WHAT IS DETROIT HIDING?

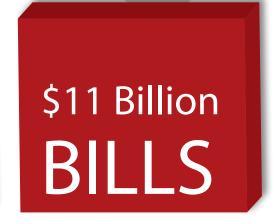**$7 Billion in Hidden Debt**

None of Detroit's retirement debt is clearly disclosed on its balance sheet.

Once these hidden debts are counted, Detroit's balance sheet doesn't look so great. In fact, the city is sinking in debt. One of the reasons Detroit is in this precarious financial position is city officials use antiquated accounting rules to report Detroit's financial condition.

Truth in Accounting's detailed analysis discovered a total of $7 billion of retirement benefits are owed, but not funded. Because of the confusing way the city does its accounting, none of these liabilities are reported on Detroit's balance sheet. If this debt is included, Detroit has a $9 billion shortfall, which effectively represents compensation and other costs that have been pushed into the future.

DETROIT'S BILLS EXCEED ITS ASSETS

$2 Billion
ASSETS

$11 Billion
BILLS

$9 Billion
NEEDED TO PAY BILLS

THE FINANCIAL STATE OF DETROIT

The City's Bills Exceed Its Assets

Assets	$8,962,513,000
Less: Capital Assets	$6,868,077,000
Restricted Assets	$413,441,000
Assets Available to Pay Bills	$1,680,995,000
Less: Bills	$11,175,888,000
Money Needed to Pay Bills	$9,494,893,000
Each Taxpayer's Share of Debt	**$45,200**

Detroit has $9 billion in assets, but most of these assets are not available to pay city bills.

The $7 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of $413 million of the assets is restricted by law or contract.

That leaves $2 billion of city's assets available to pay $11 billion of bills as they come due.

The $9 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's share of the city's debt is $45,200.

The Bills Detroit Has Accumulated

Bonds	$8,187,721,000
Other Liabilities	$1,551,871,000
Less: Debt Related to Capital Assets	$5,355,042,000
Unfunded Pension Benefits	$986,862,000
Unfunded Retirees' Health Care Benefits	$5,804,476,000
Bills	**$11,175,888,000**

Despite the balanced budget requirement, the city has accumulated bonds of $8 billion and other liabilities of $2 billion. The calculation of assets available to pay bills does not include capital assets, so $5 billion of related debt is removed from the calculation of city bills.

Unfunded employees' retirement benefits represent 61% of city bills. These unfunded liabilities have accumulated because city employees have been promised $987 million of pension benefits and $6 billion of retirees' health care benefits, but the city has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Truth in Accounting is committed to educating and empowering citizens with understandable, reliable and transparent government financial information.

We call on governments to truthfully balance their budgets by including all real and certain expenses when incurred not when paid.

To be knowledgeable participants in their government and its budget process, citizens need to be provided with truthful and transparent financial information.

No Retirement Liabilities Are Clearly Disclosed

Unreported Retirement Liabilities	**$7,085,517,000**

A detailed study of Detroit's actuaries' schedules found retirement benefits totaling $7 billion have been promised, but not funded. Instead of reporting this debt on the city's balance sheet determined, the city reports a $294 million retirement assets. This means the city does not report any of the $7 billion of retirement liabilities on its balance sheet.

Data is derived from the city of Detroit's June 30, 2013 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the city's population with a federal tax liability.