
Detroit Public Schools Community District

**Comprehensive Annual Financial Report
with Supplemental Information
June 30, 2018**

Comprehensive Annual Financial Report

Detroit Public Schools Community District

Detroit, Michigan

For the fiscal year ended
June 30, 2018

Board Of Education

Dr. Iris Taylor
President

Angelique Peterson-Mayberry
Vice President

Sonya Mays
Treasurer

Misha Stallworth
Secretary

Deborah Hunter-Harvill
Trustee

Georgia Lemmons
Trustee

LaMar Lemmons
Trustee

Dr. Nikolai Vitti
Superintendent of Schools

As prepared by the Division of Finance

Introductory Section

Letter of Transmittal	i-v
Organization Chart	vii
List of Appointed Officials	viii

Financial Section

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Position	9
Statement of Activities	10

Fund Financial Statements:

Governmental Funds:

Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	14

Proprietary Funds:

Statement of Net Position	15
Statement of Revenue, Expenses, and Changes in Net Position	16
Statement of Cash Flows	17

Fiduciary Funds:

Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19

Notes to Financial Statements	20-38
-------------------------------	-------

Required Supplemental Information 39

Budgetary Comparison Schedule - General Fund	40
Schedule of the School District's Proportionate Share of the Net Pension Liability	41
Schedule of Pension Contributions	42
Schedule of the School District's Proportionate Share of the Net OPEB Liability	43
Schedule of OPEB Contributions	44
Notes to Required Supplemental Information	45

Other Supplemental Information 46

Nonmajor Governmental Funds:

Combining Balance Sheet	47
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	48

Internal Service Funds:

Combining Statement of Net Position	49
Combining Statement of Revenue, Expenses, and Changes in Net Position	50
Combining Statement of Cash Flows	51

Budgetary Comparison Schedule - Nonmajor Governmental Fund	52
--	----

<u>Statistical and Other Information</u>	53
Statistical and Other Information Contents	54
Financial Trend Information	
Net Position by Component	55
Changes in Governmental Net Position	56
Fund Balances, Governmental Funds	57
Changes in Fund Balances, Governmental Funds	58
Comparison of Unassigned General Fund Balance to Expenditures and Other Uses	59
Revenue Capacity Information	
Assessed Value and Estimated Actual Value of Taxable Property	60
Assessed Valuation Data	61
Direct and Overlapping Property Tax Rates	62
Demographic and Economic Information	
Demographic and Economic Statistics	63
Principal Private Employers	64
Principal Property Tax Payers	65
Operating Information	
Operating Statistics	66
Full-time Equivalent District Employees by Type	67
Schedule of Major Insurance Coverage	68
Graduate Information	69
Summary of Buildings and Sites	70-80
Federal Awards Supplemental Information	Issued Under Separate Cover



October 26, 2018

Citizens, Dr. Nikolai Vitti, Superintendent,
and Board of Education
Detroit Public Schools Community District
Detroit, Michigan

We are hereby submitting the Comprehensive Annual Financial Report (CAFR) of the Detroit Public Schools Community District (the "District") for the fiscal year (FY) ended June 30, 2018. State and federal statutes require that the District issue annual financial reports and that such reports be audited by an independent firm of certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report and all appropriate disclosures for the FY ended June 30, 2018 in an effort to provide all interested parties information on the financial condition of the District.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Division of Finance of the Detroit Public Schools Community District. To provide a reasonable basis for making these representations, management of the Detroit Public Schools Community District has established a comprehensive internal control framework that is designed to compile sufficient reliable information for the preparation of the District's financial statements in conformity with generally accepted accounting principles (GAAP). As the cost of internal controls should not outweigh their benefits, the Detroit Public Schools Community District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of all operations of the various government-wide and governmental funds of the District. All disclosures necessary to enable the reader to gain an understanding of the Detroit Public Schools Community District's financial activities have been included.

The District'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 District for the fiscal year ended June 30, 2018 are free of material misstatement. The independent audit consisted of reviewing, 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 financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion, suggesting that the District's financial statements for the FY ended June 30, 2018 are fairly presented in conformity with GAAP.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a listing of the elected and top administrative officials of the District, and the District's administrative organizational chart. The financial section includes the independent auditor's report, management's discussion and analysis, basic financial statements, required supplementary

information, and other supplementary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The basis for preparing the CAFR for the District was first to identify the financial reporting entity exclusive of any potential component units. Potential component units were evaluated to determine whether they should be reported in the District's CAFR. A component unit is considered to be part of the District's reporting entity if it meets the criteria as outlined by the Governmental Accounting Standards Board in Statement No. 14, The Financial Reporting Entity. The CAFR includes all District funds and account groups that are controlled or dependent upon the District's Board of Education. There are no component units included in the District's CAFR.

