits, and inspection charges	23,873,648	-	-	-	23,873,648
Investment earnings	1,065,712	1,289,572	1,642,400	85,072	4,082,756
Other revenue	9,130,754	3,129,966	13,004,881	27,722	25,293,323
Total revenue	296,431,566	51,866,837	35,661,688	112,794	384,072,885
Expenditures					
Current services:					
Development and management	1,258,844	-	1,225,542	-	2,484,386
Health	26,603,044	-	-	-	26,603,044
Public protection	33,466,628	-	-	-	33,466,628
Physical environment	53,779,636	-	-	-	53,779,636
Economic development	43,461,204	-	36,862,247	-	80,323,451
Transportation facilitation	49,696,961	-	-	-	49,696,961
Recreation and culture	3,472,684	-	2,000,453	60,822	5,533,959
Capital outlay	86,330,925	-	37,597,951	-	123,928,876
Debt service:					
Principal	5,061,000	31,265,000	-	-	36,326,000
Interest and fiscal charges	3,584,486	15,936,002	-	-	19,520,488
Bond issuance costs	103,077	-	1,568,918	-	1,671,995
Total expenditures	306,818,489	47,201,002	79,255,111	60,822	433,335,424
Excess of Revenue (Under) Over Expenditures	(10,386,923)	4,665,835	(43,593,423)	51,972	(49,262,539)
Other Financing Sources (Uses)					
Transfers in	5,942,078	-	-	-	5,942,078
Transfers out	(15,014,307)	-	(1,614,801)	-	(16,629,108)
Face amount of bonds and notes issued	51,000,000	-	135,000,000	-	186,000,000
Debt premium on notes issued	-	-	3,210,543	-	3,210,543
Sale of capital assets	385,463	-	-	-	385,463
Total other financing sources	42,313,234	-	136,595,742	-	178,908,976
Net Change in Fund Balances	31,926,311	4,665,835	93,002,319	51,972	129,646,437
Fund Balances - Beginning of year	183,630,799	44,538,947	39,352,876	1,645,637	269,168,259
Fund Balances - End of year	\$ 215,557,110	\$ 49,204,782	\$ 132,355,195	\$ 1,697,609	\$ 398,814,696

City of Detroit, Michigan

	Community Development Block Grant Fund	Construction Code Fund	Urban Development Fund	Detroit Workforce Development Fund	Non- Compliance Fees Fund	Drug Law Enforcement Fund
Assets						
Cash and cash equivalents	\$ 21,057,532	\$ 19,923,608	\$ 4,274,112	\$ -	\$ 1,286,402	\$ 11,537,970
Receivables:						
Estimated withheld income taxes receivable	-	-	-	-	-	270,268
Loans receivable	68,066,929	-	162,602,832	-	-	-
Trade receivables	-	15,529	497,200	-	164,827	-
Total receivables	68,066,929	15,529	163,100,032	-	164,827	270,268
Allowance for doubtful accounts	(68,066,929)	-	(162,602,832)	-	(11,247)	-
Net receivables	-	15,529	497,200	-	153,580	270,268
Due from component units	-	1,957	-	-	-	-
Due from other funds	34,850	2,003,457	12,259	-	2,961,831	16,022
Prepaid expenses	-	-	-	-	-	-
Due from other governmental agencies	7,277,768	-	1,707,980	-	-	-
Restricted assets:						
Restricted cash	32,881	-	970,192	-	-	-
Restricted investment securities	-	-	-	-	-	-
Total assets	\$ 28,403,031	\$ 21,944,551	\$ 7,461,743	\$ -	\$ 4,401,813	\$ 11,824,260
Liabilities						
Accounts and contracts payable	\$ 5,210,078	\$ 106,423	\$ 1,572,543	\$ -	\$ 3,000,000	\$ 287,764
Due to other governmental agencies	657,770	-	122,325	-	-	-
Due to other funds	11,527,777	11,500,746	41,940	-	-	888,298
Deposits from vendors and customers	740,868	-	55,555	-	-	945,818
Other liabilities:						
Accrued salaries and wages	160,347	286,166	8,056	-	16,644	35,166
Accrued liabilities	183,722	3,915,835	611,664	-	-	4,582,059
Unearned revenue	180,290	-	19,763	-	-	14,843
Total liabilities	18,660,852	15,809,170	2,431,846	-	3,016,644	6,753,948
Deferred Inflows of Resources	1,957,067	-	-	-	-	-
Total liabilities and deferred inflows of resources	20,617,919	15,809,170	2,431,846	-	3,016,644	6,753,948
Fund Balances						
Nonspendable - Prepaid expenditures	-	-	-	-	-	-
Restricted:						
Highway and street improvements	-	-	-	-	-	-
Police	-	-	-	-	-	5,070,312
Grants	7,785,112	-	5,029,897	-	-	-
Construction code	-	6,135,381	-	-	-	-
Rubbish collection and disposal	-	-	-	-	-	-
Local business growth	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Committed for community service	-	-	-	-	1,385,169	-
Assigned - Capital acquisitions	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances	7,785,112	6,135,381	5,029,897	-	1,385,169	5,070,312
Total liabilities, deferred inflows of resources, and fund balances	\$ 28,403,031	\$ 21,944,551	\$ 7,461,743	\$ -	\$ 4,401,813	\$ 11,824,260

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds

June 30, 2019

General Grants Fund	Bridging Neighborhoods Fund	Solid Waste Management Fund	Street Funds	Targeted Business Development Fund	Telecommunication Fund	Renewable Energy Fund	Donated Monies Fund	Total Special Revenue Funds
\$ 21,297,975	\$ 19,293,321	\$ 43,007,412	\$ 110,913,854	\$ -	\$ -	\$ -	\$ 1,573,631	\$ 254,165,817
-	-	-	-	-	-	-	-	270,268
-	-	-	-	-	-	-	-	230,669,761
402,259	2,870,000	33,420,816	1,155,805	-	-	-	-	38,526,436
402,259	2,870,000	33,420,816	1,155,805	-	-	-	-	269,466,465
-	-	(33,413,498)	(651,886)	-	-	-	-	(264,746,392)
402,259	2,870,000	7,318	503,919	-	-	-	-	4,720,073
-	-	-	-	-	-	-	-	1,957
266,089	-	31,515,706	1,300,372	478,084	-	203,491	550,270	39,342,431
-	4,376	-	-	-	-	-	-	4,376
8,745,931	817,558	-	19,917,581	-	-	-	-	38,466,818
-	-	-	-	-	6,897,138	-	-	7,900,211
-	-	2,686,929	-	-	-	-	-	2,686,929
\$ 30,712,254	\$ 22,985,255	\$ 77,217,365	\$ 132,635,726	\$ 478,084	\$ 6,897,138	\$ 203,491	\$ 2,123,901	\$ 347,288,612
\$ 7,287,818	\$ 142,078	\$ 4,701,596	\$ 17,956,203	\$ -	\$ 1,749,067	\$ -	\$ -	\$ 42,013,570
8,275,670	-	3,751,388	-	-	-	-	-	12,807,153
12,799,211	888,058	-	10,247,067	-	-	-	-	47,893,097
-	-	-	-	-	-	-	-	1,742,241
34,736	28,033	117,610	402,084	-	-	-	-	1,088,842
654,199	335	1,197,043	3,179,177	-	157,549	-	20	14,481,603
143,853	1,464,339	-	-	-	-	-	-	1,823,088
29,195,487	2,522,843	9,767,637	31,784,531	-	1,906,616	-	20	121,849,594
5,669,740	2,255,101	-	-	-	-	-	-	9,881,908
34,865,227	4,777,944	9,767,637	31,784,531	-	1,906,616	-	20	131,731,502
-	4,376	-	-	-	-	-	-	4,376
-	-	-	100,851,195	-	-	-	-	100,851,195
-	-	-	-	-	-	-	-	5,070,312
-	-	-	-	-	4,990,522	203,491	2,123,881	20,132,903
-	-	-	-	-	-	-	-	6,135,381
-	-	67,449,728	-	-	-	-	-	67,449,728
-	-	-	-	478,084	-	-	-	478,084
-	18,202,935	-	-	-	-	-	-	18,202,935
-	-	-	-	-	-	-	-	1,385,169
-	-	-	-	-	-	-	-	-
(4,152,973)	-	-	-	-	-	-	-	(4,152,973)
(4,152,973)	18,207,311	67,449,728	100,851,195	478,084	4,990,522	203,491	2,123,881	215,557,110
\$ 30,712,254	\$ 22,985,255	\$ 77,217,365	\$ 132,635,726	\$ 478,084	\$ 6,897,138	\$ 203,491	\$ 2,123,901	\$ 347,288,612

City of Detroit, Michigan

	Community Development Block Grant Fund	Construction Code Fund	Urban Development Fund	Detroit Workforce Development Fund	Non- Compliance Fees Fund	Drug Law Enforcement Fund
Revenue						
Intergovernmental:						
Federal grants	\$ 37,082,981	\$ -	\$ 5,698,915	\$ -	\$ -	\$ -
State sources:						
Gas and weight tax	-	-	-	-	-	-
Other	-	-	-	-	-	-
Revenue from use of assets:						
Operating grants	-	-	-	-	-	-
Sales and charges for services	-	-	-	-	960,343	-
Ordinance fines and forfeitures	-	604,072	-	-	-	3,307,449
Licenses, permits, and inspection charges	-	23,664,906	-	-	-	-
Investment earnings	109,810	-	3,710	-	15,416	-
Other revenue	195,891	789,354	3,413,686	-	-	33,345
Total revenue	37,388,682	25,058,332	9,116,311	-	975,759	3,340,794
Expenditures						
Current services:						
Development and management	-	-	-	-	-	-
Health	-	-	-	-	-	-
Public protection	-	23,368,024	-	-	-	2,690,686
Physical environment	-	-	-	-	-	-
Economic development	28,191,883	-	5,717,821	-	5,952,347	-
Transportation facilitation	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Capital outlay	978	135,634	-	-	-	4,606,629
Debt service:						
Principal	5,061,000	-	-	-	-	-
Interest and fiscal charges	2,378,731	-	-	-	-	-
Bond issuance costs	103,077	-	-	-	-	-
Total expenditures	35,735,669	23,503,658	5,717,821	-	5,952,347	7,297,315
Excess of Revenue Over (Under) Expenditures	1,653,013	1,554,674	3,398,490	-	(4,976,588)	(3,956,521)
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	5,942,078	-
Transfers out	-	(15,000,000)	-	(14,307)	-	-
Face amount of bonds and notes issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing (uses) sources	-	(15,000,000)	-	(14,307)	5,942,078	-
Net Change in Fund Balances	1,653,013	(13,445,326)	3,398,490	(14,307)	965,490	(3,956,521)
Fund Balances (Deficits) - Beginning of year	6,132,099	19,580,707	1,631,407	14,307	419,679	9,026,833
Fund Balances (Deficits) - End of year	\$ 7,785,112	\$ 6,135,381	\$ 5,029,897	\$ -	\$ 1,385,169	\$ 5,070,312

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds

Year Ended June 30, 2019

General Grants Fund	Bridging Neighborhoods Fund	Solid Waste Management Fund	Street Funds	Targeted Business Development Fund	Telecommunication Fund	Renewable Energy Fund	Donated Monies Fund	Total Special Revenue Funds
\$ 36,053,129	\$ -	\$ -	\$ 2,225,436	\$ -	\$ -	\$ -	\$ -	\$ 81,060,461
-	-	-	85,289,870	-	-	-	-	85,289,870
9,734,721	850,134	-	13,331,835	-	1,856,776	-	-	25,773,466
-	600,000	-	-	-	-	-	-	600,000
891,483	1,000,000	60,396,030	-	-	-	-	2,478,278	65,726,134
-	-	-	-	-	-	-	-	3,911,521
208,742	-	-	-	-	-	-	-	23,873,648
2,669	-	134,910	758,319	-	40,343	-	535	1,065,712
4,081,083	-	344,399	122,016	-	-	-	150,980	9,130,754
50,971,827	2,450,134	60,875,339	101,727,476	-	1,897,119	-	2,629,793	296,431,566
1,258,844	-	-	-	-	-	-	-	1,258,844
26,223,383	379,661	-	-	-	-	-	-	26,603,044
7,407,918	-	-	-	-	-	-	-	33,466,628
-	-	53,779,636	-	-	-	-	-	53,779,636
3,599,153	-	-	-	-	-	-	-	43,461,204
-	-	-	49,696,961	-	-	-	-	49,696,961
296,926	2,615,249	-	-	-	-	-	560,509	3,472,684
5,914,937	-	1,085,946	72,265,338	-	2,321,463	-	-	86,330,925
-	-	-	-	-	-	-	-	5,061,000
-	-	-	1,205,755	-	-	-	-	3,584,486
-	-	-	-	-	-	-	-	103,077
44,701,161	2,994,910	54,865,582	123,168,054	-	2,321,463	-	560,509	306,818,489
6,270,666	(544,776)	6,009,757	(21,440,578)	-	(424,344)	-	2,069,284	(10,386,923)
-	-	-	-	-	-	-	-	5,942,078
-	-	-	-	-	-	-	-	(15,014,307)
-	-	-	51,000,000	-	-	-	-	51,000,000
-	385,463	-	-	-	-	-	-	385,463
-	385,463	-	51,000,000	-	-	-	-	42,313,234
6,270,666	(159,313)	6,009,757	29,559,422	-	(424,344)	-	2,069,284	31,926,311
(10,423,639)	18,366,624	61,439,971	71,291,773	478,084	5,414,866	203,491	54,597	183,630,799
\$ (4,152,973)	\$ 18,207,311	\$ 67,449,728	\$ 100,851,195	\$ 478,084	\$ 4,990,522	\$ 203,491	\$ 2,123,881	\$ 215,557,110

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
Street Funds

June 30, 2019

	Major Street	Local Street	Total
Assets			
Cash and cash equivalents	\$ 106,505,486	\$ 4,408,368	\$ 110,913,854
Receivables:			
Accounts and contracts receivable - Trade	1,155,805	-	1,155,805
Allowance for doubtful accounts	(651,886)	-	(651,886)
Due from other funds	1,300,372	-	1,300,372
Due from other governmental agencies	16,745,713	3,171,868	19,917,581
	<u>125,055,490</u>	<u>7,580,236</u>	<u>132,635,726</u>
Total assets	\$ 125,055,490	\$ 7,580,236	\$ 132,635,726
Liabilities			
Accounts and contracts payable	\$ 16,989,374	\$ 966,829	\$ 17,956,203
Due to other funds:	5,783,879	4,463,188	10,247,067
Other liabilities:			
Accrued liabilities	2,567,303	611,874	3,179,177
Accrued salaries and wages	402,084	-	402,084
	<u>25,742,640</u>	<u>6,041,891</u>	<u>31,784,531</u>
Total liabilities	25,742,640	6,041,891	31,784,531
Fund Balances - Restricted for street improvements	<u>99,312,850</u>	<u>1,538,345</u>	<u>100,851,195</u>
Total liabilities and fund balances	\$ 125,055,490	\$ 7,580,236	\$ 132,635,726

City of Detroit, Michigan

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Street Funds

	Year Ended June 30, 2019		
	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Revenue			
Intergovernmental:			
Federal grants	\$ 2,225,436	\$ -	\$ 2,225,436
State sources:			
Gas and weight tax	66,584,244	18,705,626	85,289,870
Other	13,331,835	-	13,331,835
Investment earnings	758,319	-	758,319
Other revenue	122,016	-	122,016
Total revenue	83,021,850	18,705,626	101,727,476
Expenditures			
Current services - Transportation facilitation	35,930,314	13,766,647	49,696,961
Capital outlay	64,972,269	7,293,069	72,265,338
Debt service	1,205,755	-	1,205,755
Total expenditures	102,108,338	21,059,716	123,168,054
Excess of Expenditures Over Revenue	(19,086,488)	(2,354,090)	(21,440,578)
Other Financing Sources (Uses)			
Transfers in	-	3,342,436	3,342,436
Transfers out	(3,342,436)	-	(3,342,436)
Face amount of bonds and notes issued	51,000,000	-	51,000,000
Total other financing sources	47,657,564	3,342,436	51,000,000
Net Change in Fund Balances	28,571,076	988,346	29,559,422
Fund Balances - Beginning of year	70,741,774	549,999	71,291,773
Fund Balances - End of year	<u>\$ 99,312,850</u>	<u>\$ 1,538,345</u>	<u>\$ 100,851,195</u>

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
Permanent Funds

June 30, 2019

	Other Trust	Cemetery Trust	Total
Assets			
Cash and cash equivalents	\$ 789,732	\$ 1,826,533	\$ 2,616,265
Due from other funds	-	29,145	29,145
Total assets	\$ 789,732	\$ 1,855,678	\$ 2,645,410
Liabilities - Accrued liabilities	\$ 740,381	\$ 207,420	\$ 947,801
Fund Balances			
Nonspendable - Permanent fund principal	40,349	964,747	1,005,096
Restricted for endowments and trusts	9,002	683,511	692,513
Total fund balances	49,351	1,648,258	1,697,609
Total liabilities and fund balances	\$ 789,732	\$ 1,855,678	\$ 2,645,410

City of Detroit, Michigan

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Permanent Funds

Year Ended June 30, 2019

	<u>Other Trust</u>	<u>Cemetery Trust</u>	<u>Total</u>
Revenue - Other	\$ -	\$ 112,794	\$ 112,794
Expenditures - Recreation and culture	-	60,822	60,822
Net Change in Fund Balances	-	51,972	51,972
Fund Balances - Beginning of year	49,351	1,596,286	1,645,637
Fund Balances - End of year	<u>\$ 49,351</u>	<u>\$ 1,648,258</u>	<u>\$ 1,697,609</u>

City of Detroit, Michigan

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Governmental Funds
Community Development Block Grant Fund

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue				
Intergovernmental	\$ 32,410,453	\$ 36,171,394	\$ 37,082,981	\$ 911,587
Investment earnings	-	-	109,810	109,810
Other revenue	-	204,391	195,891	(8,500)
Total revenue	<u>32,410,453</u>	<u>36,375,785</u>	<u>37,388,682</u>	<u>1,012,897</u>
Expenditures				
Current services:				
Development and management	-	40,052	-	40,052
Economic development	32,285,053	30,811,984	28,191,883	2,620,101
Capital outlay	6,000	979	978	1
Debt service:				
Principal	119,400	5,164,077	5,061,000	103,077
Interest and fiscal charges	-	-	2,378,731	(2,378,731)
Bond issuance costs	-	-	103,077	(103,077)
Total expenditures	<u>32,410,453</u>	<u>36,017,092</u>	<u>35,735,669</u>	<u>281,423</u>
Net Change in Fund Balance	-	358,693	1,653,013	1,294,320
Fund Balance - Beginning of year	<u>6,132,099</u>	<u>6,132,099</u>	<u>6,132,099</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 6,132,099</u>	<u>\$ 6,490,792</u>	<u>\$ 7,785,112</u>	<u>\$ 1,294,320</u>

Note: The final budget column includes carryforward of appropriations from prior years.

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Construction Code Fund

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue				
Sales and charges for services	\$ 825,000	\$ 825,000	\$ -	\$ (825,000)
Ordinance fines and forfeitures	275,000	275,000	604,072	329,072
Licenses, permits, and inspection charges	25,472,631	25,472,631	23,664,906	(1,807,725)
Other revenue	166,014	166,014	789,354	623,340
Total revenue	<u>26,738,645</u>	<u>26,738,645</u>	<u>25,058,332</u>	<u>(1,680,313)</u>
Expenditures				
Current services - Public protection	26,269,536	26,255,024	23,368,024	2,887,000
Capital outlay	95,500	(560,766)	135,634	(696,400)
Debt service	192,609	192,609	-	192,609
Total expenditures	<u>26,557,645</u>	<u>25,886,867</u>	<u>23,503,658</u>	<u>2,383,209</u>
Excess of Revenue Over Expenditures	181,000	851,778	1,554,674	702,896
Other Financing Uses - Transfers out	<u>(181,000)</u>	<u>(181,000)</u>	<u>(15,000,000)</u>	<u>(14,819,000)</u>
Net Change in Fund Balance	-	670,778	(13,445,326)	(14,116,104)
Fund Balance - Beginning of year	<u>19,580,707</u>	<u>19,580,707</u>	<u>19,580,707</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 19,580,707</u>	<u>\$ 20,251,485</u>	<u>\$ 6,135,381</u>	<u>\$ (14,116,104)</u>

Note: The final budget column includes carryforward of appropriations from prior years.

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Urban Development Fund

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue				
Intergovernmental	\$ 4,013,000	\$ 5,568,508	\$ 5,698,915	\$ 130,407
Investment earnings	-	-	3,710	3,710
Other revenue	-	3,413,686	3,413,686	-
Total revenue	<u>4,013,000</u>	<u>8,982,194</u>	<u>9,116,311</u>	<u>134,117</u>
Expenditures				
Current services - Economic development	4,008,000	5,668,463	5,717,821	(49,358)
Capital outlay	5,000	-	-	-
Total expenditures	<u>4,013,000</u>	<u>5,668,463</u>	<u>5,717,821</u>	<u>(49,358)</u>
Net Change in Fund Balance	-	3,313,731	3,398,490	84,759
Fund Balance - Beginning of year	<u>1,631,407</u>	<u>1,631,407</u>	<u>1,631,407</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 1,631,407</u></u>	<u><u>\$ 4,945,138</u></u>	<u><u>\$ 5,029,897</u></u>	<u><u>\$ 84,759</u></u>

Note: The final budget column includes carryforward of appropriations from prior years.

City of Detroit, Michigan

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Detroit Workforce Development Fund

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue - Sales and charges for services	\$ -	\$ -	\$ -	\$ -
Expenditures - Economic development	-	-	-	-
Other Financing Uses - Transfers out	-	-	(14,307)	(14,307)
Net Change in Fund Balance	-	-	(14,307)	(14,307)
Fund Balance - Beginning of year	14,307	14,307	14,307	-
Fund Balance - End of year	<u><u>\$ 14,307</u></u>	<u><u>\$ 14,307</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (14,307)</u></u>

Note: The final budget column includes carryforward of appropriations from prior years.

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Non-Compliance Fees Fund

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue				
Sales and charges for services	\$ 3,000,000	\$ 971,408	\$ 960,343	\$ (11,065)
Investment earnings	-	15,416	15,416	-
Total revenue	<u>3,000,000</u>	<u>986,824</u>	<u>975,759</u>	<u>(11,065)</u>
Expenditures - Current services - Economic development	<u>3,000,000</u>	<u>5,934,447</u>	<u>5,952,347</u>	<u>(17,900)</u>
Excess of Expenditures Over Revenue	-	(4,947,623)	(4,976,588)	(28,965)
Other Financing Sources - Transfers in	<u>-</u>	<u>5,942,078</u>	<u>5,942,078</u>	<u>-</u>
Net Change in Fund Balance	-	994,455	965,490	(28,965)
Fund Balance - Beginning of year	<u>419,679</u>	<u>419,679</u>	<u>419,679</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 419,679</u></u>	<u><u>\$ 1,414,134</u></u>	<u><u>\$ 1,385,169</u></u>	<u><u>\$ (28,965)</u></u>

Note: The final budget column includes carryforward of appropriations from prior years.

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Drug Law Enforcement Fund

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Sales and charges for services	\$ 185,000	\$ 39,450	\$ -	\$ (39,450)
Ordinance fines and forfeitures	-	-	3,307,449	3,307,449
Other revenue	1,825,000	2,188,136	33,345	(2,154,791)
Total revenue	2,010,000	2,227,586	3,340,794	1,113,208
Expenditures				
Current services - Public protection	2,010,000	2,641,504	2,690,686	(49,182)
Capital outlay	-	4,599,505	4,606,629	(7,124)
Total expenditures	2,010,000	7,241,009	7,297,315	(56,306)
Net Change in Fund Balance	-	(5,013,423)	(3,956,521)	1,056,902
Fund Balance - Beginning of year	9,026,833	9,026,833	9,026,833	-
Fund Balance - End of year	\$ 9,026,833	\$ 4,013,410	\$ 5,070,312	\$ 1,056,902

Note: The final budget column includes carryforward of appropriations from prior years.

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 General Grants Fund

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Intergovernmental:				
Federal grants	\$ 15,949,620	\$ 37,593,992	\$ 36,053,129	\$ (1,540,863)
State sources	10,603,038	8,597,737	9,734,721	1,136,984
Other	6,400,000	2,484,005	-	(2,484,005)
Sales and charges for services	1,064,000	838,732	891,483	52,751
Licenses, permits, and inspection charges	-	-	208,742	208,742
Investment earnings	-	835	2,669	1,834
Other revenue:				
Sale of real property	-	118,057	-	(118,057)
Other revenue	2,000,371	3,179,905	4,081,083	901,178
Total revenue	36,017,029	52,813,263	50,971,827	(1,841,436)
Expenditures				
Current services:				
Development and management	1,696,968	1,041,682	1,258,844	(217,162)
Health	26,357,700	25,777,226	26,223,383	(446,157)
Public protection	6,716,829	7,143,223	7,407,918	(264,695)
Physical environment	50,000	50,000	-	50,000
Economic development	-	3,558,761	3,599,153	(40,392)
Recreation and culture	-	380,488	296,926	83,562
Capital outlay	1,195,532	7,745,244	5,914,937	1,830,307
Total expenditures	36,017,029	45,696,624	44,701,161	995,463
Net Change in Fund Balance	-	7,116,639	6,270,666	(845,973)
Fund Balance (Deficit) - Beginning of year	(10,423,639)	(10,423,639)	(10,423,639)	-
Fund Balance (Deficit) - End of year	<u>\$ (10,423,639)</u>	<u>\$ (3,307,000)</u>	<u>\$ (4,152,973)</u>	<u>\$ (845,973)</u>

Note: The final budget column includes carryforward of appropriations from prior years.

