

## INDEPENDENT AUDITORS' REPORT

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

**KPMG** Peat Marwick LLP

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

We have audited, in accordance with generally accepted auditing standards, the Statement of Plan Net Assets and the related Statement of Changes in Plan Net Assets of the City of Detroit Policemen and Firemen Retirement System (the System) as of and for the year ended June 30, 1998; and in our report dated October 23, 1998, we qualified our opinion because sufficient audit evidence does not exist to support disclosures in the financial statements with respect to the Year 2000 issue which is required by Government Accounting Standards Board Technical Bulletin 98-1, Disclosures About Year 2000 Issues:

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding Year 2000 disclosures, the information set forth in the accompanying condensed financial statements (condensed in that such statements do not contain footnote disclosures required by generally accepted accounting principles) is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

The accompanying Statement of Plan Net Assets and the related Statement of Changes in Plan Net Assets of the System as of and for the year ended June 30, 1997 were also audited by us and, in our report dated November 21, 1997, we expressed an unqualified opinion on those financial statements.

October 23, 1998

KPMG

**STATEMENT OF NET ASSETS  
AVAILABLE FOR PENSION BENEFITS**

| ASSETS  | 1998                   | 1997                   |
|---|------------------------|------------------------|
| Cash  | \$78,952               | \$61,305               |
| Investments                                   | 3,666,303,962          | 3,207,608,679          |
| Accrued Investment Income                     | 20,671,756             | 15,094,071             |
| Contributions Receivable                      | 1,498,283              | 2,432,558              |
| Receivables from Investment Sales             | 30,410,593             | 7,047,061              |
| Other Accounts Receivable                     | 416,373                | 447,073                |
| <b>TOTAL ASSETS</b>                           | <b>\$3,719,379,919</b> | <b>\$3,232,690,747</b> |
| <b>LIABILITIES AND FUND BALANCES</b>          |                        |                        |
| Payables for Investment Purchases             | 73,850,320             | 5,279,978              |
| Claims Payable to Retirants and Beneficiaries | 1,766,939              | 4,053                  |
| Accrued Pension Benefits                      | 0                      | 209,649                |
| Due to Other Funds                            | 1,503,046              | 2,944,092              |
| Other Liabilities                             | 3,187,688              | 2,580,025              |
| <b>TOTAL LIABILITIES</b>                      | <b>\$80,307,993</b>    | <b>\$11,017,797</b>    |
| <b>FUND BALANCES</b>                          |                        |                        |
| Annuity Reserves:                             |                        |                        |
| Annuity Savings Fund                          | 187,363,920            | 187,133,575            |
| Annuity Reserve Fund                          | 23,332,565             | 22,424,618             |
| Survivor Benefit Fund                         | 32,587,212             | 33,011,841             |
| Pension Reserves:                             |                        |                        |
| Pension Accumulation Fund                     | 1,127,183,467          | 851,141,169            |
| Pension Reserve Fund                          | 1,955,462,556          | 1,850,496,900          |
| Market Stabilization Fund                     | 313,142,206            | 277,464,847            |
| <b>TOTAL FUND BALANCES</b>                    | <b>\$3,639,071,926</b> | <b>\$3,221,672,950</b> |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>    | <b>\$3,719,379,919</b> | <b>\$3,232,690,747</b> |

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND BALANCES**

|  | ANNUITY RESERVES     |                      |                      |                       | PENSION RESERVES          |                        | TOTAL                  |                        |
|--|----------------------|----------------------|----------------------|-----------------------|---------------------------|------------------------|------------------------|------------------------|
|  | ANNUITY SAVINGS FUND | ANNUITY RESERVE FUND | MARKET VALUE RESERVE | SURVIVOR BENEFIT FUND | PENSION ACCUMULATION FUND | PENSION RESERVE FUND   | 1998                   | 1997                   |
| <b>POLICEMEN &amp; FIREMEN RETIREMENT SYSTEM</b> |                      |                      |                      |                       |                           |                        |                        |                        |
| <b>REVENUES:</b>                                 |                      |                      |                      |                       |                           |                        |                        |                        |
| City Contributions                               | \$0                  | \$0                  | \$0                  | \$0                   | \$48,120,578              | \$0                    | \$48,120,578           | \$54,572,561           |
| Members' Contributions                           | 8,520,745            | 0                    | 0                    | 0                     | 108,215                   | 0                      | 8,628,960              | 8,651,215              |
| Investment Income-Net                            | 22,167,766           | 1,718,100            | 35,677,359           | 2,463,907             | 344,680,339               | 138,600,480            | 545,307,951            | 525,121,070            |
| <b>TOTAL REVENUES</b>                            | <b>30,688,511</b>    | <b>1,718,100</b>     | <b>35,677,359</b>    | <b>2,463,907</b>      | <b>392,909,132</b>        | <b>138,600,480</b>     | <b>602,057,489</b>     | <b>588,344,846</b>     |
| <b>EXPENSES:</b>                                 |                      |                      |                      |                       |                           |                        |                        |                        |
| Pension & Annuity Benefits                       | 0                    | 1,151,038            | 0                    | 2,888,536             | 0                         | 147,400,522            | 151,440,096            | 145,347,527            |
| General & Administrative Expenses                | 0                    | 0                    | 0                    | 0                     | 2,895,137                 | 0                      | 2,895,137              | 3,432,847              |
| Refunds  | 30,063,184           | 260,096              | 0                    | 0                     | 0                         | 0                      | 30,323,280             | 27,824,129             |
| <b>TOTAL EXPENSES</b>                            | <b>30,063,184</b>    | <b>1,411,134</b>     | <b>0</b>             | <b>2,888,536</b>      | <b>2,895,137</b>          | <b>147,400,522</b>     | <b>184,658,513</b>     | <b>176,604,503</b>     |
| Excess (Deficiency) of Revenue                   |                      |                      |                      |                       |                           |                        |                        |                        |
| Over (Under) Expenses                            | 625,327              | 306,966              | 35,677,359           | (424,629)             | 390,013,995               | (8,800,042)            | 417,398,976            | 411,740,343            |
| Transfers-Net                                    | (394,982)            | 600,981              | 0                    | 0                     | (113,971,697)             | 113,765,698            | 0                      | 0                      |
| Fund Balances (Deficit) at                       |                      |                      |                      |                       |                           |                        |                        |                        |
| Beginning of Year                                | 187,133,575          | 22,424,618           | 277,464,847          | 33,011,841            | 851,141,169               | 1,850,496,900          | 3,221,672,950          | 2,809,932,607          |
| <b>FUND BALANCES (DEFICIT)</b>                   |                      |                      |                      |                       |                           |                        |                        |                        |
| <b>AT END OF YEAR</b>                            | <b>\$187,363,920</b> | <b>\$23,332,565</b>  | <b>\$313,142,206</b> | <b>\$32,587,212</b>   | <b>\$1,127,183,467</b>    | <b>\$1,955,462,556</b> | <b>\$3,639,071,926</b> | <b>\$3,221,672,950</b> |