

# FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

*to all active members & retirees of the  
Policemen and Firemen retirement system  
of the City of Detroit*

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### Independent Auditors' Report

To the Board of Trustees of the Policemen and  
Firemen Retirement System of the City of Detroit:

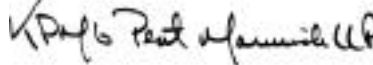
We have audited the statements of plan net assets and the related statements of changes in plan net assets of the City of Detroit Policemen and Firemen Retirement System (the System) as of and for the years ended June 30, 1999 and 1998. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 1999 and 1998 and the results of their operation for the years then ended, in conformity with generally accepted accounting principles.

The schedules of funding progress and employer contributions and the year 2000 information on pages 10 and 13, respectively, are not a required part of the financial statements, but are supplementary information required by the Government Accounting Standards Board, and we did not audit and do not express an opinion on such information. We have applied to the schedules of funding progress and employer contributions certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedules. We were unable to apply certain of these limited procedures to the year 2000 information because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific assurance that the System is or will become Year 2000 compliant, that the System's Year 2000 remediation efforts will be successful, in whole or in part, or that parties with whom the System does business will become Year 2000 compliant.

October 24, 1999





Member Firm of KPMG International

STATEMENT OF NET ASSETS  
AVAILABLE FOR PENSION BENEFITS

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ASSETS	1999	1998
Cash	\$50,374	\$78,952
Investments	3,848,953,063	3,666,303,962
Accrued Investment Income	298,757,985	20,671,756
Contributions Receivable	709,799	1,498,283
Receivables from Investment Sales	32,022,779	30,410,593
Other Accounts Receivable	392,147	416,373
<b>TOTAL ASSETS</b>	<b>\$4,180,886,147</b>	<b>\$3,719,379,919</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Payables for Investment Purchases	367,624,738	73,850,320
Claims Payable to Retirants and Beneficiaries	358,323	1,766,939
Accrued Pension Benefits	0	0
Due to Other Funds	1,650,379	1,503,046
Other Liabilities	3,355,343	3,187,688
<b>TOTAL LIABILITIES</b>	<b>\$372,988,783</b>	<b>\$80,307,993</b>
<b>FUND BALANCES</b>		
<b>Annuity Reserves:</b>		
Annuity Savings Fund	204,687,416	187,363,920
Annuity Reserve Fund	24,096,127	23,332,565
Survivor Benefit Fund	31,990,573	32,587,212
<b>Pension Reserves:</b>		
Pension Accumulation Fund	1,397,028,836	1,127,183,467
Pension Reserve Fund	2,010,560,026	1,955,462,556
Market Stabilization Fund	139,534,386	313,142,206
<b>TOTAL FUND BALANCES</b>	<b>\$3,807,897,364</b>	<b>\$3,639,071,926</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$4,180,886,147</b>	<b>\$3,719,379,919</b>

STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND BALANCES

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	ANNUITY RESERVES		PENSION RESERVES			TOTAL		
	ANNUITY SAVINGS FUND	ANNUITY RESERVE FUND	MARKET VALUE RESERVE	SURVIVOR BENEFIT FUND	PENSION ACCUMULATION FUND	PENSION RESERVE FUND	1999	1998
<b>POLICEMEN &amp; FIREMEN RETIREMENT SYSTEM</b>								
<b>REVENUES:</b>								
City Contributions	\$0	\$0	\$0	\$0	\$15,709,800	\$0	\$15,709,800	\$48,120,578
Members' Contributions	8,375,903	0	0	0	150,335	0	8,526,238	8,628,960
Investment Income-Net	32,131,971	1,782,192	(173,607,820)	2,423,623	318,779,427	146,545,979	328,055,372	545,307,951
<b>TOTAL REVENUES</b>	<b>40,507,874</b>	<b>1,782,192</b>	<b>(173,607,820)</b>	<b>2,423,623</b>	<b>334,639,562</b>	<b>146,545,979</b>	<b>352,291,410</b>	<b>602,057,489</b>
<b>EXPENSES:</b>								
Pension & Annuity Benefits	0	1,120,806	0	3,020,262	0	153,795,704	157,936,772	151,440,096
General & Administrative Expenses	0	0	0	0	3,155,896	0	3,155,896	2,895,137
Refunds	22,287,127	86,177	0	0	0	0	22,373,304	30,323,280
<b>TOTAL EXPENSES</b>	<b>22,287,127</b>	<b>1,206,983</b>	<b>0</b>	<b>3,020,262</b>	<b>3,155,896</b>	<b>153,795,704</b>	<b>183,465,972</b>	<b>184,658,513</b>
<b>Excess (Deficiency) of Revenue</b>								
Over (Under) Expenses	18,220,747	575,209	(173,607,820)	(596,639)	331,483,666	(7,249,725)	168,825,438	417,398,976
Transfers-Net	(897,251)	188,353	0	0	(61,638,297)	62,347,195	0	0
<b>Fund Balances (Deficit) at</b>								
Beginning of Year	187,363,920	23,332,565	313,142,206	32,587,212	1,127,183,467	1,955,462,556	3,639,071,926	3,221,672,950
<b>FUND BALANCES (DEFICIT)</b>								
<b>AT END OF YEAR</b>	<b>\$204,687,416</b>	<b>\$24,096,127</b>	<b>\$139,534,386</b>	<b>\$31,990,573</b>	<b>\$1,397,028,836</b>	<b>\$2,010,560,026</b>	<b>\$3,807,897,364</b>	<b>\$3,639,071,926</b>