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Bridging Neighborhoods Fund

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Intergovernmental	\$ -	\$ 1,844,000	\$ 1,450,134	\$ (393,866)
Sales and charges for services	-	416,667	1,000,000	583,333
Other revenue	-	606,812	-	(606,812)
Total revenue	-	2,867,479	2,450,134	(417,345)
Expenditures				
Current services:				
Health	-	379,661	379,661	-
Recreation and culture	-	2,677,394	2,615,249	62,145
Total expenditures	-	3,057,055	2,994,910	62,145
Excess of Expenditures Over Revenue	-	(189,576)	(544,776)	(355,200)
Other Financing Sources - Sale of capital assets	-	-	385,463	385,463
Net Change in Fund Balance	-	(189,576)	(159,313)	30,263
Fund Balance - Beginning of year	18,366,624	18,366,624	18,366,624	-
Fund Balance - End of year	\$ 18,366,624	\$ 18,177,048	\$ 18,207,311	\$ 30,263

Note: The final budget column includes carryforward of appropriations from prior years.

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Solid Waste Management Fund

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Property taxes	\$ -	\$ 7,224,683	\$ -	\$ (7,224,683)
Sales and charges for services	45,176,028	32,140,261	60,396,030	28,255,769
Ordinance fines and forfeitures	-	211,842	-	(211,842)
Investment earnings	-	-	134,910	134,910
Other revenue	-	-	344,399	344,399
Total revenue	45,176,028	39,576,786	60,875,339	21,298,553
Expenditures				
Current services - Physical environment	43,926,028	44,664,557	53,779,636	(9,115,079)
Capital outlay	1,500,000	1,085,947	1,085,946	1
Total expenditures	45,426,028	45,750,504	54,865,582	(9,115,078)
Excess of Revenue (Under) Over Expenditures	(250,000)	(6,173,718)	6,009,757	12,183,475
Other Financing Sources - Transfers in	250,000	-	-	-
Net Change in Fund Balance	-	(6,173,718)	6,009,757	12,183,475
Fund Balance - Beginning of year	61,439,971	61,439,971	61,439,971	-
Fund Balance - End of year	\$ 61,439,971	\$ 55,266,253	\$ 67,449,728	\$ 12,183,475

Note: The final budget column includes carryforward of appropriations from prior years.

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Major Street Fund

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue				
Intergovernmental:				
Federal grants	\$ 750,000	\$ 1,599,512	\$ 2,225,436	\$ 625,924
State sources:				
Gas and weight tax	82,373,108	76,176,532	66,584,244	(9,592,288)
Other	-	(375,624)	13,331,835	13,707,459
Sales and charges for services	1,000	3,600	-	(3,600)
Investment earnings	-	758,319	758,319	-
Other revenue	2,000,000	6,995,924	122,016	(6,873,908)
Total revenue	<u>85,124,108</u>	<u>85,158,263</u>	<u>83,021,850</u>	<u>(2,136,413)</u>
Expenditures				
Current services - Transportation facilitation	57,411,344	47,311,015	35,930,314	11,380,701
Capital outlay	26,720,719	59,659,686	64,972,269	(5,312,583)
Debt service	992,045	1,205,755	1,205,755	-
Total expenditures	<u>85,124,108</u>	<u>108,176,456</u>	<u>102,108,338</u>	<u>6,068,118</u>
Excess of Expenditures Over Revenue	-	(23,018,193)	(19,086,488)	3,931,705
Other Financing (Uses) Sources				
Transfers out	-	(1,531,039)	(3,342,436)	(1,811,397)
Face amount of bonds and notes issued	-	51,000,000	51,000,000	-
Total other financing sources	<u>-</u>	<u>49,468,961</u>	<u>47,657,564</u>	<u>(1,811,397)</u>
Net Change in Fund Balance	-	26,450,768	28,571,076	2,120,308
Fund Balance - Beginning of year	<u>70,741,774</u>	<u>70,741,774</u>	<u>70,741,774</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 70,741,774</u>	<u>\$ 97,192,542</u>	<u>\$ 99,312,850</u>	<u>\$ 2,120,308</u>

Note: The final budget column includes carryforward of appropriations from prior years.

City of Detroit, Michigan

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Local Street Fund

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue - Gas and weight tax	\$ -	\$ 18,554,106	\$ 18,705,626	\$ 151,520
Expenditures				
Current services - Transportation facilitation	-	12,542,288	13,766,647	(1,224,359)
Capital outlay	-	7,190,627	7,293,069	(102,442)
Total expenditures	-	19,732,915	21,059,716	(1,326,801)
Excess of Expenditures Over Revenue	-	(1,178,809)	(2,354,090)	(1,175,281)
Other Financing Sources - Transfers in	-	-	3,342,436	3,342,436
Net Change in Fund Balance	-	(1,178,809)	988,346	2,167,155
Fund Balance - Beginning of year	549,999	549,999	549,999	-
Fund Balance (Deficit) - End of year	<u>\$ 549,999</u>	<u>\$ (628,810)</u>	<u>\$ 1,538,345</u>	<u>\$ 2,167,155</u>

Note: The final budget column includes carryforward of appropriations from prior years.

City of Detroit, Michigan

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Targeted Business Development Fund

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures - Economic development	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	<u>478,084</u>	<u>478,084</u>	<u>478,084</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 478,084</u></u>	<u><u>\$ 478,084</u></u>	<u><u>\$ 478,084</u></u>	<u><u>\$ -</u></u>

Note: The final budget column includes carryforward of appropriations from prior years.

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Telecommunication Fund

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue				
Intergovernmental - Federal	\$ 2,894,000	\$ 1,856,776	\$ 1,856,776	\$ -
Investment earnings	-	40,343	40,343	-
Total revenue	<u>2,894,000</u>	<u>1,897,119</u>	<u>1,897,119</u>	<u>-</u>
Expenditures - Capital outlay	<u>2,894,000</u>	<u>2,321,463</u>	<u>2,321,463</u>	<u>-</u>
Net Change in Fund Balance	-	(424,344)	(424,344)	-
Fund Balance - Beginning of year	<u>5,414,866</u>	<u>5,414,866</u>	<u>5,414,866</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 5,414,866</u>	<u>\$ 4,990,522</u>	<u>\$ 4,990,522</u>	<u>\$ -</u>

Note: The final budget column includes carryforward of appropriations from prior years.

City of Detroit, Michigan

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Renewable Energy Fund

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue - Other	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	<u>203,491</u>	<u>203,491</u>	<u>203,491</u>	-
Fund Balance - End of year	<u><u>\$ 203,491</u></u>	<u><u>\$ 203,491</u></u>	<u><u>\$ 203,491</u></u>	<u><u>\$ -</u></u>

Note: The final budget column includes carryforward of appropriations from prior years.

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Donated Monies Fund

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue				
Sales and charges for services	\$ -	\$ 864,455	\$ 2,478,278	\$ 1,613,823
Investment earnings	-	-	535	535
Other revenue	-	150,980	150,980	-
Total revenue	-	1,015,435	2,629,793	1,614,358
Expenditures - Recreation and culture	-	1,015,435	560,509	454,926
Net Change in Fund Balance	-	-	2,069,284	2,069,284
Fund Balance - Beginning of year	54,597	54,597	54,597	-
Fund Balance - End of year	<u><u>\$ 54,597</u></u>	<u><u>\$ 54,597</u></u>	<u><u>\$ 2,123,881</u></u>	<u><u>\$ 2,069,284</u></u>

Note: The final budget column includes carryforward of appropriations from prior years.

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Debt Service Fund

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Taxes:				
Property taxes	\$ 41,751,002	\$ 49,665,976	\$ 42,918,288	\$ (6,747,688)
Interest and penalties on taxes	9,448,998	87,972	83,985	(3,987)
Intergovernmental - State	-	-	4,445,026	4,445,026
Investment earnings	-	934,122	1,289,572	355,450
Other revenue	-	3,129,966	3,129,966	-
Total revenue	51,200,000	53,818,036	51,866,837	(1,951,199)
Expenditures				
Current services - Development and management	-	76,254	-	76,254
Debt service:				
Principal	35,263,998	34,720,251	31,265,000	3,455,251
Interest and fiscal charges	15,936,002	15,947,773	15,936,002	11,771
Total expenditures	51,200,000	50,744,278	47,201,002	3,543,276
Net Change in Fund Balance	-	3,073,758	4,665,835	1,592,077
Fund Balance - Beginning of year	44,538,947	44,538,947	44,538,947	-
Fund Balance - End of year	\$ 44,538,947	\$ 47,612,705	\$ 49,204,782	\$ 1,592,077

Note: The final budget column includes carryforward of appropriations from prior years.

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Capital Projects Fund

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Sales and charges for services	\$ -	\$ -	\$ 21,014,407	\$ 21,014,407
Investment earnings	-	342,555	1,642,400	1,299,845
Other revenue	-	1,895	13,004,881	13,002,986
Total revenue	-	344,450	35,661,688	35,317,238
Expenditures				
Current services:				
Development and management	-	2,810,316	1,225,542	1,584,774
Economic development	-	-	36,862,247	(36,862,247)
Recreation and culture	-	2,096,268	2,000,453	95,815
Capital outlay	-	37,794,452	37,597,951	196,501
Debt service - Bond issuance costs	-	1,568,918	1,568,918	-
Total expenditures	-	44,269,954	79,255,111	(34,985,157)
Excess of Expenditures Over Revenue	-	(43,925,504)	(43,593,423)	332,081
Other Financing (Uses) Sources				
Transfers out	-	-	(1,614,801)	(1,614,801)
Face amount of bonds and notes issued	-	135,000,000	135,000,000	-
Debt premium on notes issued	-	3,210,543	3,210,543	-
Total other financing sources	-	138,210,543	136,595,742	(1,614,801)
Net Change in Fund Balance	-	94,285,039	93,002,319	(1,282,720)
Fund Balance - Beginning of year	39,352,876	39,352,876	39,352,876	-
Fund Balance - End of year	<u>\$ 39,352,876</u>	<u>\$ 133,637,915</u>	<u>\$ 132,355,195</u>	<u>\$ (1,282,720)</u>

Note: The final budget column includes carryforward of appropriations from prior years.

Other Supplemental Information
Nonmajor Enterprise Funds
Fund Descriptions

Enterprise funds are established to account for operations for services to the general public, financed primarily by user charges intended to recover the cost of services provided.

Airport Fund

The City's Airport Fund was created to account for the operations of City's airport.

Automobile Parking Fund

To account for parking operations related to parking meters and city-owned garages.

Other Supplemental Information
Combining Statement of Net Position
Nonmajor Enterprise Funds

June 30, 2019

	Airport Fund	Automobile Parking Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,619,285	\$ 33,198,374	\$ 35,817,659
Receivables:			
Other receivables - Trade	311,615	11,238	322,853
Allowance for doubtful accounts	(285,413)	(11,261)	(296,674)
Due from other funds	20,618	279,317	299,935
Prepaid expenses	128	307	435
Total current assets	2,666,233	33,477,975	36,144,208
Noncurrent assets:			
Net OPEB asset	12	117	129
Capital assets:			
Assets not subject to depreciation	17,719,996	4,800,290	22,520,286
Assets subject to depreciation - Net	5,139,647	18,119,096	23,258,743
Total noncurrent assets	22,859,655	22,919,503	45,779,158
Total assets	25,525,888	56,397,478	81,923,366
Deferred Outflows of Resources			
Deferred amount on pension	24,286	187,811	212,097
Deferred amount on OPEB	228	2,135	2,363
Total deferred outflows of resources	24,514	189,946	214,460
Liabilities			
Current liabilities:			
Accounts and contracts payable	216,592	612,547	829,139
Due to other governmental agencies	2,234	-	2,234
Due to other funds	2,139,837	6,296,499	8,436,336
Other liabilities:			
Accrued salaries and wages	22,805	116,349	139,154
Accrued interest	5,523	-	5,523
Accrued other liabilities	26,187	459,945	486,132
Accrued compensated absences	31,587	178,699	210,286
Accrued workers' compensation and claims and judgments	-	276,000	276,000
Total current liabilities	2,444,765	7,940,039	10,384,804
Noncurrent liabilities:			
Advance from General Fund	622,694	218,938	841,632
Accrued workers' compensation and claims and judgments	5,000,000	56,606	5,056,606
Unearned revenue	11,854	13,976,513	13,988,367
Net pension liability	907,876	5,803,628	6,711,504
Bonds and contracts payable - Net of current portion	388,234	481,266	869,500
Total noncurrent liabilities	6,930,658	20,536,951	27,467,609
Total liabilities	9,375,423	28,476,990	37,852,413
Deferred Inflows of Resources - Related to pension	30,694	349,975	380,669
Net Position			
Net investment in capital assets	22,859,643	22,919,386	45,779,029
Unrestricted	(6,715,358)	4,841,073	(1,874,285)
Total net position	<u>\$ 16,144,285</u>	<u>\$ 27,760,459</u>	<u>\$ 43,904,744</u>

Other Supplemental Information
Combining Statement of Revenue, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds

Year Ended June 30, 2019

	Airport Fund	Automobile Parking Fund	Total
Operating Revenue			
Sales and other charges for services	\$ 26,101	\$ -	\$ 26,101
Rentals, fees, and surcharges	542,031	10,149,706	10,691,737
Miscellaneous	3,781	-	3,781
Total operating revenue	571,913	10,149,706	10,721,619
Operating Expenses			
Salaries, wages, and benefits	401,598	2,387,148	2,788,746
Operating	1,428,755	3,851,405	5,280,160
Pension recovery	(85,333)	(530,608)	(615,941)
Maintenance	24,237	7,715	31,952
Materials, supplies, and other expenses	131,068	731,614	862,682
Claims expense	3,000,000	-	3,000,000
Depreciation	149,281	2,558,199	2,707,480
Total operating expenses	5,049,606	9,005,473	14,055,079
Operating (Loss) Income	(4,477,693)	1,144,233	(3,333,460)
Nonoperating Revenue (Expense)			
Investment earnings	5,405	297,095	302,500
Interest on bonds, notes payable, and loans	(22,092)	(28,008)	(50,100)
Asset contributions to governmental activities	-	(7,108,326)	(7,108,326)
Total nonoperating expense	(16,687)	(6,839,239)	(6,855,926)
Income (Loss) - Before capital contributions and transfers	(4,494,380)	(5,695,006)	(10,189,386)
Capital Contributions	3,368,297	1,059,017	4,427,314
Loss - Before transfers	(1,126,083)	(4,635,989)	(5,762,072)
Transfers In	2,221,936	-	2,221,936
Change in Net Position	1,095,853	(4,635,989)	(3,540,136)
Net Position - Beginning of year	15,048,432	32,396,448	47,444,880
Net Position - End of year	\$ 16,144,285	\$ 27,760,459	\$ 43,904,744

Other Supplemental Information
Combining Statement of Cash Flows
Nonmajor Enterprise Funds

Year Ended June 30, 2019

	Airport Fund	Automobile Parking Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 564,453	\$ 10,392,429	\$ 10,956,882
Receipts from interfund services and reimbursements	289,471	-	289,471
Payments to suppliers	(1,802,108)	(5,795,852)	(7,597,960)
Payments to employees and fringes	(418,585)	(2,379,888)	(2,798,473)
Payments to other funds	-	(344,058)	(344,058)
Claims paid	8,620	-	8,620
Net cash and cash equivalents (used in) provided by operating activities	(1,358,149)	1,872,631	514,482
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	3,221,938	431,803	3,653,741
Transfers to other funds	-	(378,408)	(378,408)
Net cash and cash equivalents provided by (used in) noncapital financing activities	3,221,938	53,395	3,275,333
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of capital assets	-	291,028	291,028
Purchase of capital assets	(1,795,226)	-	(1,795,226)
Principal and interest paid on capital debt	(194,786)	(246,946)	(441,732)
Net cash and cash equivalents (used in) provided by capital and related financing activities	(1,990,012)	44,082	(1,945,930)
Cash Flows Provided by Investing Activities - Interest received on investments			
	5,405	297,095	302,500
Net (Decrease) Increase in Cash and Cash Equivalents	(120,818)	2,267,203	2,146,385
Cash and Cash Equivalents - Beginning of year	2,740,103	30,931,171	33,671,274
Cash and Cash Equivalents - End of year	<u>\$ 2,619,285</u>	<u>\$ 33,198,374</u>	<u>\$ 35,817,659</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities			
Operating (loss) income	\$ (4,477,693)	\$ 1,144,233	\$ (3,333,460)
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	149,281	2,558,199	2,707,480
Changes in assets and liabilities:			
Accounts and contracts receivable	(7,460)	950,759	943,299
Prepaid expenses	(9)	86	77
Due to and from other funds	289,471	(344,058)	(54,587)
Accounts and contracts payable	(218,825)	(1,008,014)	(1,226,839)
Accrued liabilities and other	(1,369)	(156,596)	(157,965)
Unearned revenue	-	(708,036)	(708,036)
Net pension liability	(100,165)	(566,548)	(666,713)
Accrued workers' compensation and claims and judgments	3,008,620	2,606	3,011,226
Total adjustments	3,119,544	728,398	3,847,942
Net cash and cash equivalents (used in) provided by operating activities	<u>\$ (1,358,149)</u>	<u>\$ 1,872,631</u>	<u>\$ 514,482</u>
Significant Noncash Transactions - Asset contributions to governmental activities	\$ -	\$ 7,161,721	\$ 7,161,721

**Other Supplemental Information
Internal Service Funds
Fund Descriptions**

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City and to other governmental units on a cost-reimbursement basis.

Employees Benefit Plan

This fund receives contributions from both the city funds and employees for use in paying benefits, including medical, dental, and vision, to active employees.

Disability Income Protection Plan

This fund receives contributions from other city funds and provides partial wage replacements for personnel who are out of work due to disability.

**Other Supplemental Information
Combining Statement of Net Position
Internal Service Funds**

June 30, 2019

	Employees Benefit Plan	Disability Income Protection Plan	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,696,579	\$ -	\$ 4,696,579
Due from component units	646,418	-	646,418
Due from other funds	7,550,250	1,282,774	8,833,024
Due from other governmental agencies	1,000,000	-	1,000,000
Total assets	13,893,247	1,282,774	15,176,021
Liabilities			
Current liabilities:			
Accounts and contracts payable	8,216,502	69,680	8,286,182
Due to other funds	3,446,255	318,209	3,764,464
Other liabilities	34,900	10,239	45,139
Total liabilities	11,697,657	398,128	12,095,785
Net Position - Unrestricted	\$ 2,195,590	\$ 884,646	\$ 3,080,236

Other Supplemental Information
Combining Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds

Year Ended June 30, 2019

	Employees Benefit Plan	Disability Income Protection Plan	Total
Operating Revenue			
Miscellaneous	\$ 1,169,137	\$ -	\$ 1,169,137
Charges to other funds	70,839,881	1,795,360	72,635,241
Total operating revenue	72,009,018	1,795,360	73,804,378
Operating Expenses - Healthcare expenses			
Healthcare expense	72,558,241	1,066,535	73,624,776
Total operating expenses	72,558,241	1,066,535	73,624,776
Operating (Loss) Income	(549,223)	728,825	179,602
Nonoperating Revenue - Investment earnings	75,519	-	75,519
Change in Net Position	(473,704)	728,825	255,121
Net Position - Beginning of year	2,669,294	155,821	2,825,115
Net Position - End of year	\$ 2,195,590	\$ 884,646	\$ 3,080,236

Other Supplemental Information
Combining Statement of Cash Flows
Internal Service Funds

Year Ended June 30, 2019

	Employees Benefit Plan	Disability Income Protection Plan	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 19,556,402	\$ -	\$ 19,556,402
Receipts from interfund services and reimbursements	77,696,394	2,264,130	79,960,524
Payments to suppliers	(97,582,907)	(2,260,306)	(99,843,213)
Payments to employees and fringes	-	(3,824)	(3,824)
Payments to other funds	945,194	-	945,194
Net cash and cash equivalents provided by operating activities	615,083	-	615,083
Cash Flows Provided by Investing Activities - Interest received on investments	75,473	-	75,473
Net Increase in Cash and Cash Equivalents	690,556	-	690,556
Cash and Cash Equivalents - Beginning of year	4,006,023	-	4,006,023
Cash and Cash Equivalents - End of year	<u>\$ 4,696,579</u>	<u>\$ -</u>	<u>\$ 4,696,579</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities			
Operating (loss) income	\$ (549,223)	\$ 728,825	\$ 179,602
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Changes in assets and liabilities:			
Receivables	664,238	-	664,238
Due to and from other funds	6,492,468	467,308	6,959,776
Accounts payable	(5,487,016)	(1,192,309)	(6,679,325)
Accrued liabilities and other	-	(3,824)	(3,824)
Due to component units	(505,384)	-	(505,384)
Total adjustments	1,164,306	(728,825)	435,481
Net cash and cash equivalents provided by operating activities	<u>\$ 615,083</u>	<u>\$ -</u>	<u>\$ 615,083</u>

Pension - General Retirement System			
	Hybrid Plan Component I	Legacy Plan Component II	Total
Assets			
Cash and cash equivalents	\$ 49,781,983	\$ 53,378,994	\$ 103,160,977
Investments:			
Global equity	33,566,775	890,857,764	924,424,539
Global fixed income	9,299,188	216,337,830	225,637,018
Real assets	17,426,716	284,310,618	301,737,334
Private equity	6,395,351	101,634,292	108,029,643
Diversifying strategies	10,128,288	160,957,646	171,085,934
Receivables:			
Accrued interest receivable	32,051	906,398	938,449
ASF recoupment receivable	-	101,914,441	101,914,441
Notes receivable from participants	-	3,948,146	3,948,146
Contributions	3,045,431	-	3,045,431
Other	-	-	-
Receivables from investment sales	-	-	-
Cash and investments held as collateral for securities lending	5,720,800	91,098,951	96,819,751
Capital assets - Net	776,512	1,197,282	1,973,794
Total assets	136,173,095	1,906,542,362	2,042,715,457
Liabilities			
Accounts and contracts payable	354,038	4,894,452	5,248,490
Due to primary government	-	1,508,399	1,508,399
Other liabilities	-	-	-
Claims payable to retirees and beneficiaries	-	-	-
Payables for investment purchases	423,337	7,296,263	7,719,600
Amounts due to broker under securities lending arrangements	5,131,808	81,554,142	86,685,950
Total liabilities	5,909,183	95,253,256	101,162,439
Net Position - Restricted for pension and OPEB	\$ 130,263,912	\$ 1,811,289,106	\$ 1,941,553,018

Other Supplemental Information
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trusts

June 30, 2019

Pension - Police and Fire Retirement System			Other Employee Benefits	Total Pension and Other Employee Benefit Trusts
Hybrid Plan Component I	Legacy Plan Component II	Total	Employee Death Benefits Fund	
\$ 34,463,600	\$ 58,049,855	\$ 92,513,455	\$ 23,310,991	\$ 218,985,423
56,565,433	1,306,286,557	1,362,851,990	-	2,287,276,529
19,971,365	507,722,630	527,693,995	2,177,150	755,508,163
20,954,318	407,679,280	428,633,598	-	730,370,932
12,178,552	219,793,807	231,972,359	-	340,002,002
9,591,883	173,110,632	182,702,515	-	353,788,449
211,717	5,703,447	5,915,164	-	6,853,613
-	-	-	-	101,914,441
-	7,586,760	7,586,760	-	11,534,906
4,274,284	-	4,274,284	-	7,319,715
254,290	86,535	340,825	-	340,825
3,587,055	86,562,161	90,149,216	-	90,149,216
11,123,019	200,743,999	211,867,018	-	308,686,769
776,512	1,198,468	1,974,980	-	3,948,774
173,952,028	2,974,524,131	3,148,476,159	25,488,141	5,216,679,757
-	-	-	-	5,248,490
-	1,508,399	1,508,399	-	3,016,798
78,499	3,519,415	3,597,914	-	3,597,914
3,198	787,340	790,538	-	790,538
3,924,018	94,963,668	98,887,686	-	106,607,286
10,978,768	198,140,623	209,119,391	-	295,805,341
14,984,483	298,919,445	313,903,928	-	415,066,367
\$ 158,967,545	\$ 2,675,604,686	\$ 2,834,572,231	\$ 25,488,141	\$ 4,801,613,390

Pension - General Retirement System			
	Hybrid Plan Component I	Legacy Plan Component II	Total
Additions			
Investment income (loss) - Interest and dividends	\$ 3,244,279	\$ 47,018,266	\$ 50,262,545
Securities lending income - Net	26,583	494,509	521,092
Contributions - Plan member contributions	27,775,884	67,900,000	95,675,884
Other income	50,611	445,490	496,101
State and foundations	-	375,000	375,000
AFS recoupment interest	-	6,437,967	6,437,967
Transfer in from Component II	9,015,677	-	9,015,677
Total additions	40,113,034	122,671,232	162,784,266
Deductions			
Benefit payments	518,565	235,752,819	236,271,384
Refunds of contributions	3,020,819	13,636,284	16,657,103
Administrative expenses	1,942,064	3,023,939	4,966,003
ASF recoupment writeoff	-	3,214,754	3,214,754
Transfer out to Component I	-	9,015,677	9,015,677
Total deductions	5,481,448	264,643,473	270,124,921
Net Increase (Decrease) in Net Position	34,631,586	(141,972,241)	(107,340,655)
Net Position - Beginning of year	95,632,326	1,953,261,347	2,048,893,673
Net Position - End of year	\$ 130,263,912	\$ 1,811,289,106	\$ 1,941,553,018

Other Supplemental Information
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trusts

Year Ended June 30, 2019

Pension - Police and Fire Retirement System			Other Employee Benefits	Total Pension and Other Employee Benefit Trusts
Hybrid Plan Component I	Legacy Plan Component II	Total	Employee Death Benefits Fund	
\$ 5,168,756	\$ 97,116,865	\$ 102,285,621	\$ 1,541,774	\$ 154,089,940
66,772	1,406,798	1,473,570	-	1,994,662
27,600,299	3,600	27,603,899	175,527	123,455,310
11,913	496,298	508,211	-	1,004,312
-	18,300,000	18,300,000	-	18,675,000
-	-	-	-	6,437,967
4,030,561	-	4,030,561	-	13,046,238
36,878,301	117,323,561	154,201,862	1,717,301	318,703,429
3,617,625	286,619,659	290,237,284	1,465,137	527,973,805
395,733	19,054,169	19,449,902	-	36,107,005
1,868,784	2,956,754	4,825,538	122,319	9,913,860
-	-	-	-	3,214,754
-	4,030,561	4,030,561	-	13,046,238
5,882,142	312,661,143	318,543,285	1,587,456	590,255,662
30,996,159	(195,337,582)	(164,341,423)	129,845	(271,552,233)
127,971,386	2,870,942,268	2,998,913,654	25,358,296	5,073,165,623
\$ 158,967,545	\$ 2,675,604,686	\$ 2,834,572,231	\$ 25,488,141	\$ 4,801,613,390

Other Supplemental Information
Combining Statement of Assets and Liabilities
Agency Funds

June 30, 2019

	Fire Insurance Escrow Fund	36th District Court	B Bond Claims	Property Tax Receiving Fund	Other Agency Funds	Total
Assets						
Cash and cash equivalents	\$ 771,204	\$ 7,697,097	\$ -	\$ 2,344,576	\$ 37,862	\$ 10,850,739
Investments at fair value	8,934,735	-	28,666,100	-	-	37,600,835
Due from other governmental agencies	122,096	-	-	47,967	-	170,063
Total assets	<u>\$ 9,828,035</u>	<u>\$ 7,697,097</u>	<u>\$ 28,666,100</u>	<u>\$ 2,392,543</u>	<u>\$ 37,862</u>	<u>\$ 48,621,637</u>
Liabilities						
Accounts and contracts payable	\$ 12,508	\$ -	\$ -	\$ 954,744	\$ -	\$ 967,252
Due to other funds	-	-	-	-	23,310	23,310
Refundable deposits	-	7,697,097	-	-	-	7,697,097
Other liabilities	9,815,527	-	28,666,100	1,437,799	14,552	39,933,978
Total liabilities	<u>\$ 9,828,035</u>	<u>\$ 7,697,097</u>	<u>\$ 28,666,100</u>	<u>\$ 2,392,543</u>	<u>\$ 37,862</u>	<u>\$ 48,621,637</u>

Other Supplemental Information
Combining Statement of Changes in Assets and Liabilities
Agency Funds

Year Ended June 30, 2019

	Fire Insurance Escrow Fund			
	July 1, 2018	Additions	Deductions	June 30, 2019
Assets				
Cash and cash equivalents	\$ 756,310	\$ 2,255,454	\$ (2,240,560)	\$ 771,204
Investments at fair value	8,884,127	138,886	(88,278)	8,934,735
Receivables - Other	138,577	-	(16,481)	122,096
Total assets	\$ 9,779,014	\$ 2,394,340	\$ (2,345,319)	\$ 9,828,035

Liabilities				
Accounts and contracts payable - Accounts payable	\$ 93,148	\$ 88,843	\$ (169,483)	\$ 12,508
Other liabilities	9,685,866	1,835,292	(1,705,631)	9,815,527
Total liabilities	\$ 9,779,014	\$ 1,924,135	\$ (1,875,114)	\$ 9,828,035

	36th District Court			
	July 1, 2018	Additions	Deductions	June 30, 2019
Assets - Cash and cash equivalents	\$ 7,244,887	\$ 7,938,740	\$ (7,486,530)	\$ 7,697,097
Liabilities - Refundable deposits	\$ 7,244,887	\$ 6,730,873	\$ (6,278,663)	\$ 7,697,097

	B Bond Claims			
	July 1, 2018	Additions	Deductions	June 30, 2019
Assets - Investments at fair value	\$ 26,309,323	\$ 3,024,413	\$ (667,636)	\$ 28,666,100
Liabilities - Other liabilities	\$ 26,309,323	\$ 2,926,775	\$ (569,998)	\$ 28,666,100

	Property Tax Receiving Fund			
	July 1, 2018	Additions	Deductions	June 30, 2019
Assets				
Cash and cash equivalents	\$ 3,101,529	\$ -	\$ (756,953)	\$ 2,344,576
Due from other governmental agencies	142,604	-	(94,637)	47,967
Total assets	\$ 3,244,133	\$ -	\$ (851,590)	\$ 2,392,543
Liabilities				
Accounts and contracts payable	\$ 1,931	\$ 952,813	\$ -	\$ 954,744
Undistributed tax receipts	3,242,202	-	(1,804,403)	1,437,799
Total liabilities	\$ 3,244,133	\$ 952,813	\$ (1,804,403)	\$ 2,392,543

	Other Agency Funds			
	July 1, 2018	Additions	Deductions	June 30, 2019
Assets - Cash and cash equivalents	\$ -	\$ 757,454	\$ (719,592)	\$ 37,862
Liabilities - Other liabilities	\$ -	\$ 619,139	\$ (581,277)	\$ 37,862

Other Supplemental Information
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)

Year Ended June 30, 2019

	Agency			June 30, 2019
	July 1, 2018	Additions	Deductions	
Assets				
Cash and cash equivalents	\$ 11,102,726	\$ 10,951,648	\$ (11,203,634)	\$ 10,850,740
Investments at fair value	35,193,450	3,163,299	(755,915)	37,600,834
Other receivables	138,577	-	(16,481)	122,096
Due from other governmental agencies	142,604	-	(94,637)	47,967
Total assets	\$ 46,577,357	\$ 14,114,947	\$ (12,070,667)	\$ 48,621,637
Liabilities				
Accounts and contracts payable	\$ 95,079	\$ 1,041,656	\$ (169,483)	\$ 967,252
Deposits	7,244,887	6,730,872	(6,278,663)	7,697,096
Other liabilities	35,995,189	5,381,206	(2,856,905)	38,519,490
Undistributed tax receipts	3,242,202	-	(1,804,403)	1,437,799
Total liabilities	\$ 46,577,357	\$ 13,153,734	\$ (11,109,454)	\$ 48,621,637

Statistical Section

June 30, 2019

This part of the Comprehensive Annual Financial Report presents information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall health.

Contents

The statistical section is organized into the following main categories:

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Schedule 1
City of Detroit, Michigan

	Fiscal Year			
	2019	2018	2017	2016
Governmental Activities				
Net investment in capital assets	\$ 1,131,790,888	\$ 1,131,353,263	\$ 1,111,259,232	\$ 1,070,813,493
Restricted	251,173,606	282,679,621	418,002,865	389,338,643
Unrestricted (deficit)	<u>(1,671,484,070)</u>	<u>(1,755,940,654)</u>	<u>(1,880,824,756)</u>	<u>(1,822,999,101)</u>
Total governmental activities net position	(288,519,576)	(341,907,770)	(351,562,659)	(362,846,965)
Business-type Activities				
Net investment in capital assets	476,725,957	434,204,225	407,668,088	619,028,014
Restricted	8,834,862	8,684,871	59,804,608	22,212,888
Unrestricted (deficit)	<u>773,182,433</u>	<u>797,056,311</u>	<u>696,163,152</u>	<u>716,148,063</u>
Total business-type activities net position	<u>1,258,743,252</u>	<u>1,239,945,407</u>	<u>1,163,635,848</u>	<u>1,357,388,965</u>
Primary Government				
Net investment in capital assets	1,608,516,845	1,565,557,488	1,518,927,320	1,689,841,507
Restricted	260,008,468	291,364,492	477,807,473	411,551,531
Unrestricted (deficit)	<u>(898,301,637)</u>	<u>(958,884,343)</u>	<u>(1,184,661,604)</u>	<u>(1,106,851,038)</u>
Total primary government net position	<u>\$ 970,223,676</u>	<u>\$ 898,037,637</u>	<u>\$ 812,073,189</u>	<u>\$ 994,542,000</u>

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2010 through 2019

Financial Trends - Net Position by Component

**Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)**

		Fiscal Year									
		2015	2014	2013	2012	2011	2010				
\$	1,098,963,308	\$	886,141,054	\$	832,127,493	\$	803,653,672	\$	711,987,330	\$	717,589,037
	544,636,902		102,047,103		75,055,537		73,786,466		110,223,372		93,496,558
	(3,042,213,052)		(3,961,253,287)		(1,714,975,464)		(1,557,840,700)		(1,360,282,090)		(1,278,954,788)
	(1,398,612,842)		(2,973,065,130)		(807,792,434)		(680,400,562)		(538,071,388)		(467,869,193)
	(23,000,738)		54,337,164		525,963,518		1,047,594,007		435,962,058		781,976,263
	423,774,879		473,057,369		244,039,925		461,972,732		303,235,683		284,696,404
	(1,077,018,026)		(1,595,122,442)		(640,389,229)		(1,201,140,082)		(230,134,710)		(333,688,853)
	(676,243,885)		(1,067,727,909)		129,614,214		308,426,657		509,063,031		732,983,814
	1,075,962,570		940,478,218		1,358,091,011		1,851,247,679		1,147,949,388		1,499,565,300
	968,411,781		575,104,472		319,095,462		535,759,198		413,459,055		378,192,962
	(4,119,231,078)		(5,556,375,729)		(2,355,364,693)		(2,758,980,782)		(1,590,416,800)		(1,612,643,641)
\$	(2,074,856,727)	\$	(4,040,793,039)	\$	(678,178,220)	\$	(371,973,905)	\$	(29,008,357)	\$	265,114,621

Schedule 2
City of Detroit, Michigan

	Fiscal Year			
	2019	2018	2017	2016
Expenses				
Governmental activities:				
Public protection	\$ 578,832,651	\$ 459,155,038	\$ 643,746,962	\$ (158,890,077)
Health	35,944,711	32,958,070	29,784,840	27,950,664
Recreation and culture	29,412,201	37,416,517	29,922,328	5,956,037
Economic development	99,866,336	45,345,939	42,562,725	42,455,723
Educational development	-	-	-	-
Housing supply and conditions	34,110,578	25,015,853	9,810,694	3,223,431
Physical environment	168,738,713	152,794,269	116,733,180	2,385,020
Transportation facilitation	63,778,403	35,829,655	31,513,472	36,489,715
Development and management	395,668,017	403,929,393	325,937,109	(52,688,289)
Interest on long-term debt	34,020,805	62,525,448	91,611,017	78,301,298
Total government activities expenses	1,440,372,415	1,254,970,182	1,321,622,327	(14,816,478)
Business-type activities:				
Sewage disposal	297,055,156	300,112,413	314,993,258	254,617,493
Transportation	178,880,079	158,602,192	178,551,373	6,654,042
Water	104,478,557	130,123,421	122,932,303	134,245,899
Automobile parking	16,141,807	29,509,883	10,257,721	2,219,819
Airport	5,071,698	2,420,424	2,504,453	2,492,521
Public lighting authority	22,214,145	21,097,017	16,328,382	16,758,370
Total business-type activities expenses	623,841,442	641,865,350	645,567,490	416,988,144
Total primary government expenses	\$ 2,064,213,857	\$ 1,896,835,532	\$ 1,967,189,817	\$ 402,171,666
Program Revenue				
Governmental activities:				
Charges for services:				
Public protection	\$ 85,794,552	\$ 82,142,006	\$ 87,794,040	\$ 82,771,964
Health	2,326,609	2,543,252	2,981,002	608,827
Recreation and culture	4,162,855	2,097,986	859,989	783,031
Economic development	21,974,750	6,581,729	669,987	866,690
Educational development	-	-	-	-
Housing supply and conditions	817,929	-	2,386,191	1,846,395
Physical environment	41,766,310	44,307,433	33,804,805	33,575,150
Transportation facilitation	4,695,448	3,728,872	4,204,012	3,635,209
Development and management	122,447,673	42,238,300	46,510,771	48,908,707
Operating grants and contributions	193,929,513	183,354,935	181,124,247	176,655,635
Capital grants and contributions	302,900	528,544	3,187,539	18,466,400
Total governmental activities program revenue	478,218,539	367,523,057	363,522,583	368,118,008
Business-type activities:				
Charges for services:				
Sewage disposal	297,703,405	291,130,813	273,687,927	405,492,789
Transportation	20,190,340	29,236,816	21,285,572	22,399,677
Water	101,609,566	115,019,869	108,174,791	264,538,200
Automobile parking	10,149,706	12,013,301	14,795,766	13,284,541
Airport	571,913	619,190	701,032	477,462
Public lighting authority	12,636,841	13,335,724	13,381,653	13,184,635
Operating grants and contributions	55,546,743	51,300,810	58,483,061	49,068,016
Capital grants and contributions	25,209,943	16,799,491	4,783,658	8,952,414
Total business-type activities program revenue	523,618,457	529,456,014	495,293,460	777,397,734
Total primary government program revenue	\$ 1,001,836,996	\$ 896,979,071	\$ 858,816,043	\$ 1,145,515,742

Financial Trends - Changes in Net Position

**Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)**

		Fiscal Year									
		2015	2014	2013	2012	2011	2010				
\$	527,636,236	\$	539,831,117	\$	694,708,112	\$	800,229,437	\$	816,928,579	\$	779,613,390
	31,640,136		49,563,178		38,070,128		142,584,167		170,235,039		170,843,954
	21,863,335		30,467,345		26,856,182		30,113,031		31,397,867		17,963,496
	70,889,645		59,701,870		81,455,649		73,599,973		87,938,305		61,906,827
	1,477		-		37,040,734		51,974,801		58,840,456		90,450,821
	1,920,096		8,465,345		5,086,777		4,431,697		6,328,619		8,381,813
	41,582,157		110,555,039		121,192,467		130,991,572		125,325,346		119,713,562
	38,658,855		55,831,652		20,745,859		33,697,252		33,720,569		84,039,822
	490,076,634		328,243,425		205,937,823		195,167,837		201,031,612		268,716,249
	95,776,801		135,130,618		133,545,027		129,097,503		132,827,437		129,458,620
	<u>1,320,045,372</u>		<u>1,317,789,589</u>		<u>1,364,638,758</u>		<u>1,591,887,270</u>		<u>1,664,573,829</u>		<u>1,731,088,554</u>
	425,198,938		482,723,501		523,909,799		456,113,053		517,645,238		431,575,246
	101,466,158		163,841,194		166,024,287		212,856,759		215,880,853		207,620,142
	360,527,146		392,920,925		398,086,572		370,558,112		345,180,580		346,637,749
	7,915,022		14,714,363		20,089,165		11,643,400		11,305,474		18,190,081
	1,364,972		2,722,946		1,910,151		2,119,837		2,392,911		2,437,571
	16,706,571		1,890,472		-		-		-		-
	<u>913,178,807</u>		<u>1,058,813,401</u>		<u>1,110,019,974</u>		<u>1,053,291,161</u>		<u>1,092,405,056</u>		<u>1,006,460,789</u>
\$	<u>2,233,224,179</u>	\$	<u>2,376,602,990</u>	\$	<u>2,474,658,732</u>	\$	<u>2,645,178,431</u>	\$	<u>2,756,978,885</u>	\$	<u>2,737,549,343</u>
\$	63,885,128	\$	75,017,759	\$	76,800,124	\$	75,900,731	\$	89,521,773	\$	78,076,978
	21,433		2,389,178		224,847		9,652,314		5,090,487		12,495,600
	16,898,076		17,106,690		17,697,563		18,170,830		17,796,165		17,510,499
	3,215,123		3,344,270		7,192,630		850,741		1,358,479		121,725
	-		-		-		-		499,058		1,528,487
	1,512,350		3,509,934		3,196,447		2,734,182		3,566,331		3,780,682
	51,082,632		93,846,458		102,363,179		97,094,653		80,905,220		92,793,872
	47,861,667		22,728,698		-		1,647,825		46,986		927,229
	150,450,170		128,991,615		81,496,108		103,694,387		101,982,537		109,253,875
	155,868,586		176,787,827		211,471,358		326,570,380		370,730,317		356,347,310
	7,148,673		30,592,996		19,740,930		24,516,521		44,338,905		28,304,777
	<u>497,943,838</u>		<u>554,315,425</u>		<u>520,183,186</u>		<u>660,832,564</u>		<u>715,836,258</u>		<u>701,141,034</u>
	505,671,614		475,770,844		440,863,260		437,654,891		410,719,075		365,537,390
	22,347,086		19,374,841		26,643,760		22,558,000		27,418,297		26,565,119
	364,278,054		349,369,362		355,527,761		336,129,945		316,002,201		285,470,426
	12,337,691		10,341,324		11,992,637		10,617,480		8,136,744		15,037,679
	628,221		2,326,814		726,855		993,050		799,122		967,234
	6,707,642		758,500		-		-		-		-
	56,701,626		61,597,871		70,142,182		77,296,998		77,553,273		75,343,618
	34,890,437		9,943,047		11,854,628		30,344,607		29,793,987		47,947,235
	<u>1,003,562,371</u>		<u>929,482,603</u>		<u>917,751,083</u>		<u>915,594,971</u>		<u>870,422,699</u>		<u>816,868,701</u>
\$	<u>1,501,506,209</u>	\$	<u>1,483,798,028</u>	\$	<u>1,437,934,269</u>	\$	<u>1,576,427,535</u>	\$	<u>1,586,258,957</u>	\$	<u>1,518,009,735</u>

Schedule 2
City of Detroit, Michigan

	Fiscal Year			
	2019	2018	2017	2016
Net (Expense) Revenue				
Governmental activities	\$ (962,153,876)	\$ (887,447,125)	\$ (958,099,744)	\$ 382,934,486
Business-type activities	<u>(100,222,985)</u>	<u>(112,409,336)</u>	<u>(150,274,030)</u>	<u>360,409,590</u>
Total primary government net (expense) revenue	(1,062,376,861)	(999,856,461)	(1,108,373,774)	743,344,076
General Revenue and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	181,383,741	159,149,463	248,296,337	224,263,288
Municipal income tax	376,668,182	299,346,019	301,069,434	266,928,629
Utility users' tax	28,358,585	28,700,113	27,068,555	24,036,395
Wagering tax	183,815,690	178,982,277	177,217,497	180,228,993
State hotel and liquor tax	-	-	-	-
Other taxes and assessments	5,035,762	3,395,606	10,362,346	5,378,658
State-shared revenue	211,656,989	199,899,929	197,831,755	194,705,498
State returnable liquor license fees	-	-	-	-
Interest and penalties on taxes	3,221,320	3,243,729	3,609,115	4,435,170
Investment earnings	22,784,982	15,856,300	15,849,922	16,997,733
Miscellaneous revenue	66,867,158	49,632,362	38,110,403	23,899,793
(Loss) gain on sale of capital assets	-	-	(185,285)	-
Bankruptcy contributions and other	-	-	-	-
Transfers	<u>(68,319,719)</u>	<u>(41,103,784)</u>	<u>(78,136,743)</u>	<u>(82,074,100)</u>
Total governmental activities	1,011,472,690	897,102,014	941,093,336	858,800,057
Business-type activities:				
Investment earnings (loss)	4,163,553	540,649	539,854	789,108
Bond issuance costs	-	-	-	-
Asset impairment	-	-	-	-
Miscellaneous revenue (expense)	46,468,911	45,214,538	37,421,198	19,379,346
Loss on sale of capital assets	(175,652)	-	(1,622,362)	(4,870,893)
Special item	-	101,859,924	(157,954,520)	1,585,445,912
Extraordinary item	-	-	-	-
Amortization of bond issuance costs and deferral	-	-	-	-
Transfers	<u>68,319,719</u>	<u>41,103,784</u>	<u>78,136,743</u>	<u>82,074,100</u>
Total business-type activities	<u>118,776,531</u>	<u>188,718,895</u>	<u>(43,479,087)</u>	<u>1,682,817,573</u>
Total primary government	1,130,249,221	1,085,820,909	897,614,249	2,541,617,630
Impact of GASB Stmt. No. 68 - Governmental activities	-	-	-	-
Impact of GASB Stmt. No. 68 - Business-type activities	-	-	-	-
Change in Net Position				
Governmental activities	49,318,814	9,654,889	(17,006,408)	1,241,734,543
Business-type activities	<u>18,553,546</u>	<u>76,309,559</u>	<u>(193,753,117)</u>	<u>2,043,227,163</u>
Total primary government	<u>\$ 67,872,360</u>	<u>\$ 85,964,448</u>	<u>\$ (210,759,525)</u>	<u>\$ 3,284,961,706</u>

Source: City of Detroit, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2010 through 2019

Financial Trends - Changes in Net Position (Continued)

**Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)**

Fiscal Year					
2015	2014	2013	2012	2011	2010
\$ (822,101,534)	\$ (763,474,164)	\$ (844,455,572)	\$ (931,054,706)	\$ (948,737,571)	\$ (1,029,947,520)
90,383,564	(129,330,798)	(192,268,891)	(137,696,190)	(221,982,357)	(189,592,088)
(731,717,970)	(892,804,962)	(1,036,724,463)	(1,068,750,896)	(1,170,719,928)	(1,219,539,608)
190,096,078	194,680,186	199,191,923	216,931,618	235,857,331	218,008,102
263,376,804	253,769,874	248,017,356	233,035,540	228,303,884	216,522,405
37,939,463	42,386,549	35,299,844	39,828,340	44,640,365	44,190,132
170,176,735	167,569,541	174,357,416	181,574,627	177,046,311	183,466,226
-	-	-	-	-	2,969,380
7,370,339	8,603,632	14,384,429	16,528,509	17,373,679	15,404,967
194,757,659	189,756,901	182,454,314	173,292,222	239,342,109	239,047,211
606,690	607,547	604,206	-	-	-
1,619,147	1,269,784	924,928	4,264,747	7,554,054	9,332,781
(59,433,962)	(4,170,808)	(88,533,105)	8,366,960	8,606,985	8,832,971
14,285,952	7,549,098	11,854,410	2,578,822	3,595,798	6,618,964
600,150,246	(359,223)	(8,829,927)	-	(528,568)	(27,775)
1,048,258,217	766,046,174	-	-	(9,865,937)	49,980,314
(72,649,546)	(79,432,723)	(52,662,094)	(87,675,853)	(73,390,635)	(74,579,168)
2,396,553,822	1,548,276,532	717,063,700	788,725,532	878,535,376	919,766,510
3,116,422	5,609,449	(46,468,811)	(152,915,970)	9,837,046	(42,428,588)
-	(22,173,885)	-	-	-	-
(5,536,257)	-	-	-	-	-
6,053,524	(13,956,786)	7,265,917	2,299,933	6,310,694	788,385
(53,510)	(1,259,818)	(2,752)	-	(91,476,801)	-
-	-	-	-	-	-
211,821,856	228,728,211	-	-	-	-
13,048,879	-	-	-	-	-
72,649,546	79,432,723	52,662,094	87,675,853	73,390,635	74,579,168
301,100,460	276,379,894	13,456,448	(62,940,184)	(1,938,426)	32,938,965
2,697,654,282	1,824,656,426	730,520,148	725,785,348	876,596,950	952,705,475
-	(2,926,675,485)	-	-	-	-
-	(1,302,511,284)	-	-	-	-
1,574,452,288	(2,141,873,117)	(127,391,872)	(142,329,174)	(70,202,195)	(110,181,010)
391,484,024	(1,155,462,188)	(178,812,443)	(200,636,374)	(223,920,783)	(156,653,123)
\$ 1,965,936,312	\$ (3,297,335,305)	\$ (306,204,315)	\$ (342,965,548)	\$ (294,122,978)	\$ (266,834,133)

Schedule 3
City of Detroit, Michigan

	Fiscal Year			
	2019	2018	2017	2016
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved (deficit)	-	-	-	-
Nonspendable	71,707,370	23,017,234	11,072,987	5,151,103
Restricted	181,486,302	169,041,773	82,175,178	89,309,032
Committed	20,000,000	20,000,000	20,000,000	20,000,000
Assigned	295,669,224	267,666,549	310,577,489	243,072,945
Unassigned (deficit)	123,209,017	131,458,405	168,966,874	143,047,758
Total General Fund	\$ 692,071,913	\$ 611,183,961	\$ 592,792,528	\$ 500,580,838
Retirement System Service Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved (deficit)	-	-	-	-
Nonspendable	-	-	-	-
Total retirement system service funds	\$ -	\$ -	\$ -	\$ -
All Other Governmental Funds				
Special revenue funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	4,376	-	51,696	-
Restricted	218,320,538	193,634,759	151,115,095	157,236,938
Committed	1,385,169	419,679	-	-
Assigned	-	-	-	-
Unassigned	(4,152,973)	(10,423,639)	(1,674,211)	(2,925)
Capital projects funds:				
Reserved	-	-	-	-
Restricted	114,532,360	8,426,872	13,714,763	-
Assigned	17,822,835	30,926,004	37,810,881	51,801,570
Debt service fund:				
Reserved	-	-	-	-
Restricted	49,204,782	44,538,947	31,905,618	22,435,949
Assigned	-	-	-	-
Permanent funds:				
Reserved	-	-	-	-
Nonspendable	1,005,096	1,005,096	1,005,096	1,005,096
Restricted	692,513	640,541	687,258	726,034
Total all other governmental funds	\$ 398,814,696	\$ 269,168,259	\$ 234,616,196	\$ 233,202,662

Source: City of Detroit, Michigan Comprehensive Annual Financial Reports for fiscal years ended June 30, 2010 through 2019

Note: The fund balance classifications changed in fiscal year 2011 when the City implemented GASB Statement No. 54.

This statement requires fund balances to now be classified as nonspendable, restricted, assigned, committed, and unassigned.

Financial Trends - Fund Balances of Governmental Funds

**Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)**

Fiscal Year						
2015	2014	2013	2012	2011	2010	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	64,597,471
-	-	-	-	-	-	(155,692,159)
-	-	4,050,006	20,940,729	20,692,552	-	-
125,961,474	42,979,826	979,826	979,826	979,826	-	-
58,788,660	156,334,125	54,550,314	35,234,345	26,833,858	-	-
182,014,852	-	-	-	-	-	-
70,922,574	(145,907,582)	(132,560,895)	(326,641,557)	(196,577,910)	-	-
\$ 437,687,560	\$ 53,406,369	\$ (72,980,749)	\$ (269,486,657)	\$ (148,071,674)	\$ (91,094,688)	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	24,496,356
-	-	-	-	-	-	-
-	24,016,604	24,016,604	24,016,604	24,295,379	-	-
\$ -	\$ 24,016,604	\$ 24,016,604	\$ 24,016,604	\$ 24,295,379	\$ -	\$ 24,496,356
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	41,022,881
-	-	-	-	-	-	12,313,800
-	-	-	1,457,015	1,597,869	-	-
119,600,634	90,917,252	69,437,600	65,845,376	70,907,819	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(11,517)	-	-	-	-	-	-
-	-	-	-	-	-	90,526,155
54,680,729	62,946,287	79,371,566	129,888,278	148,878,121	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	6,135,145
18,511,653	-	-	-	-	-	-
-	12,604,764	7,899,702	6,314,687	4,561,750	-	-
-	-	-	-	-	-	1,588,224
937,861	937,861	937,861	937,861	937,861	-	-
726,034	765,245	819,870	778,733	748,159	-	-
\$ 194,445,394	\$ 168,171,409	\$ 158,466,599	\$ 205,221,950	\$ 227,631,579	\$ 151,586,205	

Schedule 4

City of Detroit, Michigan

	Fiscal Year			
	2019	2018	2017	2016
Revenue				
Taxes:				
Property taxes	\$ 162,445,191	\$ 178,774,155	\$ 192,166,387	\$ 205,452,491
Municipal income tax	361,039,390	310,205,258	284,467,414	263,178,629
Utility users' tax	28,358,585	28,700,113	27,068,555	24,036,395
Wagering taxes	183,815,690	178,982,277	177,217,497	180,228,993
Gas and weight tax	85,289,870	79,606,333	66,767,719	58,109,927
Other taxes and assessments	5,035,762	3,395,606	10,362,346	5,378,658
State hotel and liquor tax	-	-	-	-
Interest and penalties on taxes	3,221,320	3,243,729	3,609,115	4,435,170
Licenses, permits, and inspection charges	36,748,061	35,409,519	37,785,353	35,800,680
Intergovernmental:				
Federal	83,588,715	73,275,495	97,602,815	93,178,923
State:				
State-shared revenue	202,633,844	199,899,929	197,831,755	194,705,498
State returnable liquor license fees	-	-	-	-
Local Community Stabilization Authority	4,578,119	-	-	-
Other state-sourced revenue	31,306,295	18,418,655	14,160,818	23,160,702
Other	-	-	-	-
Sales and charges for services	166,904,971	144,594,148	133,262,994	120,618,786
Ordinance fines and forfeitures	23,674,048	24,559,479	25,769,755	24,643,164
Revenue from use of assets	4,183,553	1,227,713	1,176,838	1,218,314
Investment earnings	22,709,463	15,856,300	15,849,922	16,997,733
DIA and foundation revenue	18,675,000	6,669,952	5,730,109	54,079,327
Other revenue	54,357,022	43,046,224	43,645,402	47,776,178
Financing revenue	25,803,304	-	-	-
Total revenue	1,504,368,203	1,345,864,885	1,334,474,794	1,352,999,568
Expenditures				
Current:				
Public protection	485,721,245	469,394,446	449,577,041	423,317,267
Health	35,857,332	32,933,457	29,766,821	22,952,288
Recreation and culture	31,229,630	20,531,801	18,283,430	16,563,892
Economic development	94,846,856	44,894,347	39,439,847	61,023,837
Educational development	-	-	-	-
Housing supply and conditions	31,723,679	12,317,557	7,714,818	6,179,112
Physical environment	67,021,289	56,341,744	61,091,341	54,086,364
Transportation facilitation	49,696,961	48,674,970	47,701,015	15,904,193
Development and management	341,687,652	317,188,516	319,440,808	281,713,707
Debt service:				
Principal	56,566,000	95,647,378	77,078,797	60,777,124
Interest	63,455,873	65,702,804	97,109,299	77,550,195
Bond issuance costs	4,339,833	873,545	4,163,414	29,438
Capital outlay	167,324,310	142,496,955	71,074,891	126,205,166
Total expenditures	1,429,470,660	1,306,997,520	1,222,441,522	1,146,302,583
Excess of revenue over (under) expenditures	74,897,543	38,867,365	112,033,272	206,696,985

Financial Trends - Changes in Fund Balances of Governmental Funds

**Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)**

		Fiscal Year					
		2015	2014	2013	2012	2011	2010
\$	190,096,078	\$ 194,627,905	\$ 199,191,923	\$ 216,931,618	\$ 252,020,089	\$ 201,845,344	
	263,376,804	253,769,874	248,017,356	233,035,540	228,303,884	216,522,405	
	37,939,463	42,386,549	35,299,844	39,828,340	44,640,365	44,190,132	
	172,523,054	167,924,023	174,599,992	181,443,475	176,899,280	183,338,299	
	55,138,474	53,904,485	52,081,247	53,142,793	58,623,860	57,775,086	
	7,370,339	8,603,632	14,384,429	16,528,509	17,373,670	15,404,967	
	-	-	-	-	-	2,969,380	
	1,619,147	1,269,784	924,928	4,264,747	7,554,054	9,332,781	
	30,986,234	28,706,629	32,615,445	27,100,204	27,095,599	27,669,454	
	109,580,838	96,907,383	152,579,860	253,933,239	301,484,858	265,421,498	
	194,757,659	189,756,901	182,454,314	172,704,390	239,320,847	263,060,088	
	606,690	607,547	604,206	-	-	-	
	-	-	-	-	-	-	
	17,974,311	49,226,334	25,994,536	37,269,243	46,887,654	47,852,739	
	3,331,825	6,001,385	6,029,547	6,663,482	8,347,440	6,788,282	
	131,066,385	207,987,028	176,029,645	197,066,068	201,253,031	196,333,386	
	24,726,314	17,851,138	21,154,594	16,972,056	21,152,772	18,872,226	
	14,277,845	7,568,498	12,017,348	2,069,012	3,595,798	6,618,964	
	(2,885,536)	300,397	(399,654)	445,251	685,276	911,263	
	-	-	-	-	-	-	
	125,119,874	95,010,394	35,958,150	64,241,114	77,135,224	64,761,863	
	-	-	-	-	-	-	
	<u>1,377,605,798</u>	<u>1,422,409,886</u>	<u>1,369,537,710</u>	<u>1,523,639,081</u>	<u>1,712,373,701</u>	<u>1,629,668,157</u>	
	408,201,003	449,622,284	476,940,028	675,359,091	735,650,626	641,884,276	
	32,633,149	48,782,203	37,448,812	142,365,025	169,338,220	170,489,091	
	12,698,638	16,032,592	13,345,639	16,976,912	18,210,536	18,155,021	
	64,020,545	51,178,770	76,109,395	67,115,000	79,792,267	57,522,689	
	1,477	-	37,126,254	52,430,587	58,526,359	90,527,365	
	5,570,783	6,966,303	4,188,991	4,215,134	5,871,310	8,240,422	
	54,921,813	97,441,142	106,802,886	113,603,551	113,296,648	104,042,673	
	28,936,547	36,505,709	1,749,362	14,990,983	26,836,954	71,517,424	
	548,646,601	297,686,391	191,052,907	176,507,779	180,366,148	237,069,025	
	196,612,535	109,976,923	103,880,615	97,498,429	87,904,525	89,653,619	
	58,567,171	126,945,753	133,319,492	126,728,009	131,087,371	124,280,049	
	4,194,731	3,379,410	1,612,046	485,599	1,416,768	2,487,193	
	<u>90,719,155</u>	<u>81,329,304</u>	<u>127,079,320</u>	<u>97,650,840</u>	<u>102,395,459</u>	<u>49,231,014</u>	
	<u>1,505,724,148</u>	<u>1,325,846,784</u>	<u>1,310,655,747</u>	<u>1,585,926,939</u>	<u>1,710,693,191</u>	<u>1,665,099,861</u>	
	(128,118,350)	96,563,102	58,881,963	(62,287,858)	1,680,510	(35,431,704)	

Schedule 4
City of Detroit, Michigan

	Fiscal Year			
	2019	2018	2017	2016
Other Financing Sources (Uses)				
Sources:				
Transfers in	\$ 20,956,385	\$ 26,268,117	\$ 8,015	\$ -
Proceeds of Section 108 federal note	-	-	-	-
Proceeds from sale of capital assets	4,465,445	21,179,915	2,345,315	-
Other financing source - Bankruptcy	-	-	-	-
Face amount of bonds and notes issued	361,985,000	34,000,000	606,180,000	245,000,000
Premium from debt issuances	3,210,543	-	30,562,666	-
Total other financing sources	390,617,373	81,448,032	639,095,996	245,000,000
Uses:				
Transfers out	(96,384,430)	(67,371,901)	(78,144,758)	(82,074,100)
Other financing use - Bankruptcy	-	-	-	-
Extraordinary gain - Bankruptcy	-	-	-	-
Principal paid to bond agent for refunded bonds	(158,596,097)	-	(607,650,000)	(275,000,000)
Total other financing uses	(254,980,527)	(67,371,901)	(685,794,758)	(357,074,100)
Total other financing sources (uses)	135,636,846	14,076,131	(46,698,762)	(112,074,100)
Special item	-	-	-	-
Net change in fund balances	210,534,389	52,943,496	65,334,510	94,622,885
Fund Balance (Deficit) - Beginning of year, as restated	880,352,220	827,408,724	762,074,214	639,160,615
Increase (Decrease) in Inventories	-	-	-	-
Fund Balance (Deficit) - End of year	\$ 1,090,886,609	\$ 880,352,220	\$ 827,408,724	\$ 733,783,500
Debt service as a percentage of noncapital expenditures	9.85%	13.93%	15.49%	13.56%

Source: City of Detroit, Michigan Comprehensive Annual Financial Reports for fiscal years ended June 30, 2010 through 2019

Financial Trends - Changes in Fund Balances of Governmental Funds (Continued)

**Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)**

Fiscal Year						
2015	2014	2013	2012	2011	2010	
\$ 65,562,957	\$ 109,770,188	\$ 174,825,814	\$ 179,921,845	\$ 173,340,882	\$ 171,409,769	
-	-	-	-	-	-	
218,100,000	-	-	-	-	-	
1,158,387,978	120,000,000	134,438,642	5,753,000	100,000,000	258,210,000	
-	-	9,092,046	-	-	1,873,225	
1,442,050,935	229,770,188	318,356,502	185,674,845	273,340,882	431,492,994	
(138,212,503)	(189,202,911)	(227,487,908)	(267,597,697)	(246,731,517)	(245,988,937)	
(959,481,790)	-	-	-	-	-	
170,300,280	-	-	-	-	-	
-	-	-	-	-	(35,810,944)	
(927,394,013)	(189,202,911)	(227,487,908)	(267,597,697)	(246,731,517)	(281,799,881)	
514,656,922	40,567,277	90,868,594	(81,922,852)	26,609,365	149,693,113	
-	-	-	-	(9,865,937)	-	
386,538,572	137,130,379	149,750,557	(144,210,710)	18,423,938	114,261,409	
245,594,382	108,464,003	(40,248,103)	103,855,284	84,987,873	(26,880,048)	
-	-	107,323	107,323	443,473	(2,393,488)	
\$ 632,132,954	\$ 245,594,382	\$ 109,609,777	\$ (40,248,103)	\$ 103,855,284	\$ 84,987,873	
18.33%	19.31%	20.18%	15.10%	13.70%	13.39%	

Schedule 5
City of Detroit, Michigan

Revenue Capacity - Assessed Value and Estimated Value of Taxable Property

Last Ten Fiscal Years
(Dollars in Thousands)
(Unaudited)

Assessed Value							Total Direct Tax Rate (Per Thousand of Taxable Value)
Fiscal Years Ended June 30	Residential Property	Commercial Property	Industrial Property	Personal Property	Total		
2019	\$ 2,892,304	\$ 4,685,573	\$ 587,205	\$ 1,549,192	\$ 9,714,274	26.95 %	
2018	2,574,909	2,791,734	480,702	1,484,119	7,331,464	28.20	
2017	2,450,477	2,661,906	276,389	1,482,438	6,871,210	29.42	
2016	2,566,136	2,386,676	480,503	1,518,530	6,951,845	29.42	
2015	3,335,506	2,204,882	531,183	1,740,560	7,812,131	29.78	
2014	4,292,795	2,270,629	555,507	1,862,607	8,981,538	28.95	
2013	4,850,303	2,417,371	576,900	1,592,878	9,437,452	29.57	
2012	5,475,901	2,617,911	660,159	1,369,132	10,123,103	29.51	
2011	5,885,070	2,670,279	707,866	1,563,433	10,826,648	28.87	
2010	6,331,071	2,561,853	711,088	1,516,382	11,120,394	28.87	

Taxable Value							Total Direct Tax Rate (Per Thousand of Taxable Value)
Fiscal Years Ended June 30	Residential Property	Commercial Property	Industrial Property	Personal Property	Total		
2019	\$ 2,193,513	\$ 2,207,997	\$ 359,087	\$ 1,549,350	\$ 6,309,947	64.23 %	
2018	2,165,420	2,165,420	337,247	1,484,322	6,152,409	83.20	
2017	2,070,780	2,250,302	234,250	1,482,720	6,038,052	81.64	
2016	2,499,942	2,016,004	429,494	1,518,792	6,464,232	92.27	
2015	3,138,725	1,958,496	475,546	1,740,651	7,313,418	93.62	
2014	3,948,186	1,995,109	495,211	1,862,684	8,301,190	92.43	
2013	4,265,567	2,082,686	506,261	1,592,856	8,447,370	94.05	
2012	4,591,719	2,181,621	612,936	1,369,138	8,755,414	92.77	
2011	4,955,961	2,232,730	659,172	1,563,439	9,411,302	92.97	
2010	4,896,647	2,055,557	643,296	1,516,382	9,111,882	84.16	

Source: Roll Certificate and Warrant for the City of Detroit, Michigan

Schedule 6
City of Detroit, Michigan

Revenue Capacity - Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years
(Rate Per \$1,000 of Assessed Value)
(Unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates				
	Basic General City Rate (Note 1)	Debt Service (Note 1)	Total Direct	Detroit Public Schools		Library (Note 1)	County (Note 1)	State Education Tax (Note 1)
				Homestead (Note 1)	Nonhomestead (Note 1)			
2019	19.9520	7.0000	26.9520	13.0000	31.0000	4.6307	17.0400	6.0000
2018	19.9520	8.2437	28.1957	13.0000	31.0000	4.6307	17.0411	6.0000
2017	19.9520	9.4661	29.4181	13.0000	31.0000	4.6307	15.0417	6.0000
2016	19.9520	9.5147	29.4667	13.0155	31.0550	4.6307	16.0178	6.0000
2015	19.9520	9.8237	29.7757	13.3415	31.3415	4.6307	15.0417	6.0000
2014	19.9520	8.9952	28.9472	13.1423	31.1422	4.6307	15.0417	6.0000
2013	19.9520	9.6136	29.5656	13.0969	30.9277	4.6307	13.7768	6.0000
2012	19.9520	9.5558	29.5078	13.2996	31.1304	4.6307	14.0778	6.0000
2011	19.9520	8.9157	28.8677	13.1015	30.9323	4.6307	14.0778	6.0000
2010	19.9520	8.9157	28.8677	13.0000	30.8308	4.6307	14.0778	6.0000

Note 1 Source: OCFO - Office of the Treasury

Schedule 7
City of Detroit, Michigan

Revenue Capacity - Principal Property Tax Payers

Current Year and Nine Years Ago
(Taxable Assessed Value - Expressed in Thousands)
(Unaudited)

Taxpayer	2019 (Note 1)			2010 (Note 2)		
	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value
DTE Energy Company	\$ 599,637	1	9.50 %	\$ 415,100	2	3.49 %
Vanguard Health Systems - Hospitals	305,290	2	4.84	NA	NA	NA
MGM Grand Detroit LLC	211,502	3	3.35	246,712	3	2.61
Marathon Petroleum Company	175,882	4	2.79	134,376	5	1.37
Riverfront Holdings Inc	115,671	5	1.83	147,485	4	1.57
International Transmission Co	84,071	6	1.33	NA	NA	NA
Detroit Entertainment LLC	64,907	7	1.03	99,629	9	0.85
General Motors LLC	60,363	8	0.96	146,966	6	1.50
Greektown Casino LLC	59,774	9	0.95	90,531	8	0.94
1000 Webward, LLC	52,994	10	0.84	NA	NA	NA

Note 1 Source: OCFO - Office of the Assessor

Note 2 Source: City of Detroit, Michigan June 30, 2010 Comprehensive Annual Financial Report

Schedule 8
City of Detroit, Michigan

Revenue Capacity - Property Tax Levies and Collections

Last Ten Fiscal Years
(Amounts Expressed in Thousands)
(Unaudited)

Fiscal Years Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to Date		
		Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2019	\$ 161,914	\$ 135,647	83.78 %	* \$	135,647	83.78 %
2018	165,753	135,978	82.04	*	135,978	82.04
2017	182,715	146,344	80.09	*	146,344	80.09
2016	197,334	153,818	77.95	*	153,818	77.95
2015	206,384	151,700	73.50	*	153,897	74.57
2014	222,550	153,897	69.15	*	163,443	73.44
2013	239,186	163,443	68.33	*	210,359	87.95
2012	251,399	210,359	83.68	*	205,741	81.84
2011	257,448	205,741	79.92	*	224,235	87.10
2010	261,380	224,235	85.79	*	234,049	89.54

*Information not available at date of publication of CAFR.

Source: OCFO - Office of the Treasury

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

Schedule 9
City of Detroit, Michigan

Fiscal Year	Governmental Activities (Note 1)						Business-type Activities (Note 1)		
	Governmental Activities (Note 1)						Sewage Disposal Fund		
	General Obligation Bonds	Detroit Building Authority Bonds	Revenue Bonds	Notes Payable	Loans Payable	Pension Obligation Certificates	General Obligation Bonds	Revenue Bonds	Pension Obligation Certificates
2019	\$ 1,495,540	\$ -	\$ 85,000	\$ 44,506	\$ -	\$ -	\$ 40,096	\$ 81,595	\$ -
2018	1,379,885	-	34,000	49,567	-	-	44,233	-	-
2017	1,474,361	-	-	50,739	-	-	49,549	-	-
2016	1,531,061	-	-	72,588	-	-	49,982	-	-
2015	1,609,844	-	-	80,802	-	-	50,394	3,483,025	-
2014	1,060,963	-	-	85,184	36,693	1,137,404	-	3,345,812	85,843
2013	1,024,819	-	-	88,310	37,820	1,194,228	-	3,190,578	90,151
2012	971,213	-	-	89,391	34,207	1,194,270	-	3,250,005	90,154
2011	1,049,088	-	-	88,926	36,595	1,208,030	-	2,894,198	91,193
2010	1,028,036	2,655	-	89,506	37,944	1,216,977	-	2,940,530	91,868

Note 1 Source: City of Detroit, Michigan - Comprehensive Annual Financial Report for fiscal years ended June 30, 2010 through 2019

Debt Capacity - Ratios of Outstanding Debt by Type

Last Ten Fiscal Years
(Dollars in Thousands, Except Per Capita)
(Unaudited)

Business-type Activities (Note 1)

Transportation Fund		Water Fund			Automobile Parking Fund		Airport Fund	Public Lighting Authority	Total Primary Government	Per Capita
General Obligations Bonds	Pension Obligation Certificates	General Obligation Bonds	Revenue Bonds	Pension Obligation Certificates	General Obligation Bonds	Revenue Bonds	General Obligations Bonds	General Obligations Bonds		
\$ 29,934	\$ -	\$ 24,372	\$ 64,543	\$ -	\$ 481	\$ -	\$ 380	\$ 178,581	\$ 2,045,028	\$ 3,040
43,552	-	26,540	59,004	-	700	-	552	189,070	1,827,103	2,714
48,824	-	29,729	52,008	-	700	-	552	189,070	1,895,532	2,816
49,253	-	29,989	-	-	700	-	552	189,445	1,923,570	2,848
49,661	-	30,236	2,375,375	-	700	-	552	195,819	7,876,408	11,613
5,458	100,159	-	2,553,333	75,748	-	-	-	60,000	8,546,597	12,542
5,458	105,185	-	2,488,622	79,555	-	9,125	-	-	8,313,851	12,034
6,272	105,189	-	2,518,913	79,558	-	10,261	-	-	8,349,433	11,938
6,272	106,401	-	2,159,832	80,474	-	11,341	-	-	7,732,350	10,973
6,272	107,188	-	2,190,140	81,070	-	40,931	-	-	7,833,117	10,974

Schedule 10
City of Detroit, Michigan

Debt Capacity - Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years
(Dollars in Thousands, Except Per Capita)
(Unaudited)

Fiscal Year	General Bonded Debt (Note 1)					General Bonded Debt (Note 1)		
	General Bonds	Detroit Building Authority Bonds	Pension Obligation Certificates	Restricted for Debt Service	Total (Net of Restricted for Debt Service)	Taxable Value (Note 1)	Actual Taxable Value of Property	Per Capita
2019	\$ 1,495,540	\$ -	\$ -	\$ (49,205)	\$ 1,446,335	\$ 6,417,194	22.54 %	\$ 2,150.17
2018	1,379,885	-	-	(44,539)	1,335,346	6,353,575	21.02	1,983.86
2017	1,474,361	-	-	(31,906)	1,442,455	6,692,056	21.55	2,142.99
2016	1,531,061	-	-	(22,436)	1,508,625	7,357,490	20.50	2,233.41
2015	1,609,844	-	-	(18,512)	1,591,332	7,772,856	26.15	2,229.45
2014	1,047,770	-	1,137,404	(14,781)	2,170,393	8,301,190	25.54	3,040.71
2013	1,009,395	-	1,180,285	(31,916)	2,157,764	8,447,370	24.14	3,023.02
2012	963,400	-	1,180,285	(30,331)	2,113,354	8,755,414	24.20	2,960.80
2011	1,039,505	-	1,194,003	(28,857)	2,204,651	9,111,881	22.51	3,088.71
2010	1,013,920	2,655	1,202,909	(30,632)	2,188,852	9,725,919	19.67	2,300.98

Note 1 Source: City of Detroit, Michigan - Comprehensive Annual Financial Report for fiscal years ended June 30, 2010 through 2019

Schedule 11
City of Detroit, Michigan

Debt Capacity - Direct and Overlapping Governmental Activities Debt

				June 30, 2019
				(Unaudited)
Governmental Unit	Debt Outstanding	Estimated Percent Applicable to City of Detroit, Michigan	Estimated Share of Overlapping Debt	
Debt repaid with property taxes:				
Detroit Public Schools	\$ 1,659,744,386	100.00 %	\$ 1,659,744,386	
Wayne County, Michigan	275,707,954	14.76	<u>40,694,494</u>	
Subtotal, overlapping debt			1,700,438,880	
City of Detroit, Michigan direct debt	1,566,656,789	100.00	<u>1,566,656,789</u>	
Total direct and overlapping debt			<u>\$ 3,267,095,669</u>	

Source: OCFO - Office of the Treasury

Schedule 12
City of Detroit, Michigan

Debt Capacity - Legal Debt Margin Information

Last Ten Fiscal Years
(Dollars in Thousands)
(Unaudited)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Debt limit	\$ 1,756,549	\$ 1,715,886	\$ 1,726,304	\$ 1,716,899	\$ 1,464,359	\$ 1,587,704	\$ 1,558,064	\$ 1,033,010	\$ 1,218,147	\$ 1,218,793
Total net debt applicable to limit	<u>727,860</u>	<u>627,865</u>	<u>663,695</u>	<u>592,169</u>	<u>832,580</u>	<u>1,034,669</u>	<u>1,039,011</u>	<u>957,128</u>	<u>1,033,233</u>	<u>919,650</u>
Legal debt margin	<u>\$ 1,028,689</u>	<u>\$ 1,088,021</u>	<u>\$ 1,062,609</u>	<u>\$ 1,124,730</u>	<u>\$ 631,779</u>	<u>\$ 553,035</u>	<u>\$ 519,053</u>	<u>\$ 75,882</u>	<u>\$ 184,914</u>	<u>\$ 299,143</u>
Total net debt applicable to the limit as a percentage of debt limit	41.44%	36.59%	38.45%	34.49%	56.86%	65.17%	66.69%	92.65%	84.82%	75.46%

Source: OCFO - Office of the Treasury

Schedule 13
City of Detroit, Michigan

Debt Capacity - Pledged Revenue Coverage

Last Ten Fiscal Years
(Dollars in Thousands)
(Unaudited)

Sewage Disposal Revenue Bonds					
Fiscal Year	Total Available Revenue	Less Operating Expenses	Net Available Revenue	Debt Service (b)	Debt Coverage (c)
2010	\$ 371,419	\$ 197,926	\$ 173,493	\$ 200,985	86.32
2011	413,968	230,811	183,157	209,064	87.61
2012	444,471	217,024	227,447	203,092	111.99
2013	440,663	209,785	230,878	225,223	102.51
2014	479,929	206,052	273,877	229,611	119.28
2015	505,672	168,160	337,512	232,409	134.39
2016		N/A - No revenue bonds during the fiscal year			
2017		N/A - No revenue bonds during the fiscal year			
2018		N/A - No revenue bonds during the fiscal year			
2019	320,323	263,788	56,535	2,984	1,894.60
Water Revenue Bonds					
Fiscal Year	Total Available Revenue	Less Operating Expenses	Net Available Revenue	Debt Service (b)	Debt Coverage (c)
2010	\$ 292,463	\$ 138,459	\$ 154,004	\$ 157,591	97.72
2011	320,066	146,880	173,186	164,436	105.32
2012	343,923	165,081	178,842	153,524	116.49
2013	361,091	151,204	209,887	172,459	121.70
2014	357,291	145,268	212,023	182,465	116.20
2015	364,278	127,758	236,520	178,901	132.21
2016		N/A - No revenue bonds during the fiscal year			
2017	125,266	79,297	45,969	1,727	2,661.78
2018	131,908	88,393	43,515	2,667	1,631.61
2019	118,908	65,181	53,727	2,760	1,946.63
Automobile Parking Revenue Bonds					
Fiscal Year	Total Available Revenue (a)	Less Operating Expenses	Net Available Revenue	Debt Service (b)	Debt Coverage
2010	\$ 15,038	\$ 12,804	\$ 2,234	\$ 4,594	48.63
2011	8,137	6,938	1,199	1,671	72.00
2012	10,617	7,911	2,706	1,665	162.56
2013	11,993	6,365	5,628	1,664	338.26
2014		N/A - No revenue bonds after June 30, 2013			
Governmental Activities					
Fiscal Year	Total Available Revenue	Less Operating Expenses	Net Available Revenue	Debt Service (b)	Debt Coverage
2010-2017		N/A - No revenue bonds prior to June 30, 2017			
2018	\$ 62,112	\$ -	\$ 62,112	\$ -	N/A
2019	66,584	-	66,584	1,072	6,211.19

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

(a) Includes investment earnings on system funds.

(b) Reflects accrued deposits to the Bond and Interest Redemption Funds for principal and interest payments due on January 1 and July 1. Excludes interest paid from capitalized interest funds. Includes principal and interest on State Revolving Fund Loans.

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

Schedule 14
City of Detroit, Michigan

Demographic and Economic Information - Demographic and Economic Statistics

**Last Ten Calendar Years
(Unaudited)**

Year	Population (Note 1)	Unemployment Rate (Note 2)	Per Capita Personal Income (Note 3)	Total Personal Income (in Millions)
2019	*	9.1 %	*	*
2018	672,662	9.3	\$ 18,427	\$ 12,395
2017	674,188	9.3	18,097	12,201
2016	676,883	10.7	17,563	11,888
2015	679,305	11.8	16,547	11,240
2014	682,669	16.1	15,754	10,755
2013	691,883	18.9	15,885	10,991
2012	700,159	19.2	15,279	10,698
2011	705,043	21.1	15,607	11,004
2010	713,777	24.8	16,276	11,617

*Information not available at date of publication of CAFR

Note 1 Source: U.S. Census Bureau: 2011-2018 estimates from Vintage 2018 Population Estimates, 2010 Census

Note 2 Source: Bureau of Labor Statistics, Local Area Unemployment Statistics (preliminary 2019 YTD average as of September 2019 and prior year annual averages)

Note 3 Source: U.S. Census Bureau, American Community Survey 1-year Estimates (in 2018 inflation-adjusted dollars)

Prior year statistical data has been restated to reflect sources above.

Schedule 15
City of Detroit, Michigan

Demographic and Economic Information - Principal Employers

**Current Year and Ten Years Ago
(Unaudited)**

Employer	2019 (Note 1)			2010 (Note 2)		
	Employees	Rank	Percentage of Total City Employment (Note 3)	Employees	Rank	Percentage of Total City Employment (Note 3)
Rock Ventures	17,819	1	7.9 %	*	*	* %
Henry Ford Health System	10,008	2	4.4	8,502	4	4.1
City of Detroit, Michigan	9,565	3	4.2	13,187	2	6.3
Detroit Medical Center	8,738	4	3.9	10,499	3	5.0
U.S. Government	6,279	5	2.8	6,335	5	3.0
General Motors Co.	5,932	6	2.6	4,652	8	2.2
Wayne State University	5,910	7	2.6	5,019	6	2.4
FCA US LLC	5,778	8	2.6	4,517	9	2.2
Detroit Public Schools Community District	5,700	9	2.5	13,750	1	6.6
Ilitch Companies	5,630	10	2.5	*	*	*
State of Michigan	-			4,910	7	2.4
U.S. Postal Service	-			4,106	10	2.0
Total City Employment (Note 4)	226,473			208,289		

*Information for 2010 is not available.

Note 1 Source: Crain's 2019 Book of Lists, Detroit's Largest Employers (includes Detroit, Hamtramck, and Highland Park)

Note 2 Source: Crain's 2010 Book of Lists, Detroit's Largest Employers (includes Detroit, Hamtramck, and Highland Park)

Note 3 Source: FCA US LLC formerly known as Chrysler Group LLC

Note 4 Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics (preliminary 2018 YTD average as of September 2019 and 2010 annual average)

Schedule 16
City of Detroit, Michigan

Function/Program	FTE Employees as of June 30				
	2019	2018	2017	2016	2015
General Governmental Agencies					
Executive agencies:					
Arts	-	-	-	-	-
Budget	-	-	10	17	7
Building and safety	276	227	188	160	181
Civic center	1	2	-	-	-
Consumer affairs	-	-	-	-	-
Cultural affairs	-	-	-	-	-
Public works	374	372	382	318	374
Workforce development	-	-	-	-	-
Environmental	-	-	-	-	-
Finance	438	441	424	390	183
Fire	1,178	1,153	1,121	1,123	1,251
General services	574	488	491	256	436
Health and wellness promotion	98	82	32	19	6
Historical	-	-	-	-	-
Human resources	102	98	97	88	74
Human rights	14	11	8	8	3
Human services	-	-	-	-	-
Information technology services	127	121	96	37	33
Inspector general	10	10	11	11	7
Law	112	110	108	105	91
Mayor's office	78	75	75	75	56
Planning and development	139	125	105	102	92
Police	3,094	2,965	2,811	2,647	2,686
Communication and creative services	-	-	-	-	-
Public lighting	3	4	4	5	6
Recreation	**	182	73	153	203
Senior citizens	-	-	-	-	-
Youth	-	-	-	-	-
Zoological institute	-	-	-	-	-
Administrative hearings	10	8	9	6	3
Homeland security	-	-	-	-	-
Housing	-	-	-	-	-
Legislative agencies:					
Auditor general	13	8	12	9	10
Board of zoning appeals	4	12	4	6	11
City Council*	112	82	55	45	-
Ombudsman	8	7	6	5	6
City clerk	16	15	15	12	13
Elections	82	58	46	89	60
Judiciary agency - 36th District Court	29	30	30	28	32
Other agencies:					
Nondepartmental	94	95	90	95	40
Library	305	300	285	268	307
Total general governmental agencies	7,291	7,081	6,588	6,077	6,171
Enterprise Agencies					
Airport	3	4	4	3	4
Department of transportation	919	1,024	884	809	965
Municipal parking	80	85	81	70	85
Water and sewage disposal	541	554	461	423	1,363
Total enterprise agencies	1,543	1,667	1,430	1,305	2,417
Grand total	8,834	8,748	8,018	7,382	8,588

Source: City of Detroit, Michigan, Human Resources Department

*City Council employees were all on personal service contracts during 2015 and, therefore, not considered FTEs.

** Recreation department was merged with General Services Department in fiscal year 2019

Operating Information - Full-time Equivalent City Government Employees by Function/Program

**Last Ten Fiscal Years
(Unaudited)**

FTE Employees as of June 30				
2014	2013	2012	2011	2010
-	-	-	-	-
10	15	15	16	20
178	183	204	235	258
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
407	503	542	639	649
-	-	46	73	113
-	-	-	3	10
176	224	235	266	285
1,154	1,093	1,257	1,330	1,355
436	384	343	447	481
7	31	185	243	262
-	-	-	-	-
83	82	107	176	171
1	7	6	8	-
-	-	52	85	95
30	30	43	46	65
7	7	-	-	-
82	88	94	105	113
47	22	39	52	63
93	110	122	154	160
2,769	2,561	3,016	3,195	3,288
-	-	-	-	-
32	98	103	123	160
185	203	300	510	508
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4	8	4	6	9
-	3	2	2	1
-	-	-	3	3
10	10	12	15	17
11	13	12	12	12
-	118	52	61	74
6	6	7	7	11
14	15	18	20	22
72	81	83	51	55
32	31	31	35	33
40	24	14	20	21
<u>301</u>	<u>344</u>	<u>334</u>	<u>371</u>	<u>450</u>
6,187	6,294	7,278	8,309	8,764
3	2	7	8	9
951	809	1,131	1,292	1,351
83	86	97	92	97
<u>1,560</u>	<u>1,721</u>	<u>2,012</u>	<u>2,123</u>	<u>2,081</u>
<u>2,597</u>	<u>2,618</u>	<u>3,247</u>	<u>3,515</u>	<u>3,538</u>
<u>8,784</u>	<u>8,912</u>	<u>10,525</u>	<u>11,824</u>	<u>12,302</u>

Schedule 17
City of Detroit, Michigan

	Fiscal Year			
	2019	2018	2017	2016
Public Protection				
Police				
Number of stations (including six mini-stations)	29	27	25	24
Number of employees (uniform)	2,401	2,469	2,441	2,301
911 calls received/answered	1,149,200/984,517	1,146,411/1,004,893	1,260,185/1,050,701	1,128,895/1,000,952
Number of narcotics raids	618	811	980	1,556
Number of community policing programs	127	123	534	522
Fire				
Number of fire stations	37	37	37	37
Number of employees	1,205	1,178	1,274	1,192
Number of fire fighting vehicles	131	133	133	122
Number of fire hydrants	30,254	29,927	30,104	30,968
Responses to fire alarms (including false alarms)	21,066			
	138,265	9,732	18,938	21,514
Responses to special calls and emergency medical service calls	138,265	20,272	17,721	133,062
Estimated fire loss of property	\$ 104,176,438	\$ 72,214,278	\$ 64,762,910	\$ *
Public Works				
Number of employees	441	719	376	354
Miles of streets (paved + unpaved)	2,548	2,554	2,554	2,554
Miles of alleys (paved + unpaved)	1,300	1,300	1,300	1,300
Miles of sidewalks	4,265	4,265	4,265	4,265
Public Lighting				
Number of street lights	*	*	*	4,000
Number of revenue customers	6	6	5	5
Size of generating station in kilowatts	184,000	184,000	184,000	184,000
Kilowatt hours generated - Net	-	-	-	-
Kilowatt hours delivered to system	-	-	-	-
Steam heating plants - Steam produced in pounds	-	-	-	-
Recreation and Culture				
Number of parks, ornamental areas, playfields, and playgrounds owned (5,108 acres)	301	315	308	308
Number of summer camps (199 acres)	9	9	-	-
Number of recreation centers, playgrounds, and school facilities operated	22	22	-	25
Number of skating rinks	2	2	2	2
Number of swimming pools	6	6	8	8
Number of municipal beaches	-	-	-	-
Total playing permits issued at five municipal golf courses	92,203	71,000	*	*

Source: City of Detroit, Michigan, various departments
 *Information not available at date of publication of CAFR

Operating Information - Miscellaneous Operating Indicators by Function/Program

**Last Ten Fiscal Years
(Unaudited)**

Fiscal Year						
2015	2014	2013	2012	2011	2010	
21	21	37	39	23	30	
2,260	2,346	2,389	2,637	2,771	2,928	
1,586,352/1,222,065	1,822,524/1,334,694	1,274,796/1,252,547	1,384,274/1,323,069	1,503,255/1,367,627	1,590,368/1,465,475	
855	1,249	2,440	3,462	3,147	N/A	
510	464	874	375	350	300	
38	37	37	46	46	45	
1,192	1,172	1,292	1,455	1,455	1,535	
80	78	78	78	76	93	
29,000	28,000	28,000	28,000	28,000	28,000	
22,289	22,702	21,449	34,613	26,813	19,224	
135,091	114,133	109,237	126,099	136,705	144,101	
\$ 250,000,000	\$ 256,817,197	\$ 245,851,910	\$ 149,261,205	\$ 285,142,382	\$ 467,135,907	
345	563	554	625	655	729	
2,557	2,557	2,571	2,571	2,572	2,571	
1,264	1,264	1,264	1,264	1,264	1,264	
4,243	4,243	4,243	4,243	4,243	4,243	
10,000	87,000	88,000	88,000	88,000	88,000	
-	256	256	256	116	116	
184,000	184,000	30,000	30,000	140,000	184,000	
-	-	164,000	191,320	29,352,500	121,769,000	
-	488,639,040	487,465,000	604,471,560	549,972,720	576,292,000	
-	-	95,670,000	87,505	57,840,415	54,729,562	
302	354	354	354	354	354	
-	-	-	-	-	-	
17	17	17	17	17	13	
2	2	2	2	2	2	
9	9	9	10	10	10	
-	-	1	1	1	1	
108,000	98,678	109,474	121,612	92,857	104,652	

Schedule 17
City of Detroit, Michigan

	Fiscal Year			
	2019	2018	2017	2016
Water System				
Number of customer accounts	220,000	220,000	220,000	220,000
Average pumpage - Millions of gallons per day	N/A	N/A	N/A	*
Greatest pumpage for a single day during fiscal year - Gallons	N/A	N/A	N/A	*
Greatest pumpage for a single hour during fiscal year - Gallons	N/A	N/A	N/A	*
Filtration plant rated capacity - Millions of gallons per day	N/A	N/A	1,780	1,780
Number of miles of water mains	2,700	2700	3,840	3840
Average cost (includes domestic, industrial, and commercial) per 1,000 cubic feet	N/A	N/A	\$ *	\$ *
Sewage System				
Number of sewage disposal plants	-	-	-	1
Number of pumping stations	4	4	4	11
Miles of (trunk line and lateral) sewers	3,013	3,013	2,913	2,913
Miles of lateral sewers	2,258	2,258	2,125	2,125
Transportation				
Number of employees	927	928	900	900
Number of revenue vehicles	320	320	320	320
Seating capacity	12,480	12,480	12,480	12,480
Number of route miles	1,014	1,014	1,014	1,014
Number of passengers (estimated)	22,394,860	23,495,019	24,397,156	27,149,357
Regular fare	2.00	1.50	\$ 1.50	\$ 1.50
Tickets	N/A	N/A	N/A	N/A
Transfers	\$ -	\$ -	\$ 0.25	\$ 0.25
Weekly GO pass	\$ 17.00	\$ 14.40	\$ 14.40	\$ 14.40
Health				
Number of employees	208	203	177	166
Birth rate per thousand	71	69	15	15
Death rate per thousand	10	10	10	11
Educational Development				
School enrollment	50,176	50,875	45,237	46,319
Operating expenditures	750,069,810	665,187,810	624,287,156	711,033,343
Cost per pupil	14,949	13,075	13,800	15,351
Operating revenue	*	*	*	*
Revenue per pupil	*	*	*	*
Total teaching staff	2,835	2,700	2,699	2,869

Source: City of Detroit, Michigan, various departments
*Information not available at date of publication of CAFR

**Operating Information - Miscellaneous Operating Indicators by
Function/Program (Continued)**

**Last Ten Fiscal Years
(Unaudited)**

		Fiscal Year					
		2015	2014	2013	2012	2011	2010
		220,000	257,000	258,000	262,000	267,500	268,500
		476	537	550	556	543	515
		731,800,000	742,000,000	957,200,000	983,100,000	968,000,000	793,800,000
		33,875,000	32,875,000	42,917,000	44,833,000	43,625,000	37,750,000
		1,780	1,780	1,780	1,780	1,780	1,780
		3,840	3,840	3,840	3,840	3,840	3,840
\$		20.60	\$ 19.43	\$ 18.76	\$ 17.02	\$ 15.48	\$ 13.73
		1	1	1	1	1	1
		11	11	11	11	11	12
		2,913	2,913	2,913	2,913	2,913	2,913
		2,125	2,125	2,125	2,125	2,125	2,125
		904	955	989	1,139	1,341	1,524
		320	403	444	465	445	445
		12,300	15,915	17,534	18,363	17,570	17,570
		944	1,014	1,014	1,056	1,091	933
		24,113,775	25,116,299	30,898,942	32,750,907	35,615,420	36,555,845
\$		1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50
		N/A	N/A	N/A	N/A	N/A	N/A
\$		0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
\$		14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40	\$ 14.40
		100	216	*	*	271	308
		15	15	*	*	22	15
		9	8	*	*	*	11
		47,161	48,511	51,318	66,745	75,152	84,877
		702,573,048	707,461,081	712,922,213	915,495,622	1,067,536,984	1,169,738,265
		14,897	14,584	13,892	13,716	14,205	13,782
		*	*	*	*	*	1,210,725,507
		*	*	*	*	*	14,264
		3,056	3,398	3,398	4,396	4,982	5,222

City Unveils Area's Largest Skateboard Park as Latest Phase of Multi-Year Revitalization of Riverside Park

City officials, foundation partners and community residents celebrated the completion of an \$800,000 skatepark as part of the ongoing renovations at Riverside Park in southwest Detroit. While the park renovations include basketball courts, soccer fields and a dog park, the crown jewel is the new 15,000-square-foot skatepark. The celebration took place on June 22, 2019.

Renovations at Riverside Park include:

Phase 1: Soccer fields, basketball court, playground, vault toilet, softball field and picnic shelter (Complete)

Phase 2: Skatepark, dog park and picnic shelter (Complete)

Phase 3: Sledding hill and amphitheater (Summer 2020 start of construction)

Phase 4: Walking track, large playground, splash pad and additional picnic shelters (Summer 2020 start of construction)

Phase 5: Large picnic shelter, boat launch and small beach playground (Under construction now and opening spring 2020)

Many of the improvements so far were paid for by revenues received from the Detroit International Bridge Company, which provided the City \$3 million as part of a 2016 land exchange agreement. The renovations for Phases 1 and 2 cost approximately \$4 million, including \$800,000 for the skatepark funded mostly by the City along with a grant from the Ralph C. Wilson Foundation and Tony Hawk Foundation. Park improvements in total are expected to cost \$13.2 million and slated for completion in 2021.



City officials, partners launch campaign to ensure eligible Detroiters claim their earned income tax credit

Officials from the City of Detroit, the Accounting Aid Society, Bloomberg Associates, United Way for Southeast Michigan and Wayne Metro reminded residents about the Earned Income Tax Credit at a news conference on February 5, 2019 at Focus: HOPE.

The EITC is available to working families and individuals who meet certain income requirements and is a way for individuals to increase their tax refund. To receive the credit, individuals must file a tax return, even if they don't owe any taxes or are otherwise not required to file.

For several years, the City has promoted the EITC to help Detroiters take advantage of the credit and put more in their pockets. Last year's campaign helped Detroiters receive more than \$297 million in tax refunds.



OUR SPECIAL THANKS TO:

City of Detroit, Michigan

www.detroitmi.gov

Office of the Chief Financial Officer Staff

for its commitment and dedicated service in the preparation of this report

City of Detroit Agencies

for their full cooperation in providing us
all the necessary information needed to compile this report

Plante & Moran, PLLC

Communications & Creative Services Division

Media Services Department

City of Detroit, Michigan

**Federal Awards
Supplemental Information
June 30, 2019**

Independent Auditor's Reports

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

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

We have audited the 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, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 14, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 14, 2019.

We did not audit the financial statements of the following discretely presented component units: Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Local Development Finance Authority, Museum of African American History, Detroit Land Bank Authority, Eight Mile/Woodward Corridor Improvement Authority, and Community Education Commission, which collectively represent 77 percent, 75 percent, and 67 percent of the assets, net position/fund balance, and revenue, respectively, of the aggregate discretely presented component units. We also did not audit the following blended component units: Public Lighting Authority, which is a major enterprise fund with assets, net position, and revenue of \$219.6 million, \$35.9 million, and \$23.3 million, respectively, as well as the Detroit Building Authority and Greater Detroit Resource Recovery Authority, which collectively represent 0.87 percent, 0.38 percent, and 6.58 percent of the assets, net position/fund balance, and revenue, respectively, of the aggregate remaining fund information. The above-mentioned financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the entities listed above, is based on the report of the other auditors.

The City's basic financial statements include the operations of the Detroit Transportation Corporation, Detroit Housing Commission, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Detroit Landbank Authority, Detroit Employment Solutions Corporation, Detroit Building Authority, Public Lighting Authority, Detroit Brownfield Redevelopment Authority, Local Development Finance Authority, Eight Mile/Woodward Corridor Improvement Authority, Community Education Commission, and Museum of African American History. The schedule of expenditures of federal awards excludes those operations because they receive a separate financial statement audit and were subjected to a single audit.

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

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

December 14, 2019

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, 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, the 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, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 2019.

Our report includes a reference to other auditors who audited the financial statements of the following discretely presented component units: Detroit Brownfield Redevelopment Authority, Detroit Public Library, Detroit Transportation Corporation, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Local Development Finance Authority, Museum of African American History, Detroit Land Bank Authority, Eight Mile/Woodward Corridor Improvement Authority, and Community Education Commission, which collectively represent 77 percent, 75 percent, and 67 percent of the assets, net position, and revenue, respectively, of the discretely presented component units. We also did not audit the following blended component units: Public Lighting Authority, which is a major enterprise fund with assets, net position, and revenue of \$219.6 million, \$35.9 million, and \$23.3 million, respectively, as well as the Detroit Building Authority and Greater Detroit Resource Recovery Authority, which collectively represent 0.87 percent, 0.38 percent, and 6.58 percent of the assets, net position/fund balance, and revenue, respectively, of the aggregate remaining fund information. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the General Retirement System and Police and Fire Retirement System, as well as those of the Detroit Public Library, Community Education Commission, and the Greater Detroit Resource Recovery Authority, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, 2019-006, and 2019-007 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2019-008 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and questioned costs as Finding 2019-006.

The City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 14, 2019

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required
by the Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Detroit, Michigan's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Detroit Transportation Corporation, Detroit Housing Commission, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Detroit Landbank Authority, Detroit Employment Solutions Corporation, Detroit Building Authority, Public Lighting Authority, Detroit Brownfield Redevelopment Authority, Local Development Finance Authority, Eight Mile/Woodward Corridor Improvement Authority, Community Education Commission, and Museum of African American History, which expended federal awards that are not included in the City's schedule of expenditures of federal awards during the year ended June 30, 2019. Our audit, described below, did not include the operations of the above-mentioned entities because these entities received a separate financial statement audit and a separate single audit when required by the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2019.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with their Uniform Guidance, which are described in the accompanying schedule of findings and questioned costs as Findings 2019-009 and 2019-010. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2019-009 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2019-010 to be a significant deficiency.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



December 14, 2019

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Department of Agriculture				
Child Nutrition Cluster - Via Michigan Department of Education:				
2018 Summer Food Service Program	10.559	N/A	\$ -	\$ 270,755
2019 Summer Food Service Program	10.559	N/A	<u>-</u>	<u>37,880</u>
Total Child Nutrition Cluster			-	308,635
Child and Adult Care Food Program - Via Michigan Department of Education	10.558	N/A	-	40,602
Supplemental Nutritional Assistance Program WIC - Via Michigan Department of Health and Human Services:				
Special Supplemental Nutrition Program for Women, Infants, and Children 2018	10.557	182MI003W1003	1,343,788	1,343,788
Special Supplemental Nutrition Program for Women, Infants, and Children Breastfeeding 2018	10.557	172MI013W5003	69,763	69,763
Special Supplemental Nutrition Program for Women, Infants, and Children 2019	10.557	192MI003W1003	3,282,652	3,535,790
Special Supplemental Nutrition Program for Women, Infants, and Children Breastfeeding 2019	10.557	192MI003W1003	<u>99,212</u>	<u>99,212</u>
Total Supplemental Nutritional Assistance Program WIC			<u>4,795,415</u>	<u>5,048,553</u>
Total Department of Agriculture			4,795,415	5,397,790
Department of Commerce - Coastal Zone FY18 Maheras-Gentry Park	11.419	NA17NOS4190177	-	23,755
Department of Housing and Urban Development				
Community Development Block Grant Entitlement Cluster - Direct Awards:				
Community Development Block Grant	14.218	B-14-MC-26-0006	1,076,402	2,212,901
Community Development Block Grant	14.218	B-15-MC-26-0006	520,177	744,811
Community Development Block Grant	14.218	B-16-MC-26-0006	1,837,030	2,469,673
Community Development Block Grant	14.218	B-17-MC-26-0006	4,389,784	9,341,121
Community Development Block Grant	14.218	B-18-MC-26-0006	1,357,315	17,394,388
Community Development Block Grant - Declared Disaster Recovery FY16	14.218	B-15-MC-26-2006	<u>-</u>	<u>4,040,478</u>
Total Community Development Block Grant Entitlement Cluster			9,180,708	36,203,372
ESG - Direct Awards:				
Emergency Solutions Grant (ESG)	14.231	E-15-MC-260006	-	3,926
Emergency Solutions Grant (ESG)	14.231	E-16-MC-260006	155,683	155,683
Emergency Solutions Grant (ESG)	14.231	E-17-MC-260006	1,668,050	2,030,164
Emergency Solutions Grant (ESG)	14.231	E-18-MC-260006	<u>976,923</u>	<u>976,923</u>
Total ESG			2,800,656	3,166,696

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Department of Housing and Urban Development (Continued)				
Home Investment Partnership - Direct Awards:				
Home Investment Partnership (Special Housing)	14.239	M-13-MC-26-0202	\$ -	\$ 178,941
Home Investment Partnership (Special Housing)	14.239	M-14-MC-26-0202	-	2,528,195
Home Investment Partnership (Special Housing)	14.239	M-15-MC-26-0202	-	1,176,928
Home Investment Partnership (Special Housing)	14.239	M-16-MC-26-0203	-	1,832,076
Home Investment Partnership (Special Housing)	14.239	M-17-MC-26-0203	-	17,427
Total Home Investment Partnership			-	5,733,567
HOPWA - Direct Awards:				
Housing Opportunities for Persons With AIDS 6/2016	14.241	MIH15-F001	19,054	19,054
Housing Opportunities for Persons With AIDS 6/2017	14.241	MIH16-F001	4,264	4,264
Housing Opportunities for Persons With AIDS 6/2018	14.241	MIH17-F001	2,828,879	2,828,879
Housing Opportunities for Persons With AIDS 6/2019	14.241	MIH18-F001	67,328	67,328
Total HOPWA			2,919,525	2,919,525
Lead Hazard Reduction Demonstration Grant Program - Direct Awards	14.905	MI-LHHD-026614	-	88,803
Total Department of Housing and Urban Development			14,900,889	48,111,963
Department of Interior - Historic Preservation Fund Grant Program - Belle Isle Aquarium - Via Michigan State Housing Development Authority (MSHDA)				
	15.904	CG17-437	-	35,100
Department of Justice				
Violence Prevention - Direct Awards: Ceasefire Detroit Community Based Violence Prevention				
	16.123	2012-PB-FX-K002	-	198,565
Crime Victim Assistance - Via Michigan Department of Health and Human Services:				
Crime Victim Assist - V.O.C.A. 2017 / 2018	16.575	2014-VA-GX-0046	-	300,612
Crime Victim Assist - V.O.C.A. 2018 / 2019	16.575	2016-VA-GX-0021	-	607,431
Total Crime Victim Assistance			-	908,043

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Department of Justice (Continued)				
STOP Violence Against Women Formula Grant - Via Michigan Department of Health and Human Services	16.017	2016-WF-AX0023	\$ -	\$ 75,258
Encourage Arrest Detroit Domestic Violence Reduction Project 2015-2016 - Direct Awards	16.590	2015-WE-AX-0043	26,226	306,926
Project Safe Neighborhoods	16.609	2016-UL-WX-0037	-	48,350
COPS Grants - Direct Awards:				
2015 COPS Hiring Program	16.710	2015-UL-WX-0024	-	149,232
2016 COPS Hiring Program	16.710	2016-UL-WX-0037	-	616,857
2017 COPS Hiring Program	16.710	2017-UL-WX-0023	-	570,050
Total COPS Grants			-	1,336,139
FY16 Smart Policing Initiative - Smart Policing Innovation	16.738	2016-WY-BX-0005	-	234,635
Justice Assistance Grants (JAG) - Via The County of Wayne, Michigan:				
2015-16 Justice Assistance Grant	16.738	2015-DJ-BX-0911	-	407,292
2016-17 Justice Assistance Grant	16.738	2016-DJ-BX0989	-	855,874
2019 Electronic Evidence Collection (JAG) - Via Michigan Department of State Police	16.738	2017-MU-BX-0191	-	33,853
Total Justice Assistance Grants (JAG)			-	1,531,654
2015-2017 Technology Information for Public Safety (TIPS)	16.751	2015-DG-BX-K007	-	215,733
2015 Community Health and Social Services Center-National Crime Victims Rights Week - Via Community Health and Social Service Center (CHASS)	16.888	2015-CY-AX-0006	-	5,723
Equitable Sharing Program - Direct Awards	16.922	N/A	-	4,400,000
Total Department of Justice			26,226	9,026,391

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Department of Transportation				
Highway Planning and Construction Cluster:				
DPW Highway Research Planning & Construction -Via Michigan Department of Transportation	20.205	1900(386)	\$ -	\$ 1,904,580
FY 2019 SEMCOG Unified Work Program Grant	20.205	SEMCOG CPG19-19006	-	314,304
Planning Assistance Program - Traffic Safety - Via Southeastern Michigan Council of Governments (SEMCOG)	20.205	P18AP00156	-	<u>27,731</u>
Total Highway Planning and Construction Cluster			-	2,246,615
Federal Transit Cluster:				
Federal Transit Capital Investment Grants - Direct Awards:				
Federal Transit Capital Investment Grant	20.500	MI-03-0241	-	774,413
Federal Transit Capital Investment Grant	20.500	MI-2017-005	-	299,250
Federal Transit Capital Investment Grant	20.500	MI-34-0006	-	1,906,778
Federal Transit Capital Investment Grant	20.500	MI-04-0093-00	-	<u>4,889,395</u>
Total Federal Transit Capital Investment Grants			-	7,869,836
Federal Transit Formula Grants - Direct Awards:				
Federal Transit Formula Grant	20.507	MI-90-X604-00	-	183,582
Federal Transit Formula Grant	20.507	MI-90-X605-00	-	1,694,868
Federal Transit Formula Grant	20.507	MI-2016-006	-	17,143,380
2016 Unified Work Program - SEMCOG	20.507	MI-2016-024	-	4,747,559
Federal Transit Formula Grant	20.507	MI-90-X642-00	-	<u>64,594</u>
Total Federal Transit Formula Grants			-	<u>23,833,983</u>
Total Federal Transit Cluster			-	31,703,819
SEMCOG Grants - Direct Awards: SEMCOG United Work Program (UWP) - Metropolitan Planning Grant	20.505	SEMCOG CPG16-17006	-	20,515
Transit Service Programs Cluster:				
Job Access and Reverse Commute Grants - Direct Awards:				
Job Access and Reverse Commute Grant	20.516	MI-37-X035-00	-	1,113
Job Access and Reverse Commute Grant	20.516	MI-37-X041-02	-	<u>311,613</u>
Total Job Access and Reverse Commute Grants			-	312,726

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Department of Transportation (Continued)				
Transit Service Programs Cluster (Continued):				
New Freedom Grants - Direct Awards:				
New Freedom Grant	20.521	MI-57-X015-00	\$ -	\$ 671,671
New Freedom Grant	20.521	MI-57-X013-00	-	271,953
Total New Freedom Grants			-	943,624
Total Transit Services Programs Cluster			-	1,256,350
Highway Safety Cluster - Via Michigan Department of State Police:				
Strategic Traffic Enforcement Prog 2017-2018	20.600	PT-18-17	-	71,613
Strategic Traffic Enforcement Prog 2018-2019	20.600	PT-19-04	-	77,828
Total Strategic Traffic Enforcement Grants			-	149,441
FY19 Detroit Pedestrian/Bike overtime Enf Grant	20.616	PS-19-06	-	22,783
Detroit Safe Routes Ambassador Program	20.616	PS-19-02	-	9,319
Bike enforcement Pilot Project	20.616	PS-18-02	-	5,308
2019 Youth and Alcohol Enforcement	20.616	AL 19-06	-	11,006
Highway Safety Underage Enforcement 2017-2018	20.616	AL 18-17	-	32,184
Total National Priority Safety Programs			-	80,600
Total Highway Safety Cluster			-	230,041
Total Department of Transportation			-	35,457,340
Environmental Protection Agency				
Drinking Water State Revolving Fund Cluster - Via Michigan Department of Environmental Quality:				
Capitalization Grants for Drinking Water - State Revolving Fund	66.468	7412-01	-	193,937
Capitalization Grants for Drinking Water - State Revolving Fund	66.468	7414-01	-	3,217,579
Total Drinking Water State Revolving Fund Cluster			-	3,411,516
Clean Diesel Funding Assistance	66.039	00E02336	-	53,698
US0079A Brownfields Program (Part A) - Assessment Grants - FY 2015 - Direct Awards	66.818	BF-00E01519	-	46,886
Total Environmental Protection Agency			-	3,512,100

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Department of Health and Human Services				
Public Health Emergency Preparedness - Via Michigan Department of Health and Human Services:				
Public Health Emergency Preparedness 9/2018	93.069	NU90TP921906	\$ 58,761	\$ 58,761
Public Health Emergency Preparedness 9/2019	93.069	NU90TP921906	158,690	158,690
Public Health Emergency Preparedness Cities Readiness Initiative 9/2018	93.069	NU90TP000528	65,079	65,079
Public Health Emergency Preparedness Cities Readiness Initiative 9/2019	93.069	NU90TP921906	<u>137,224</u>	<u>137,224</u>
Total Public Health Emergency Preparedness			419,754	419,754
MI Building Resilience M-Brace - Via Michigan Department of Health and Human Services:				
2018 Climate Health Adaption	93.070	NUE1EH001324	13,556	13,556
First Responders - Detroit Community Opioid Response Initiative (DCORI)	93.243	1H79SP080337-01	-	103,824
CDC Immunization - Via Michigan Department of Health and Human Services:				
Immunization Action Plan -Vaccination Shipped (in-Kind)	93.268	H23 CCH522556	-	790,083
Immunization Action Plan (IAP)	93.268	H23 IPOOO752	127,290.00	127,290
Immunization Action Plan (IAP)	93.268	H23 IPOOO752	198,863	198,863
West Nile Virus 2018	93.268	NU50CK000369	<u>6,763</u>	<u>6,763</u>
Total CDC Immunization			332,916	1,122,999
West Nile Virus 9/2019	93.323	NU50CK000369	4,721	4,721
Opioid Academic Detailing - MDHHS	93.354	NU90TP921987	-	39,328
State Children's Insurance Program (CHIP) -Via State of Michigan	93.767	E20192796	-	73,555
Medicaid Cluster - Via Michigan Department of Health and Human Services:				
CSHCS Outreach & Advocacy 9/2018	93.778	05U05M15ADM	96,550	96,550
CSHCS Outreach & Advocacy 9/2019	93.778	1905MI5ADM	200,371	200,371
Lead Intervention/EBL 9/2019	93.778	1905M15MAP	<u>110,067</u>	<u>110,067</u>
Total Medicaid Cluster			406,988	406,988
HIV Emergency Supplemental Relief - Direct Awards:				
HIV Emerg Supp Relief 2/2019	93.914	H89HA00021-26-03	7,245,970	7,245,970
HIV Emerg Supp Relief 2/2020	93.914	H89HA00021-27-00	<u>2,650,563</u>	<u>2,650,563</u>
Total HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A)			9,896,533	9,896,533

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Department of Health and Human Services (Continued)				
HIV - Ryan White - Via Michigan Department of Health and Human Services - HIV Ryan White Part B MAI 9/2018	93.917	X07HA00044	\$ 16,239	\$ 16,239
Maternal and Child Health Block Grant - Via Michigan Department of Health and Human Services:				
HIV Ryan White Part B MAI 9/2019	93.994	B0432550	21,689	21,689
Fetal Infant Mortality Review 9/2019	93.994	B04MC31495	2,552	2,552
Local Maternal & Child Health MCH 9/2018	93.994	B0432550	684,018	684,018
Local Maternal & Child Health 9/2019	93.994	B04MC31495	993,628	993,628
Sudden Unexplained Infant Death	93.994	B1MIMCHS	3,472	3,472
Lead Poison Prevention (MDCH) 9/2018	93.994	BO4MC30620	112,248	112,248
Lead Poison Prevention (MDCH) 9/2019	93.994	B04MC325508	133,505	133,505
Total Maternal and Child Health Block Grant			1,951,112	1,951,112
Total Health and Human Services			13,041,819	14,048,609
Department of Homeland Security				
2015 Port Security Grant Program (PSGP)	97.056	EMW-2015-PU-00135	-	50,820
2016 Port Security Grant Program (PSGP)	97.056	EMW-2016-PU-00457	-	44,044
2017 Port Security Grant Program (PSGP)	97.056	EMW-2017-PU-00597	-	81,693
Total Port Security Grant Program			-	176,557
EPMG:				
2017 Emergency Management Performance Grant (EMPG)	97.042	EMC-2017-EP-00001-S01	-	10,000
2018 Emergency Management Performance Grant (EMPG)	97.042	EMC-2018-EP-00001-S01	-	8,151
2019 Emergency Management Performance Grant (EMPG)	97.042	EMC-2019-EP-00001-S01	-	30,839
Total EPMG			-	48,990

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Department of Homeland Security (Continued)				
Assistance to Firefighter Grant - Direct Awards:				
2014 Assistance to Firefighter Grant - Fire Prevention and Safety	97.044	EMW-2014-FR-00285	\$ -	\$ 548,928
2016 Assistance to Firefighter Grant - Fire Prevention and Safety	97.044	EMW-2016-FO-06586	-	<u>1,006,292</u>
Total Assistance to Firefighter Grant			-	1,555,220
Homeland Security Grant Program (HSGP):				
2016 HSGP-SHSP	97.067	EMW-2016-SS-00010-S01	-	372,115
2016 Urban Area Security Initiative	97.067	EMW-2016-SS-00010-S01	-	34,592
2017 Urban Area Security Initiative	97.067	EMW-2017-SS-00013-S01	-	<u>212,946</u>
Total HSGP			-	<u>619,653</u>
Total Department of Homeland Security			-	<u>2,400,420</u>
Total Federal Awards			<u>\$ 32,764,349</u>	<u>\$ 118,013,468</u>

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Detroit, Michigan (the "City") under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

The City's basic financial statements include the operations of the Detroit Transportation Corporation, Detroit Housing Commission, Downtown Development Authority, Eastern Market Corporation, Economic Development Corporation, Detroit Landbank Authority, Detroit Employment Solutions Corporation, Detroit Building Authority, Public Lighting Authority, Detroit Brownfield Redevelopment Authority, Local Development Finance Authority, Eight Mile/Woodward Corridor Improvement Authority, Museum of African American History and Community Education Commission, which received federal awards that are not included in the Schedule during the year ended June 30, 2019. The Schedule did not include the operations of the above-mentioned entities because they received a separate financial statement audit and a separate single audit when required by the Uniform Guidance.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statements with the exception of the expenditures related to CFDA 66.468, Capitalization Grants for Drinking Water - State Revolving Fund (DWSRF) program, and CFDA 16.922, Equitable Sharing Program. The DWSRF expenditures are reported on cash basis in accordance with the subrecipient reporting guidelines outlined in the 2019 OMB Compliance Supplement for CFDA 66.468. The expenditures under CFDA 16.922, Equitable Sharing Program, are reported on the same basis as the reporting required, by the Department of Justice, for the Equitable Sharing Agreement and Certification.

Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The City has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Note 3 - Outstanding Loan Balance

The U.S. Department of Housing and Urban Development has insured certain mortgage loan borrowings (CFDA 14.248) made by the City of Detroit, Michigan through the Planning and Development Department in connection with certain development projects. These loans had an outstanding principal due of \$44.5 million at June 30, 2019. There were no new borrowings in fiscal year 2019. In addition, there are no continuing compliance requirements associated with these loans other than the scheduled repayments, which are excluded from the Schedule.

Note 4 - Highway and Construction Program

The City participates in various road, street, and bridge construction and repair projects. The projects are funded through an award granted to the State of Michigan Department of Transportation (the "State"), which administers the grant for the City. The City identified the projects needed in the locality, and the State performed the procurement, payment, and cash management functions on behalf of the City. The award is managed directly by the State and has not been included in the tests of compliance with laws and regulations associated with the City's single audit. The award is approximately \$9.1 million for the year ended June 30, 2019.

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes None reported

Noncompliance material to financial statements noted? X Yes None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes None reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? X Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
14.218	Community Development Block Grant (CDBG) - Entitlement Grants Cluster	Unmodified
14.241	Housing Opportunities for Persons with AIDS	Unmodified
16.922	Equitable Sharing Program	Unmodified
20.500 and 20.507	Federal Transit Cluster	Unmodified
93.914	HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A)	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? Yes X No

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings

Reference Number	Finding
2019-001	<p>Finding Type - Material weakness (repeat finding)</p> <p>Criteria - The City should have a process in place to ensure proper financial reporting, which includes proper recording of all journal entries, general ledger balances and footnote disclosures, in accordance with generally accepted accounting principles (GAAP) prior to the commencement of the audit.</p> <p>Condition - The general ledger and underlying financial records were not reconciled and closed in a timely manner. There were numerous adjustments identified during the audit process.</p> <p>Context -</p> <p>City</p> <p>Material adjusting journal entries were proposed by the auditors and posted by the City in order to ensure the financial statements were not misstated.</p> <p>Adjusting journal entries identified during the audit of the City resulted in an increase of approximately \$18.4 million to net position and a decrease of approximately \$63.3 million in net position, for a net change in net position of approximately \$44.9 million, impacting several opinion units, including entries related to the following: increasing the general claims reserve liability and related expense; adjusting the allowance for uncollectible receivables; adjusting the MTT accrual for amounts related to the 2019 assessments; adjusting various account balances related to the Gordie Howe Bridge transaction; adjusting estimated income tax payables; increasing the accounts payable balance for additional payables noted at year end; adjusting the net pension liability, expense, and related deferred inflows and outflows; adjusting interfund receivables and payables; and adjusting receivables and expense related to workers' compensation.</p> <p>In addition to the adjusting entries made as a result of the audit, certain auditor-identified entries related to the City were not recorded due to immateriality, including entries related to the following: recording revenue and a related receivable for the Grand Circus lease; reducing receivables and related deferred revenue for receivables from Cobo Hall that the City deems uncollectible; installment purchase obligations, expenditures, and revenue related to the acquisition of tasers; estimated liability and related expense to record asset retirement obligations; reducing legal reserves for a case that was overaccrued; adjusting the liability for compensated absences for governmental activities and business-type funds; and reducing liabilities and the related expense for payables, payroll, income tax, and refundable deposits that should have been extinguished under bankruptcy. In addition, the City passed on disclosing covered employee payroll for the OPEB plan, as required by GASB Statement No. 85.</p> <p>Deficiencies noted that were not related to adjusting entries were as follows: an item was improperly included in the refundable deposit subledger; the City used "deposits in transit" accounts within its general ledger as clearing accounts, which did not reconcile, nor clear, timely prior to year-end close; the retrospective review performed on the City's legal reserve identified that the City underestimated the legal reserve amount by approximately \$4.5 million for the prior year; and the City and the Detroit Department of Transportation did not have a process in place to evaluate and implement GASB 83, <i>Certain Asset Retirement Obligations</i>.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2019-001 (Continued)	<p>Context (Continued) -</p> <p>Component Units</p> <p>During the Detroit Building Authority (DBA) and Eastern Market Corporation’s (EMC) fiscal year ended June 30, 2019 audit, adjusting entries were identified in order to properly state balances within the general ledger. In addition, the components did not maintain proper cutoff in their accounting systems.</p> <p>Cause - Processes were not in place to ensure year-end closing entries were identified and recorded in the general ledger prior to the commencement of the audit. In addition, the City has a variety of systems, as well as decentralized staff, resulting in a high level of manual intervention in order to compile and complete necessary financial reporting.</p> <p>Effect - If the auditor-identified entries identified above had not been recorded, the financial statements would have been materially misstated.</p> <p>Recommendation - The City, as well as its component units, should continue to work with all departments to ensure a process is implemented to accurately reconcile and record all journal entries, including year-end entries and entries related to complex transactions, prior to the start of the audit. A system will need to be developed to close the financial records in a timely manner, which will include forming reliable estimates for certain accruals since management may not be able to rely on actual subsequent receipts and disbursements in all instances (i.e., lookback adjustments). An independent review of reconciliations and trial balances prior to the start of the audit would assist in identifying and correcting potential errors.</p> <p>Views of Responsible Officials and Planned Corrective Actions - In 2019, the City launched the Audit Finding Corrective Action Plan (AFCAP) project to review and address policies and procedures that led to audit findings and provide training to staff to prevent future audit findings. While the City completed addressing several of the fiscal year 2018 audit findings, many remain in progress through the project plan. The City will add the fiscal year 2019 audit findings to this project to ensure policies, procedures, and training are in place in fiscal year 2020.</p> <p>As part of this process, the City will look at the root cause of journal entries made following the close of the fiscal year and develop processes and reports to prevent or address these earlier. The OCFO staff will systematically review old appropriations, funds, and receivables to determine the proper action in accordance with city policy.</p> <p>Through the AFCAP project, the City will review capital asset policies and procedures. If enhancements are needed to address this finding, the City will do so and provide necessary training to staff. The City is also working on a departmental revenue maximization project that aims to improve processes for billing, collections, payment channel improvement, fee optimization, data cleansing, and reporting optimization. Through this project, the OCFO will review aged receivables according to Treasury policies, interfunds for enterprise funds, and tighten operations for deposits in transit. The City will establish a review calendar to ensure audit schedules are properly reviewed. The OCFO will also work with the law department to improve procedures for reviewing open cases and reserving for them appropriately.</p> <p>DBA and EMC will implement procedures to ensure balances are properly stated and will maintain a proper cutoff.</p> <p>Lastly, DWSD will implement follow-up procedures to ensure any adjustment requests are completed in a timely fashion.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2019-002	<p>Finding Type - Material weakness (repeat finding)</p> <p>Criteria - There should be a procedure in place to reconcile bank activity on a timely basis.</p> <p>Condition - The City did not have procedures in place to ensure all reconciling items identified during the preparation of bank reconciliations were resolved and posted timely.</p> <p>Context - The City has a significant number of bank accounts to reconcile each month, and primary accounts have significant monthly activity. During the current year, the City has continued to review accounts to determine if accounts could be closed to increase efficiency and to reduce both costs and the potential for error.</p> <p>We noted during COIN procedures that bank reconciliations are being performed and reviewed. All reconciliations are prepared centrally by one division. Any reconciling items noted during the bank reconciliation process are then distributed to the various responsible division for resolution. Although the bank reconciliations are prepared timely, resolution of the reconciling items can occur 60 days or longer after month end.</p> <p>Cause - The City did not have procedures in place to ensure timely resolution of reconciling items identified in the bank reconciliations.</p> <p>Effect - Without timely recording of cash activity and preparation and review of bank reconciliations, the City could fail to timely identify errors and malfeasance related to cash transactions.</p> <p>Recommendation - We recommend the City continue to review its bank accounts to determine if additional consolidation of accounts is possible. For those accounts that are necessary, we recommend the City ensure adequate resources are available to timely resolve reconciling items.</p> <p>Views of Responsible Officials and Planned Corrective Actions - In 2019, the City launched the Audit Finding Corrective Action Plan (AFCAP) project to review and address policies and procedures that led to audit findings and provide training to staff to prevent future audit findings. While the City completed addressing several of the fiscal year 2018 audit findings, many remain in progress through the project plan. The City will add the fiscal year 2019 audit findings to this project to ensure policies, procedures, and training are in place in fiscal year 2020.</p> <p>As a part of this process, the City will implement procedures to ensure the timely recording of reconciling items identified during the bank reconciliation process. To address timely recording of cash transactions, OCFO has developed a cash accounting and auditing unit that is responsible for the daily recording and reconciliation of all cash transactions. In addition, to facilitate timely resolution of outstanding items, OCFO onboarded additional staff to follow up on outstanding reconciling items. We are also continually working to optimize the functionality of the Oracle Cloud ERP system to automate the bank reconciliation process.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2019-003	<p>Finding Type - Material weakness (repeat finding)</p> <p>Criteria - There should be a documented process in place to ensure that the City has proper segregation of duties and approval processes in place related to the appropriateness of cash disbursements and Detroit-Based Business certification process.</p> <p>Condition - There was a lack of adequately documented, segregated, and implemented controls over approval processes related to the appropriateness of certain cash disbursements, and the City did not require a vendor to have a year of residency in Detroit.</p> <p>Context -</p> <ul style="list-style-type: none"> • Both the human resources and payroll audit functions have the ability to initiate and approve a wage or salary change. • In regard to the Internet Supplier Portal transactions, the procurement department does not have the ability to identify or review change requests to suppliers' and vendors' account information, specifically changes to ACH information. • The housing and revitalization department does not have an approved formal process in place for handling contractor payments with US Bank/First Trust, which is done outside of the City's accounts payable system. In addition, the checks issued by US Bank are not being reviewed by the department prior to distribution to the various contractors. • According to the Detroit-Based Business certification process, supporting documentation must be obtained to show one-year residency in Detroit in order to establish business base. <p>Cause -</p> <ul style="list-style-type: none"> • There was a lack of segregation of duties related to the ability to initiate and approve wage and salary changes. • There is a mechanism in place for review and approval of vendor applications and changes to suppliers' and vendors' account information. • The housing and revitalization department does not have an approved formal process in place for handling contractor payments outside of the City's accounts payable system and for the review of contractor distributions. • There was not a process in place to monitor compliance with the one-year residency requirement for Detroit-Based Business certification. <p>Effect -</p> <ul style="list-style-type: none"> • Since human resources and the payroll audit functions have the ability to initiate and approve compensation changes, there is a potential for improper rates to be initiated and approved without a secondary review. • Without a formal process for approval of vendor applications and review of change requests, fictitious accounts and fraudulent changes could occur. • Without a formal process in place for contractor payments and review of check distributions, misappropriation of cash could occur. • Without a formal process in place to ensure compliance with the one-year residency requirement, Detroit-Based Business certification could be improperly granted.

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2019-003 (Continued)	<p>Recommendation - We recommend the City implement the following controls:</p> <ul style="list-style-type: none"> • The City should review the duties of human resources and the payroll audit departments to determine which department should initiate wage changes and which should review and approve them to ensure proper segregation of duties. • The City should establish a formal approval process for vendor applications and a formal review process to verify account change requests. It was noted during audit fieldwork that new procedures related to the Internet Supply Portal were implemented. • The City should determine if the City’s normal AP process can be used for contractor payments, and, in addition, the City should establish a formal approval process for the housing and revitalization department to follow in regards to contractor payments to ensure the proper review of information is taking place. • The City should establish a formal process to ensure that the one-year residency requirement is properly verified to ensure Detroit-Based Business certification is appropriately awarded. <p>Views of Responsible Officials and Planned Corrective Actions - Human resources will continue with the implementation of the Ultipro Human Resources Information System (HRIS) and Payroll System. Phase 1 has been implemented. It includes new policies, procedures, and internal controls, and staff will monitor, track, and measure the adequacy of the internal controls. We have also reassigned the initiation of wage changes from payroll audit to human resources to ensure proper segregation of duties. These new policies and procedures will also include controls over compensated absence bank payouts. These new procedures will include validation checks to ensure that accumulated hours are accurate based on source data. The procedures will also include a separate review and authorization process to ensure accuracy.</p> <p>During July 2019, the City implemented a policy that segregates the duties and responsibilities of human resources and payroll audit departments. The policy also included monitoring controls to ensure system access aligns with the controls described in policy.</p> <p>As a part of the AFCAP project, a new process was implemented to monitor vendor account changes outside the normal course of business activity on a monthly basis.</p> <p>Through the Audit Finding Corrective Action Plan (AFCAP) project, the OCFO has reviewed the current processes and different options for payments currently made through First Trust. In collaboration with the department and multiple division within OCFO, the OCFO will determine the best procedure to meet business needs with the appropriate controls. The approved policies, procedures, and staff training will be put into place prior to June 30, 2020.</p> <p>The civil rights, inclusion, and opportunity (CRIO) department will continue to follow the established certification process and perform quality checks. We have updated our database monitoring systems, and we are expanding the team to meet the demand of business certification applications. During fiscal year 19, CRIO enhanced the procedures within its certification process to ensure each vendor has at least a one-year residency in Detroit.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2019-004	<p>Finding Type - Material weakness (repeat finding)</p> <p>Criteria - The City, in conjunction with the City's retirement systems (police and fire and general) (the "Retirement Systems"), as well as the Detroit Transportation Corporation (DTC), a component unit of the City, should have a documented process to ensure timely and accurate accumulation, review, and submission of census data to the Retirement Systems' actuary in order to obtain the information required to comply with GASB Statement Nos. 67 and 68.</p> <p>Condition - During the audit of the census data provided to the actuary, several instances of errors were noted in the data or there was missing data that resulted in incomplete information.</p> <p>Context - The specific issues noted include the following:</p> <p>City</p> <ul style="list-style-type: none"> • Frozen accrued benefits (Police and Fire and General retirement systems Component II) - As Component II is frozen as of June 30, 2014, a calculation of individuals' frozen accrued benefits for active members should be performed and provided to the actuary. Currently, these calculations have not been performed, and the actuary is estimating based on average final compensation (AFC) and sick bank data as of June 30, 2014 provided by the systems. • Completeness of census data (Police and Fire and General retirement systems Components I and II) - Based on the testing performed, it was noted some members were either improperly included or excluded from the data sent to the actuary. In addition, some key employee data was missing for members. • Active pay amount (General Retirement System Component I) - The actuary uses an active member's current pay in its calculation for determining a member's estimated future benefit. Based on the testing performed, some discrepancies were noted between the pay information provided to the actuary and pay information from the City. • Member classifications (General Retirement System Components I and II) - Based on the testing performed, some members were incorrectly classified between the three statuses (active, deferred, or retired). Incorrect classification leads to inaccurate actuarial calculations being performed on those members. • Death audit (General Retirement System Components I and II) - It was noted that a death audit was not performed on the deferred members list sent to the actuary. These issues could lead to the pension liability being misstated due to incomplete or inaccurate information. • Based on discussions with the actuary and review of the actuarial valuations, it was noted that significant work is performed on the original census provided by the Police and Fire and General retirement systems that is ultimately used in the valuations. This includes removing ineligible individuals and reclassifying individuals between the different statuses (active, deferred, and retired). <p>Component Units</p> <ul style="list-style-type: none"> • During the audit of DTC, it was noted that the census reconciliation to the actuaries was not readily available. In addition, there were discrepancies noted in the data related to the following: missing census data, inaccurate reconciliations and lack of support for payments made, and inaccurate employee data.

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2019-004 (Continued)	<p>Cause -</p> <p>City</p> <p>The City provides active pay data to the Retirement Systems, but sometimes that data is not accurate or complete. The Retirement Systems maintain census information for retired or deferred members. While the Retirement Systems do have a process in place to review the census data prior to providing it to the actuary, the City should have a process in place to ensure that the census information is complete and accurate.</p> <p>Component Units</p> <p>DTC should have a process in place to ensure that the census information is complete and accurate, as well as the related reconciliations.</p> <p>Effect - Without procedures to ensure timely accumulation of complete and accurate census data, the City's net pension liability that is recorded on the statement of net position of each affected opinion unit, as well as DTC's net pension liability, could be materially misstated.</p> <p>Recommendation -</p> <p>City</p> <p>We recommend the City, in conjunction with the Retirement Systems, implement the following processes and controls:</p> <ul style="list-style-type: none"> • Frozen accrued benefits - It is recommended the City and the Retirement Systems complete the calculations of the final frozen accrued benefits as of June 30, 2014 and provide the data to the actuary as soon as possible; this would result in the most accurate calculation of the total pension liability of Component II. • Completeness of census data - As the Component I and II census data is retained in the same database, it is recommended the City and the Retirement Systems have a process in place to accurately determine which members are eligible for each plan. Also, we recommend a more robust review of census data prior to sending the census information to the actuary to identify any missing data; subsequent follow-up should be performed timely prior to remitting the data to the actuary. • Active pay amount - It is recommended the City and/or the Retirement Systems perform sample testing on the data sent to the actuary to ensure it is providing the proper compensation information, as defined in the plan of adjustment. • Member classifications - It is recommended the City and/or the Retirement Systems perform more robust review of census data prior to sending the census information to the actuary to identify errors between the classification of employees as active, deferred, or retired. • Death audit - We encourage the City and/or the Retirement Systems to put in place more comprehensive procedures to further ensure the accuracy of this census data, particularly for deferred members who were not subject to a death audit this past year. • We recommend the Retirement Systems perform high-level analytical procedures on the census data to ensure the ultimate reporting by the actuary encompasses the totality of the information that the Retirement Systems actually provided.

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2019-004 (Continued)	<p data-bbox="362 514 756 541">Recommendation (Continued) -</p> <p data-bbox="362 562 583 590"><i>Component Units</i></p> <p data-bbox="362 611 1479 793">We strongly recommend that DTC collaborate with the plan actuary and review the census data files for all pension plan participants in their entirety to ensure that all components agree to DTC's information. Once this complete review is performed, we recommend that DTC develop a procedure to periodically check samples or portions of the census data files that the actuary utilizes on a recurring basis. We also recommend that any over/underpayments of benefits should be corrected per correct benefit payment calculations.</p> <p data-bbox="362 814 1479 903">Views of Responsible Officials and Planned Corrective Actions - The Retirement Systems will develop procedures to ensure the appropriate level of review is performed on the census data by the appropriate staff.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2019-005	<p>Finding Type - Material weakness (repeat finding)</p> <p>Criteria - The City should have appropriate continual overall monitoring procedures in place over the general ledger and external financial reporting function to ensure timely and accurate financial statements are able to be produced throughout the fiscal year.</p> <p>Condition - The City lacked appropriate reconciliation procedures and overall monitoring of account balances that are necessary for accurate financial reporting during the year. A variety of systems, decentralized staff, and manual procedures are required to compile complete and accurate financial reports, which, in some cases, are not being completed in a timely manner during the year. In addition, procedures are not in place to ensure that accounts and funds are reviewed regularly for accuracy and for completeness of all transactions involving the City. There is no comprehensive system that ensures overall monitoring of each department or fund's general ledger activity, both during the year and at year end. Periodic user access reviews to Oracle (the City's general ledger software) are also not being performed.</p> <p>Context - The lack of effective overall monitoring procedures delayed the City's year-end closing process and resulted in numerous general ledger balances to require reconciliations and adjustments identified during the audit. Likewise, during the year, financial reporting is not accurate and timely as a result of a lack of comprehensive overall general ledger monitoring. Without a user access review over the general ledger, there is potential for unauthorized user access to the general ledger system. In addition, the presence of manual procedures can increase the risk for errors or misappropriations.</p> <p>Cause - The City did not have effective comprehensive overall monitoring procedures in place to ensure accurate financial reporting. In addition, procedures were not in place to ensure user access reviews were periodically performed.</p> <p>Effect - As a result of the lack of appropriate overall monitoring procedures, the City is not able to produce accurate financial reports throughout the year. In addition, during the audit, auditor-proposed journal entries were necessary to account for transactions involving the City that were not addressed as a result of the lack of monitoring procedures. Without the monitoring and user access controls, there is an increased risk of error or fraud and potential for inappropriate user access.</p> <p>Recommendation - The City should develop comprehensive overall monitoring procedures to aid in ensuring that all activity in a fund is complete, accurate, and logical throughout the year. This includes assigning an appropriate individual to each general ledger account and/or fund, as well as assigning several individuals to be responsible for the entire general ledger and city financial statements to perform monitoring, analytical analysis, and adjustment, as needed. We recommend reconciliations, review, and analysis be performed at least on a monthly basis. In addition, procedures should be in place to ensure all transactions the City is involved in are reflected timely and accurately in the general ledger. Furthermore, to the extent possible, processes should be automated and a system should be in place to ensure regular user access reviews of Oracle are performed.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2019-005 (Continued)	<p>Views of Responsible Officials and Planned Corrective Actions - As part of the Audit Finding Corrective Action Plan (AFCAP) project, the City will look at the root cause of journal entries made following the close of the fiscal year and develop processes and reports to improve reconciliation procedures and overall monitoring. The OCFO staff will systematically review old appropriations, funds, and receivables to determine the proper action in accordance with city policy.</p> <p>OCFO will implement procedures to review user access for all users to determine that the current access is consistent with current job responsibilities and approved access.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2019-006	<p>Finding Type - Material noncompliance and material weakness (repeat finding)</p> <p>Criteria - There should be a process in place to ensure that the City complies with laws and regulations.</p> <ul style="list-style-type: none"> • The Uniform Unclaimed Property Act (Public Act 29 of 1995) requires the Michigan Holder Transmittal Annual Report of Unclaimed Property to be submitted annually by November 1. Any holder of unclaimed property who fails to file a report of unclaimed property is subject to fines and penalties, as prescribed in Public Act 29 of 1995. • Per Public Act 2 of 1968, Section 141.435 (2), states' total budgeted expenditures shall not exceed estimated revenue plus accumulated fund balance. Per Section 141.438 (3), "Except as otherwise provided in Section 19, an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body." In addition, all funds must have a legally adopted budget. <p>Condition - There were instances identified where the City was not in compliance with laws and regulations as follows:</p> <ul style="list-style-type: none"> • The City has outstanding checks or liabilities recorded related to payroll, accounts payable, refundable deposits, income tax, and property tax refunds that have not been escheated to the State of Michigan. Many of these checks/liabilities have been outstanding for several years. • The City's final budget for certain nonmajor funds resulted in a projected deficit. There were expenditures incurred against appropriations in excess of the amount appropriated by the City Council. In addition, a fund required to adopt a budget did not have an approved budget. <p>Context -</p> <ul style="list-style-type: none"> • The City has recorded a liability for amounts to be escheated to the State of Michigan, including estimated penalties and interest, at June 30, 2019. • For a certain nonmajor funds, the City's final budget resulted in a projected fund deficit, as presented in the required supplemental information. For certain appropriations, the City's actual expenditures exceeded its corresponding appropriation, as presented in the notes to the financial statements. The City did not have a legally adopted budget for a special revenue fund. <p>Cause - There is no process in place to fully monitor compliance with laws and regulations throughout the year.</p> <p>Effect - The City was out of compliance with the laws and regulations identified above.</p> <p>Recommendation - We recommend the City implement a process that identifies specific individuals responsible for identifying and monitoring applicable compliance requirements throughout the year. In addition, the City should consider filing a Voluntary Disclosure Agreement (Form 4869) when submitting escheatments to the State.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2019-006 (Continued)	<p>Views of Responsible Officials and Planned Corrective Actions - As part of the AFCAP, OCFO will develop, document, and implement a procedure to escheat all applicable liabilities to the State of Michigan. This procedure will require escheatment to the State within the appropriate amount of time to avoid incurring additional fees.</p> <p>As part of the CFO's strategic objectives to restructure and reorganize the financial operations of the City, the OCFO is preparing and reviewing monthly budget-to-actual reports and appropriation status reports to monitor, mitigate, and correct such technical noncompliance with the Uniform Budgeting and Accounting Act throughout the year. The OCFO is identifying and correcting root causes, such as recurring payroll expenditures linked to incorrect budget accounts and other recording errors. Furthermore, the OCFO is reviewing and making appropriate adjustments to ensure budget and actual data are recorded and presented on a consistent basis.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2019-007	<p>Finding Type - Material weakness</p> <p>Criteria - The City, Eastern Market Corporation, and the Detroit Public Library should have processes in place to all activity related to capital assets is properly recorded and reflected in the financial statements and disclosures.</p> <p>Condition - The City and its component units do not have processes in place to effectively identify and capitalize all assets acquired during the year. In addition, the City does not have a process in place to ensure additions and disposals are properly identified and depreciation is properly calculated. The City did not have procedures in place to properly analyze and reconcile the AssetWorks inventory performed during the year to ensure adjustments were properly reflected in the City's accounting records.</p> <p>Context - The City did not have processes in place to ensure that capital assets were properly accounted for and reported in the financial statements. The following issues were identified during the City audit: initial recording of capital assets was incomplete and did not include all assets acquired during the year, disposals were not identified, assets previously placed in service were not identified, depreciation was not properly calculated, additions identified by AssetWorks impacted capital outlay and depreciation expense misclassifications, and the AssetWorks inventory was not properly analyzed, and, as a result, assets were duplicated, recorded at incorrect amounts, and had incorrect in-service dates. In addition, there were several instances where cutoff was not proper for ongoing construction projects, resulting in the balance being understated. As a result, capital asset adjustments were identified as part of the City's external audit totaling approximately \$24 million.</p> <p>Detroit Public Library</p> <p>The Library fixed asset subsidiary ledger did not match the audited balance from the prior year audit.</p> <p>Eastern Market Corporation</p> <p>Eastern Market Corporation's identification of assets was off by approximately \$2.5 million, which resulted in the need to adjust accumulated depreciation and depreciation expense.</p> <p>Cause - Procedures were not in place to ensure an effective internal review process of the capital asset activity occurred.</p> <p>Effect - As a result of the lack of appropriate controls and procedures over capital asset recording, material journal entries were necessary to properly state year-end balances.</p> <p>Recommendation - The City, Eastern Market Corporation, and the Detroit Public Library should develop overall monitoring procedures to ensure that all capital asset activity is reconciled to the general ledger system timely and accurately.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Through the AFCAP project, the City will review capital asset policies and procedures. If enhancements are needed to address this finding, the City will do so and then provide necessary training to staff.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2019-008	<p>Finding Type - Significant deficiency</p> <p>Criteria - The City should have a process in place to ensure proper reconciliation of accounting information with all departments and agencies.</p> <p>Condition - The City did not have procedures in place to properly reconcile accounting information with all departments and agencies. The City, in conjunction with the Retirement Systems, did not have effective controls and processes in place to ensure the correct employee and employer contributions were being made.</p> <p>During the audit for the Detroit Water and Sewer Department, we noted certain invoices from the Great Lakes Water Authority were improperly included in accounts payable at year end. The balances on these particular invoices were settled in the prior year as part of the bifurcation and final negotiations with the Great Lakes Water Authority. The payables were flagged in the system during fiscal year 2020 as closed, and, therefore, no payment would have been made on them. Despite being flagged in the system as closed, the general ledger and accounts payable detail were not updated to reflect the adjustment in fiscal year 2019.</p> <p>Context -</p> <p>The City, in conjunction with the City's retirement systems (Police and Fire and General) (the "Retirement Systems"), should have processes in place to verify that employer and employee contributions are being made at the rates specified by the Plan of Adjustment.</p> <ul style="list-style-type: none"> • Employer contributions - The reports used to calculate the pensionable wages for Component I employer contributions had calculation errors. The amount is not material, and errors resulted in both overbilled and underbilled invoices. • EE contributions - There were discrepancies noted between the amount of Component I employee contributions withheld at the City and the amount remitted to the combined plan. Also, proper procedures were not in place to verify that employees were making the correct contributions, and, as a result, there were employees not making the required contribution amount or, in some cases, making no contribution at all. <p>The auditors identified invoices to the Great Lakes Water Authority that were improperly included in accounts payable at year end in the amount of \$1.5 million in the Water Fund and \$2.3 million in the Sewage Disposal Fund.</p> <p>Cause - Due to the manual process and staffing changes that took place during the year, effective controls and procedures were not in place over employer and employee contributions.</p> <p>In addition, the City does not have a formal reconciliation process in place to ensure all transaction requests made by departments and agencies are properly updated in the system.</p> <p>Effect - As a result of the lack of appropriate controls and procedures over Component I employer and employee contributions, there were errors in the calculation of contributions and also discrepancies in contribution amounts received by the combined plan.</p> <p>Without proper reconciliations with the departments and agencies, transactions may be recorded in the wrong time periods, resulting in the financial statements being misstated.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2019-008 (Continued)	<p>Recommendation - The City, in conjunction with the Retirement Systems, should implement an effective process to verify that the correct Component I employee and employer contributions were being made and that those contributions were properly remitted to the appropriate plans. The City should continue to work with all departments to ensure a process is implemented to accurately reconcile and record all journal entries, including year-end entries.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Through the AFCAP project, the City and the Retirement System will implement a process to ensure employee and employer contributions are correct. The process will include a timely resolution process.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - Federal Program Audit Findings

Reference Number	Finding
2019-009	<p>CFDA Number, Federal Agency, and Program Name - CFDA #16.922 - Department of Justice - Equitable Sharing Program</p> <p>Federal Award Identification Number and Year - N/A</p> <p>Pass-through Entity - N/A - Direct funded</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - Section VI.A.(7) of the Department of Justice and the Department of the Treasury July 2018 Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies, (the "Guide"), requires that the state or local participating law enforcement agency report all transactions using cash-based accounting methods.</p> <p>Annually agencies must submit an Equitable Sharing Agreement and Certification (ESAC), which includes the agency's annual Affidavit and details an agency's receipts and expenditures of equitably shared funds for both the Department of Justice and the Department of Treasury Equitable Sharing Programs.</p> <p>Condition - The City's fiscal year 2019 ESAC did not report the equitable sharing funds spent using cash-based accounting methods.</p> <p>Questioned Costs - None</p> <p>Identification of How Questioned Costs Were Computed - Not applicable, reporting matter only</p> <p>Context - The City is required to prepare and submit the ESAC, for the fiscal year ended June 30, 2019, to the Department of Justice using cash-based accounting methods. The equitable sharing funds spent line item included \$4.4 million of expenditures, all of which were paid in August 2019, i.e., subsequent to the June 30, 2019 fiscal year end. During the fiscal year ended June 30, 2019, there were no expenditures paid.</p> <p>Cause and Effect - The City reported the expenditures on the ESAC based on when the City initiated the payment process rather than when the check was available for disbursement to the vendor. As a result, cash-based accounting methods were not followed for the initial ESAC submission for the year ended June 30, 2019.</p> <p>Prior to the issuance of the City's fiscal year 2019 single audit report, the City concluded to amend the fiscal year 2019 ESAC to reduce the equitable sharing funds spent line item by \$4.4 million. As of the report date, the ESAC was amended; the SEFA and ESAC for the year ended June 30, 2019 differ by \$4.4 million.</p> <p>Recommendation - We recommend that the City review its procedures and controls to ensure transactions reported on the ESAC are cash based. We further recommend that a review of the ESAC be established, prior to its submission, to ensure it is complete, accurate, and consistent with the reporting requirement of the Guide.</p> <p>Views of Responsible Officials and Corrective Action Plan - The City will implement review procedures to ensure the ESAC report is accurate. The report will be amended to reflect the cash basis of accounting, as required.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2019-010	<p>CFDA Number, Federal Agency, and Program Name - CFDA #14.241 - Department of Housing and Urban Development - HOPWA</p> <p>Federal Award Identification Number and Year - MIH15-F001, MIH16-F001, MIH17-F001 and MIH18-F001</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Significant deficiency and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - Per 24 CFR 574.310, except for persons in short-term supportive housing, each person receiving rental assistance under the HOPWA Program must pay as rent the higher of: (1) 30 percent of the family's monthly adjusted gross income; (2) 10 percent of the family's monthly gross income; or (3) the portion of the payments that is designated if the family is receiving payments for welfare assistance from a public agency and a part of the payments, adjusted in accordance with the family's actual housing costs, is specifically designated by the agency to meet the family's housing costs.</p> <p>Condition - During eligibility testing, Plante & Moran, PLLC (PM) noted two errors in the rental assistance amount charged to participants. In the first instance, the calculation of rental assistance for one out of 60 participants was improperly calculated. In the second instance, the calculation of rental assistance for one out of 60 participants appropriately utilized the three methods in the criteria noted above to determine the participant's payment amount. Instead of the higher of the three calculations being charged to the participant, the lesser of the three amounts was improperly charged to the participant.</p> <p>Questioned Costs - \$3,941</p> <p>Identification of How Questioned Costs Were Computed - Questioned costs represent actual rental assistance, provided to a participant during fiscal year 2019, in excess of the amount they were eligible to receive.</p> <p>Context - Out of 60 samples selected for testing, PM noted two instances of errors in the calculation of the rent contributions due from the participant. In the first instance, the participant's rent contribution was undercharged \$85 per month over a period of nine months. In the second instance, the participant's rent contribution was undercharged \$397 per month over a period of eight months.</p> <p>Cause and Effect - The participant rent contribution calculations were not reviewed prior to the participant's assessment. The participants were assessed too little based on the requirements of 24 CFR 574.310, and the errors were not detected.</p> <p>Recommendation - We recommend that the City implement a detailed review process of the participants' rent assessment prior to finalizing the benefits and communicating the same to the participant.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The health department will take additional training surrounding HOPWA financial management and rent calculations. The health department will also implement additional review procedures to ensure the accuracy of the rent calculation before finalizing participant benefits.</p>



City of Detroit
Summary of Prior Year Findings
For the Year Ended June 30, 2019

Finding No.	Finding Condition	Program Name/Financial Reporting Internal Control	CFDA#	Fiscal Year in Which the Finding Initially Occurred	Finding Type Criteria	Questioned Costs	Management Views Agree or Disagree	Recommendation	Corrective Action Plan Status	Anticipated Completion Date
2018-001	The general ledger and underlying financial records were not reconciled and closed in a timely manner. In addition, there were numerous adjustments that should have been identified by management that were instead identified during the audit.	N/A	N/A	2016	Material Weakness	None	Agree	The City should continue to work with all departments to ensure that each has adequate resources to fully and accurately reconcile and record activity throughout the year and identify and record year-end entries prior to the start of the audit. A system will need to be developed to close the financial records in a timely manner, which will include forming reliable estimates for certain accruals since management may not be able to rely on actual subsequent receipts and disbursements in all instances (i.e., lookback adjustments). An independent review of reconciliations and trial balances prior to the start of the audit would assist in identifying and correcting potential errors.	During fiscal year 2019 the Office of the Chief Financial Officer (OCFO) initiated the Audit Findings Corrective Action Plan (AFCAP) Project to address the identified finding from the 2018 financial audit. This process will implement controls related to audit findings in the following categories as defined in the Audit Findings: <ul style="list-style-type: none"> o Account Reconciliations o Bank Rec o Billings o Census Data o Compliance o Controls o DT/DF o Escheat o Fixed Assets o Fund Analysis o Journal Entries o Legal Reserve o Receipting o Supplier Portal OCFO has also established its Tax Accounting Unit and procedures related to the recording of transactions and distributions. Processes will continue to be refined to improve accuracy.	8/1/2020



City of Detroit
Summary of Prior Year Findings
For the Year Ended June 30, 2019

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Finding No.	Finding Condition	Program Name/Financial Reporting Internal Control	CFDA#	Fiscal Year in Which the Finding Initially Occurred	Finding Type Criteria	Questioned Costs	Management Views Agree or Disagree	Recommendation	Corrective Action Plan Status	Anticipated Completion Date
									<p>To address the specific audit adjustments, OCFO will develop a multi-year lookback process to accurately estimate the income tax allowance for the years administered by the State, implement a procedure for the daily reconciliation of tax receipts among the bank, subledger and general ledger, implement a Treasury Management System, including a Debt Management module which will calculate most debt related entries, establish an internal fund group for Internal Service Funds and enhance our EMS collection procedures by utilizing a third party collection service.</p> <p>DWSD will continue to improve its processes to ensure all journal entries are reconciled and recorded prior to the start of future audits.</p>	



City of Detroit
Summary of Prior Year Findings
For the Year Ended June 30, 2019

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2018-002	The City did not have procedures in place to ensure all bank accounts were fully reconciled to the general ledger and the reconciliations were performed and reviewed timely. The significant delay in properly recording transactions throughout the year on a timely basis significantly reduces the accuracy of the monthly bank reconciliations, requiring multiple revisions and significant delays prior to finalization.	N/A	N/A	2016	Material Weakness	None	Agree	We recommend the City continue to review its bank accounts to determine if additional consolidation of accounts is possible. For those accounts that are necessary, we recommend the City ensure adequate resources are available to perform timely recording of transaction and preparation of bank reconciliations for these accounts and that the reconciliations are reviewed and an approval process is documented for any unreconciled differences that are noted.	The Bank reconciliations are apart of the AFCAP project. To address timely recording of cash transactions, OCFO has developed a Cash Accounting and Auditing Unit which is responsible for the daily recording and reconciliation of all cash transactions. In addition, to facilitate timely resolution of outstanding items, OCFO hired additional staff to follow-up on outstanding reconciling items. We are also continually working to optimize the functionality of the Oracle Cloud ERP system to automate the bank reconciliation process.	8/1/2020
2018-003	There was a lack of adequately documented, segregated and implemented	N/A	N/A	2016	Material Weakness	None	Agree	The City should review the duties of human resources and the payroll audit departments to determine which department should initiate wage changes and which should	Human Resources will continue with the implementation of the Ultipro Human Resources Information System (HRIS) and Payroll System. Phase 1 was implemented October 2018. It includes	8/1/2020



City of Detroit
Summary of Prior Year Findings
For the Year Ended June 30, 2019

	controls over approval processes related to the appropriateness of certain cash disbursements.							review and approve them to ensure proper segregation of duties. In regards to the Internet Supplier Portal transactions, the procurement department does not have proper procedures in place to track or review change requests to suppliers' and vendors' account information, specifically changes to ACH information. ODFS performs the three-way match between the invoice, contract and receipt there were instances where the receipting information was not properly attached to document or noted. The City should determine if the City's normal AP process can be used for contractor payments, in addition the City should establish a formal approval process for the Housing and Revitalization Department to follow in regards to contractor payments, to ensure the proper review of information is taking place.	new policies, procedures and internal controls, and staff will monitor, track and measure the adequacy of the internal controls. We have also reassigned the initiation of wage changes from Payroll Audit to Human Resources to ensure proper segregation of duties. These new policies and procedures will also include controls over compensated absence bank payouts, validation checks to ensure that accumulated hours are accurate based on source data and a separate review and authorization process to ensure accuracy. In conjunction with the AFCAP Project new procedures and training is taking place around ACH and receipts. The Contractor payment process is also part of the AFCAP project.	
2018-004	During the audit of the census data provided to the actuary, several instances of errors were noted in the data or there was missing data that resulted in incomplete	N/A	N/A	2016	Material Weakness	None	Agree	We recommend the City, in conjunction with the Retirement Systems, implement the following processes and controls: Frozen Accrued Benefits (Police and Fire and General Employees Retirement Systems Component II) - It is recommended the City and the Retirement Systems complete the calculations of the final frozen accrued benefits as of June 30, 2014 and provide the data to the actuary	The Retirement System City of Detroit (RSCD) continues to develop and document processes to ensure accurate information is provided to the actuary. This process includes an application that will compare the pay information received from the City to the information sent to the Actuary. In addition, the System will perform sample testing on data received prior to providing the Actuary.	8/1/2020



City of Detroit
Summary of Prior Year Findings
For the Year Ended June 30, 2019

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	information.							<p>as soon as possible; this would result in the most accurate calculation of the total pension liability of Component II. Completeness of Census Data (Police and Fire and General Employees Retirement Systems Component I and II) - As the Component I and II census data is retained in the same database, it is recommended the City and the Retirement Systems have a process in place to accurately determine which members are eligible for each plan. Also, we recommend a more robust review of census data prior to sending the census information to the actuary to identify any missing data; subsequent follow up should be performed timely prior to remitting the data to the actuary. Active Pay Amount (Police and Fire and General Employees Retirement Systems Component I) - It is recommended the City and/or the Retirement Systems perform sample testing on the data sent to the actuary to ensure it is providing the proper compensation information, as defined in the plan of adjustment. Member Classifications (Police and Fire and General Employees Retirement Systems The Retirement System City of Detroit (RSCD) continues to develop and document processes to ensure accurate information is provided to the actuary. This process includes an</p>	<p>For fiscal year 2019, the RSCD has ensured that all Average Final Compensation (AFC) amounts for individual in the frozen plan are as accurate as can be. The Actuary uses the AFC amounts to calculate the benefit amounts, when the benefit amounts are not provided. RSCD is also performing high level analytics of the data to test for reasonableness. This process is currently in place.</p> <p>It is also noted that the Completeness of Census Data is included in the AFCAP Project.</p> <p>RSCD is also implementing a new ERP system that will further enhance the accuracy of the data provided to the Actuary. The roll out of the new system has been pushed back to the latter part of 2020.</p>	
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City of Detroit
Summary of Prior Year Findings
For the Year Ended June 30, 2019

								<p>application that will compare the pay information received from the City to the information sent to the Actuary. In addition, the System will perform sample testing on data received prior to providing the Actuary. For fiscal year 2019, the RSCD has ensured that all Average Final Compensation (AFC) amounts for individual in the frozen plan are as accurate as can be. The Actuary uses the AFC amounts to calculate the benefit amounts, when the benefit amounts are not provided. RSCD is also performing high level analytics of the data to test for reasonableness. This process is currently in place. It is also noted that the Completeness of Census Data is included in the AFCAP Project. RSCD is also implementing a new ERP system that will further enhance the accuracy of the data provided to the Actuary. The roll out of the new system has been pushed back to the latter part of 2020. 8/1/2020</p> <p>Component I and II) - It is recommended the City and/or the Retirement Systems perform more robust review of census data prior to sending the census information to the actuary to identify errors between the classification of employees as active, deferred, or retired. Death Audit (Police and Fire</p>	
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CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

City of Detroit
Summary of Prior Year Findings
For the Year Ended June 30, 2019

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								and General Employees Retirement Systems Component I and II) - We encourage the City and/or the Retirement Systems to put in place more comprehensive procedures to further ensure the accuracy of this census data, particularly for deferred members who were not subject to a death audit this past year. We recommend the Retirement Systems perform high level analytical procedures on the census data to ensure the ultimate reporting by the actuary encompasses the totality of the information that the Retirement Systems actually provided.	
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City of Detroit
Summary of Prior Year Findings
For the Year Ended June 30, 2019

2018-005	The City lacked appropriate reconciliation procedures and overall monitoring of account balances that are necessary for accurate financial reporting during the year. A variety of systems, decentralized staff, and manual procedures are required to compile complete and accurate financial reports which in some cases are not being done in a timely manner during the year. In addition, procedures are not in place to ensure that accounts and funds are	N/A	N/A	2017	Material Weakness	None	Agree	<p>The City, DWSD, and GDRRA should develop overall monitoring procedures to aid in ensuring that all activity in a fund is complete, accurate and logical. This includes assigning an appropriate individual to each general ledger account as well as several individuals who would be responsible for the entire general ledger and city financial statements to perform monitoring, analytical analysis, and adjustment as needed. We recommend reconciliations, review, and analysis be performed at least on a monthly basis. Furthermore, to the extent possible, payroll processes should be automated and a system should be implemented to investigate vendor and employee address matches.</p> <p>At GDRRA, duties should be segregated to ensure there are proper checks and balances in place.</p>	<p>The OFCO is developing new processes and procedures around monitoring of funds and object accounts. This is also part of the AFCAP Project.</p> <p>GDRRA believes acceptable checks and balances vis –a’-vis accounting transactions and reporting are in place. All transactions are approved by the Director of GDRRA and the Board Treasurer ensuring adequate approvals for both departmental and non-departmental. This has now been confirmed by UHY the External Auditors of GDRRA.</p> <p>DWSD was aware of an error regarding certain billing rate changes. DWSD identified a total of three customers whose rates were not being updated correctly. The error resulted in an under billing of up to 10.4% of those affected customers over a period of not more than 36 months. The error only occurred when an old account was mirrored in connection with the creation of a new account. DWSD has implemented changes to its processes and controls to eliminate future such errors.</p>	<p>8/1/2020</p> <p>Resolved</p> <p>Resolved</p>
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City of Detroit
Summary of Prior Year Findings
For the Year Ended June 30, 2019

	reviewed regularly for accuracy and for completeness of all transactions involving the City. There is no overall monitoring of each department or funds' general ledger activity both during the year and at year end.									
2018-006	There was a lack of adequately documented, segregated, and implemented controls over approval processes related to the appropriateness of certain cash disbursements and the City did not require a vendor to have a year of residency in Detroit.	N/A	N/A	2016	Material Noncompliance and Material Weakness	None	Agree	We recommend the City and DTC implement a process that identifies specific individuals responsible for identifying and monitoring applicable compliance requirements throughout the year. In addition, the City should consider filing a Voluntary Disclosure Agreement (Form 4869) when submitting escheatments to the State.	The development of the escheatment is ongoing. The Civil Rights, Inclusion, & Opportunity Department will continue to follow the established certification process and perform quality checks. We have updated our database monitoring systems and we are expanding the team to meet the demand of business certification applications.	8/1/2020
2018-007	Controls in place did not minimize the	Special Supplemental Nutrition	93.914 10.557	2016	Significant Deficiency	None	Agree	We recommend that City of Detroit, Michigan review its procedures and controls to ensure disbursement of	OCFO has implemented an effective process to ensure the 30-day requirement is met. This has resulted in the majority	Resolved



City of Detroit
Summary of Prior Year Findings
For the Year Ended June 30, 2019

	time elapsing between the transfer of funds from HRSA (Ryan White HIV/AIDS Program Part A) and Michigan Department of Health and Human Services (WIC) and the disbursements to the City of Detroit, Michigan's subrecipients.	Program for Women, Infants, and Children (WIC) Department of Health and Human Services Health Resources and Services Administration - HIV Emergency Relief Program Grants (Ryan White)						funds to its subrecipients is consistent with both Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards.	of invoices being paid timely.	
2018-008	The City's contracts with a subrecipient to assist with administering the Ryan White program. The City did not clearly identify its relationship with the subrecipient, resulting in a potential noncompliance with its conflict-of-interest	Department of Health and Human Services Health Resources and Services Administration - HIV Emergency Relief Program Grants (Ryan White)	93.914	2018	Material Noncompliance with Laws and Regulations	None	Agree	The City, must address any potential or real conflict of interests that exist between the City and its subrecipients; this work should include reviewing the City's conflict of interest policy in relation to its subrecipients contracts with their subrecipients, as well as ensuring the subrecipients institute written standards of conduct covering organizational conflicts of interest, as it relates to any administrative duties performed as the administrative agent for the Ryan White Part A grant, while also serving as the fiduciary agent for some of the recipient's sub-recipient providers.	Finding satisfactorily resolved with HRSA per letter dated 5/8/19 (attached)	Resolved



City of Detroit
Summary of Prior Year Findings
For the Year Ended June 30, 2019

2018-009	<p>policies.</p> <p>In May 2018, the HUD Detroit Field Office conducted an on-site monitoring of the CDBG program in order to assess the City's performance and compliance with applicable program regulations and requirements. The following matters were identified:</p> <p>1. There were insufficient records to support that a subrecipient's program activities met the Low-to-Moderate Income Area (LMA) national objective per 24 CFR 570.208(a)(1) and 24 CFR</p>	<p>Housing and Urban Development (HUD), Community Development Block Grant Entitlement Cluster, Community Development Block Grant Program (CDBG)</p>	14.218	2018	Material Noncompliance with Laws and Regulations	Unknown	Agree	<p>We recommend that the City review its policies and procedures to ensure that they ensure compliance with CDBG requirements. Based on the City's review, modification to its policies and procedures may be required.</p>	<p>The City of Detroit has responded to HUD with a corrective action and workplan as of May 31, 2019. Included in this response was a draft of the updated policies and procedures for the economic development program. HRD continues to work with its subrecipient to ensure all activities paid for with CDBG funds have been properly underwritten, meet Public Benefit Standards, meet CDBG National Objectives and that all costs are documentable. HRD estimates completion of this plan no later than 12/31/2019.</p>	3/1/2020
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City of Detroit
Summary of Prior Year Findings
For the Year Ended June 30, 2019

	<p>570.506(b)(2) and erroneous reporting in the Integrated Disbursement and Information System (IDIS).</p> <p>2. There were insufficient records to evidence meeting the Economic Development Underwriting and Public Benefit Standard requirements for the City's subrecipient's activity.</p> <p>3. The City did not maintain adequate oversight of a particular subrecipient to ensure costs complied with a CDBG-eligible activity and the cost principles per the Uniform Guidance.</p>								
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City of Detroit
Summary of Prior Year Findings
For the Year Ended June 30, 2019

2018-010	<p>In May 2018, the HUD Detroit Field Office, conducted an on-site monitoring of the CDBG program in order to assess the City's performance and compliance with applicable program regulations and requirements. The following matter was identified:</p> <p>During HUD's limited review of the Detroit 0 percent Home Repair Loans Program, it was noted that the City violated its federal procurement requirements in securing construction management services.</p>	<p>Housing and Urban Development (HUD), Community Development Block Grant Entitlement Cluster, Community Development Block Grant Program (CDBG)</p>	14.218	2018	Material Weakness	Unknown	Agree	<p>We recommend that City of Detroit ensure all procurement is conducted in accordance with the City's procurement policy.</p>	<p>The Housing and Revitalization Department concurs with this finding and is working to revise policies and procedures as well as implement all other appropriate corrective action for future compliance.</p> <p>HRD has since properly procured and entered into a contact with the contractors. This information was provided to HUD in November 2018; HRD is still awaiting a response. HRD is hopeful that HUD will finally close this finding by February 2020.</p>	2/1/2020
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DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Resources and Services
AdministrationOffice of Federal Assistance
Management
Rockville, MD 20857

May 8, 2019

John Naglick
City of Detroit, Michigan
2 Woodward Avenue
Detroit, MI 48226

CIN: A-05-19-56810

Dear John Naglick:

We have completed our review of your organization-wide audit for the period July 1, 2017 through June 30, 2018. This review included the Ryan White P. A HIV Emergency Relief Grant (no. H89HA00021). The audit was performed by PLANTE AND MORGAN, PLLC, Certified Public Accountants, to meet Federal audit requirements. Included in our review was correspondence dated April 23, 2019), responding to the finding and recommendation contained in the report.

Upon review of the finding and your organization's response, we have determined that the following non-monetary recommendation has been satisfactorily resolved:

- **Finding # 2018-008 (HHS Finding # 914-008-10-0) – Non-Compliance with Laws and Regulations**

Nevertheless, the corrective action is subject to review during your next audit to determine its adequacy.

Thank you for your cooperation.

Sincerely,

A handwritten signature in blue ink, appearing to read "Franklin Ausby".

Franklin Ausby
Financial Integrity Specialist
Division of Financial Integrity
Office of Federal Assistance Management

DRAFT

 City of Detroit OFFICE OF THE CHIEF FINANCIAL OFFICER		CITY OF DETROIT CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2019										Coleman A. Young Municipal Center 2 Woodward Avenue, suite 1100 Detroit, Michigan 48226 Phone: 313-628-2535 Fax: 313-224-2135	
Finding No.	Program Name/Financial Reporting Internal Control	Finding Type Criteria	Questioned Costs	Contact Person	Condition	Recommendation	Prior Year Response	Corrective Action Plan				Anticipated Completion Date	
2019-001	N/A	Material Weakness-Repeat	None	Eric Higgs Christa McLellan Katherine Hammer	The general ledger and underlying financial records were not reconciled and closed in a timely manner. There were numerous adjustments identified during the audit process.	The City, as well as its component units, should continue to work with all departments to ensure a process is implemented to accurately reconcile and record all journal entries including year-end entries and entries related to complex transactions prior to the start of the audit. A system will need to be developed to close the financial records in a timely manner, which will include forming reliable estimates for certain accruals since management may not be able to rely on actual subsequent receipts and disbursements in all instances (i.e., lookback adjustments). An independent review of reconciliations and trial balances prior to the start of the audit would assist in identifying and correcting potential errors.	During fiscal year 2018 the OCFO began documenting new policies and procedures for all the major OCFO business process lifecycles. This provided standardized and consistent administration across all OCFO divisions. OCFO has begun implementation of the new standardized policies and procedures in fiscal year 2019. In addition, OCFO established a task team to identify root causes and develop solutions to the findings noted. OCFO also assigned responsible person to each general fund ledger account. In addition, the OCFO is continually working to optimize the functionality of the Oracle Cloud ERP system, which will assist with overall efficiency and productivity.	In 2019, the City launched the Audit Finding Corrective Action Plan (AFCAP) project to review and address policies and procedures that led to audit findings and provide training to staff to prevent future audit findings. While the City completed addressing several of the Fiscal Year 2018 audit findings, many remain in process through the project plan. The City will add the Fiscal Year 2019 Audit findings to this project to ensure policies, procedures and training are in place in Fiscal Year 2020. As part of this process, the City will look at the root cause of journal entries made following the close of the fiscal year and develop processes and reports to prevent or address these earlier. The OCFO staff will systematically review old appropriations, funds and receivables to determine the proper action in accordance with City policy. Through the AFCAP project, the City will review capital asset policies and procedures. If enhancements are needed to address this finding, the City will do so and provide necessary training to staff. The City is also working on a departmental revenue maximization project that aims to improve processes for billing, collections, payment channel improvement, fee optimization, data cleansing, and reporting optimization. Through this project, the OCFO will review aged receivables according to Treasury policies, interfunds for enterprise funds, and tighten operations for Deposits in Transit. The City will establish a review calendar to ensure audit schedules are properly reviewed. The OCFO will also work with the Law Department to improve procedures for reviewing open cases and reserving for them appropriately. DBA and EMC will implement procedures to ensure balances are properly stated and will maintain a proper cut-off. Lastly, DWSO will implement follow-up procedures to ensure any adjustment requests are completed in a timely fashion.				Jul-20	
2019-002	N/A	Material Weakness	None	Eric Higgs Katherine Hammer Christa McLellan	The City did not have procedures in place to ensure all reconciling items identified during the preparation of bank reconciliations were resolved and posted timely.	We recommend the City continue to review its bank accounts to determine if additional consolidation of accounts is possible. For those accounts that are necessary, we recommend the City ensure adequate resources are available to timely resolve reconciling items.	The City's existing policy includes preparation, proper identification of reconciling items and review by appropriate centralized personnel on a monthly basis. Due to separation of duties, the bank reconciliations are prepared monthly, then the reconciling items are then disseminated to the appropriate OCFO personnel for correction. To address timely recording of cash transactions, OCFO has developed a Cash Accounting and Auditing Unit which is responsible for the daily recording and reconciliation of all cash transactions. In addition, to facilitate timely resolution of outstanding items, OCFO onboarded additional staff to follow-up on outstanding reconciling items. We are also continually working to optimize the functionality of the Oracle Cloud ERP system to automate the bank reconciliation process.	In 2019, the City launched the Audit Finding Corrective Action Plan (AFCAP) project to review and address policies and procedures that led to audit findings and provide training to staff to prevent future audit findings. While the City completed addressing several of the Fiscal Year 2018 audit findings, many remain in process through the project plan. The City will add the Fiscal Year 2019 Audit findings to this project to ensure policies, procedures and training are in place in Fiscal Year 2020. As a part of this process, the City will implement procedures to ensure the timely recording of reconciling items identified during the bank reconciliations process. To address timely recording of cash transactions, OCFO has developed a Cash Accounting and Auditing Unit which is responsible for the daily recording and reconciliation of all cash transactions. In addition, to facilitate timely resolution of outstanding items, OCFO onboarded additional staff to follow-up on outstanding reconciling items. We are also continually working to optimize the functionality of the Oracle Cloud ERP system to automate the bank reconciliation process.				Jul-20	
2019-003	N/A	Material Weakness	None	Denise Starr Ureula Inland Eric Higgs	There was a lack of adequately documented, segregated, and implemented controls over approval processes related to the appropriateness of certain cash disbursements and the City did not require a vendor to have a year of residency in Detroit.	The City should review the duties of human resources and the payroll audit departments to determine which department should initiate wage changes and which should review and approve them to ensure proper segregation of duties.	Human Resources will continue with the implementation of the Ultipro Human Resources Information System (HRIS) and Payroll System, Phase 1 was implemented October 2018. It includes new policies, procedures and internal controls, and staff will monitor, track and measure the adequacy of the internal controls. We have also reassigned the initiation of wage changes from Payroll Audit to Human Resources to ensure proper segregation of duties. These new policies and procedures will also include controls over compensated absence bank payouts. These new procedures will include validation checks to ensure that accumulated hours are accurate based on source data. The procedures will also include a separate review and authorization process to ensure accuracy.	Human Resources will continue with the implementation of the Ultipro Human Resources Information System (HRIS) and Payroll System, Phase 1 has been implemented. It includes new policies, procedures and internal controls, and staff will monitor, track and measure the adequacy of the internal controls. We have also reassigned the initiation of wage changes from Payroll Audit to Human Resources to ensure proper segregation of duties. These new policies and procedures will also include controls over compensated absence bank payouts. These new procedures will include validation checks to ensure that accumulated hours are accurate based on source data. The procedures will also include a separate review and authorization process to ensure accuracy. During July 2019, the City implemented a policy that segregates the duties and responsibilities of human resources and payroll audit departments. The policy also included monitoring controls to ensure system access aligns with the controls described in policy.				Jul-20	
				Boysie Jackson	The City should establish a formal approval process for vendor applications and a formal review process to verify account change requests. It was noted during audit fieldwork that new procedures related to the Internet Supply Portal were implemented.	OCFO has established a written policy and procedure effective July 1, 2018, detailing the requirements for the Supplier Registration and Automatic Clearing House (ACH) processes. In part, the policy requires that the supplier is solely responsible for the accuracy of the data provided to the City. An Office of Contracting and Procurement (OCP) Administrator shall be responsible for reviewing the completeness of the information provided by the supplier during the registration process. For any changes/updates to the supplier's ACH data, an OCP Administrator will follow-up a member of the supplier's finance department to verify the authenticity of the change request to the extent possible.	As a part of the AFCAP project, a new process was implemented to monitor vendor account changes outside the normal course of business activity on a monthly basis.				Jul-20		
				Katherine Hammer	The City should determine if the City's normal AP process can be used for contractor payments, in addition the City should establish a formal approval process for the housing and revitalization department to follow in regards to contractor payments, to ensure the proper review of information is taking place.	OCFO will determine if the normal AP process will work with First Trust payments and if so will work to implement this change of policy in the coming year.	Through the Audit Finding Corrective Action Plan (AFCAP) project, the OCFO has reviewed the current processes and different options for payments currently made through First Trust. In collaboration with the department and multiple division within OCFO, the OCFO will determine the best procedure to meet business needs with the appropriate controls. The approved policies, procedures and staff training will be put into place prior to June 30, 2020.				Jun-20		
				Charity Dean	The City should establish a formal process to ensure that the one-year residency requirement is properly verified to ensure Detroit Based Business certification is appropriately awarded.	The Civil Rights, Inclusion, & Opportunity Department will continue to follow the established certification process and perform quality checks. We have updated our database monitoring systems and we are expanding the team to meet the demand of business certification applications. During fiscal year 19, CRIO enhanced the procedures within its certification process to ensure each vendor has at least an one-year residency in Detroit.	The Civil Rights, Inclusion, & Opportunity (CRIO) Department will continue to follow the established certification process and perform quality checks. We have updated our database monitoring systems and we are expanding the team to meet the demand of business certification applications. During fiscal year 19, CRIO enhanced the procedures within its certification process to ensure each vendor has at least an one-year residency in Detroit.				Jul-19		

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Finding No.	Program Name/Financial Reporting Internal Control	Finding Type Criteria	Questioned Costs	Contact Person	Condition	Recommendation	Prior Year Response	Corrective Action Plan	Anticipated Completion Date	
2019-004	N/A	Material Weakness	None	Denise Starr Ursula Holland Dave Cetlinski	During the audit of the census data provided to the actuary, several instances of errors were noted in the data or there was missing data that resulted in incomplete information.	<p>We recommend that the City, in conjunction with the Retirement Systems, implement the following processes and controls:</p> <p>Frozen Accrued Benefits (Police and Fire and General Employees Retirement Systems Component II) - As Component II is frozen as of June 30, 2014, a calculation of individuals' frozen accrued benefits for active members should be performed and provided to the actuary. Currently, these calculations have not been performed and the actuary is estimating based on average final compensation (AFC) and sick bank data as of June 30, 2014 provided by the system.</p> <p>Completeness of Census Data (Police and Fire and General Employees Retirement Systems Component I and II) - Based on the testing performed, it was noted some members were either improperly included or excluded from the data sent to the actuary. In addition, some key employee data was missing for members.</p> <p>Active Pay Amount (General Employees Retirement Systems Component I) - The actuary uses an active member's current pay in its calculation for determining a member's estimated future benefit. Based on the testing performed, some discrepancies were noted between the pay information provided to the actuary and pay information from the City.</p> <p>Member Classifications (General Employees Retirement Systems Component I and II) - Based on the testing performed, some members were incorrectly classified between the three statuses (active, deferred, or retired). Incorrect classification leads to inaccurate actuarial calculations being performed on those members.</p> <p>Death Audit (General Employees Retirement Systems Component I and II) - It was noted a death audit was not performed on the deferred members list sent to the actuary. These issues could lead to the pension liability being misstated due to incomplete or inaccurate information.</p> <p>Based on discussions with the actuary and review of the actuarial valuations, it was noted that significant work is performed on the original census provided by the Police and Fire and General Employees Retirement Systems that is ultimately used in the valuations. This includes removing ineligible individuals and reclassifying individuals between the different statuses (active, deferred, retired).</p>	<p>The Retirement System will develop and document a process to ensure accurate information is provided to the actuary. This process includes an application that will compare the pay information received from the City to the information sent to the Actuary. In addition, the System will perform sample testing on data received prior to providing the Actuary.</p>	<p>The Retirement System will develop procedures to ensure the appropriate level review is performed on the census data by the appropriate staff.</p>	Jul-20	
2019-005	N/A	Material Weakness	None	Eric Higgs Katherine Hammer Christa McLellan	The City lacked appropriate reconciliation procedures and overall monitoring of account balances that are necessary for accurate financial reporting during the year. A variety of systems, decentralized staff, and manual procedures are required to compile complete and accurate financial reports which in some cases are not being done in a timely manner during the year. In addition, procedures are not in place to ensure that accounts and funds are reviewed regularly for accuracy and for completeness of all transactions involving the City. There is not a comprehensive system that ensures overall monitoring of each department or funds' general ledger activity both during the year and at year end. Periodic user access reviews to Oracle the City's general ledger software are also not being performed.	<p>The City should develop comprehensive overall monitoring procedures to aid in ensuring that all activity in a fund is complete, accurate and logical throughout the year. This includes assigning an appropriate individual to each general ledger account and/or fund as well as several individuals who would be responsible for the entire general ledger and city financial statements to perform monitoring, analytical analysis, and adjustment as needed. We recommend reconciliations, review, and analysis be performed at least on a monthly basis. In addition, procedures should be in place to ensure all transactions the City is involved in are reflected timely and accurately in the general ledger.</p>	<p>During fiscal year 2018 the OCFO began documenting new policies and procedures for all the major OCFO business process lifecycles. This provided standardized and consistent administration across all OCFO divisions. OCFO has begun implementation of the new standardized policies and procedures in fiscal year 2019. In addition, OCFO established a task team to identify root causes and develop solutions to the findings noted. OCFO also assigned responsible person to each general fund ledger account. In addition, the OCFO is continually working to optimize the functionality of the Oracle Cloud ERP system, which will assist with overall efficiency and productivity.</p>	<p>As part of the Audit Finding Corrective Action Plan (AFCAP) project, the City will look at the root cause of journal entries made following the close of the fiscal year and develop processes and reports to improve reconciliation procedures and overall monitoring. The OCFO staff will systematically review old appropriations, funds and receivables to determine the proper action in accordance with City policy.</p>	Jul-20	
				Beth Niblock Lori Cetlinski	Furthermore, to the extent possible, processes should be automated and a system should be in place to ensure regular user access review of Oracle are performed.	New	OCFO will implement procedures to review user access for all users to determine that the current access is consistent with current job responsibilities and approved access.	Jul-20		