In addition, in accordance with *Government Auditing Standards*, the District issued the federally mandated single audit, designed to meet the special needs of federal granting agencies. The standards governing single audit engagements require the independent auditor to report on both the fair presentation of the financial statements and on the audited District's internal controls and compliance with legal requirements, especially concerning the administration of federal awards. This report is available separately in the District-issued report on federal awards.

Budgetary Controls

The Superintendent was appointed in May 2017 one month prior to the adoption of the FY2018 Budget. Through the Summer of 2018, the Superintendent and the Office of Management and Budget led a line item review of all revenue and expenditures in the initial FY 2018 budget. Through this process all positions were fully funded and District expenditures were aligned with Strategic Priorities as part of Budget Amendment #1 which was presented to the Board and FRC in October 2018.

The Office of Management and Budget (OMB) initiates the annual budget process each Fall by meeting with Cabinet members to understand new initiatives and priorities for the following fiscal year. During this process OMB works with departments to build out cost estimates for new initiatives and proposals. Those plans are reviewed by the Superintendent and if approved included as part of the department's annual budget.

OMB participates in an annual review of the school staffing model with the Offices of Schools, Curriculum and Instruction, and Human Resources. This annual review determines the type and allocation of positions at schools that will be built in the overall school staffing allocation. Once the school staffing model is finalized, OMB works with the Office of Enrollment to pull actual school winter count data to allocate staff based on actual student enrollment.

OMB uses previous year Fall Count and current year winter count to calculate the projected State Aid (Proposition A and Discretionary Payment) to be received from the State of Michigan based on the projected total number of students.

Afterwards, OMB prepares the projections for the remaining General Purpose revenues (MPERS Rate Stabilization, Revenue Enhancement Millage, Medicaid, etc.) for the upcoming fiscal year. For the remaining funds (Adult Education, Grants, Special Education, Food Service), the respective fund managers provide the revenue projections to OMB.

In a parallel process, Department Heads develop line item budgets based on annual operating expenditures and any one-time initiatives. Through this process OMB meets with staff to review past year expenditures and ensure proper budget estimates for the following year.

OMB combines the individual department line item budgets and the school staffing model to develop the initial budget proposal. This budget proposal is reviewed by the Superintendent, Chief Financial Officer and members of Cabinet. The budget is reviewed to ensure a balanced budget with contingency and alignment with District initiatives and priorities. Department Heads present their line item requests to the Superintendent for review.

Upon approval from the Superintendent, OMB compiles the final department line item budgets and school staffing model into the budget proposal which is presented for approval to the School Board and Financial Review Commission. Upon approval the budget is loaded into PeopleSoft for implementation.

OMB prepares at least two budget amendments during the year, once in late Fall to account for actual Fall Count Day enrollment and then in June to ensure budget aligns to actual expenditures. Additional amendments are presented if material changes to the District's budget occur.

Profile of the Detroit Public Schools Community District

On June 21, 2016, Public Act 192 of 2016 ("Act 192") amended the Revised School Code, 1976 PA 451, as amended, MCL 380.1 to 380.1853 was enacted to immediately effect the School District of the City of Detroit ("DPS") to become a qualifying school district under section 12b of the Code, MCL 380 12b. Detroit Public Schools Community District (hereinafter "DPSCD" or the "District"), was created for the same geographic area of DPS to provide public educational services for residents of that geographic area under section 383 of the Code, MCL 380.383. DPS was dissolved except for the limited purposes of repayment of debt, satisfaction of liabilities from legal claims filed before July 1, 2016, and protection of the credit of the State and of its school districts. Pursuant to Section 6(1) of public Act 181 of 2014, the Michigan Financial Review Commission Act was amended in March of 2016 to include the soon to be created DPSCD to provide oversight on financial matters.

The District encompasses an area of approximately 140 square miles, and is located within the City of Detroit, Wayne County, Michigan. Although the corporate boundaries of the District are coterminous with the corporate boundaries of the City of Detroit, the District is a totally separate governmental unit.

Detroit Public Schools Community District is the largest public-school system in Michigan. The District is one of the largest employers in Detroit, employing 6,743 employees (full-time equivalents).

Refer to Note I *Nature of Business* for more information regarding the reporting entity.

Profile of the City of Detroit

The City of Detroit is in Southeastern Michigan, incorporated in 1806, currently occupies a land area of approximately 140 squares miles and, according to the 2017 census estimate, serves a population of 673,104. The City of Detroit is the State of Michigan's largest city and accounts for nearly half of Wayne County's population.

Economic and Geographic Makeup

The District is in the major urban city of Detroit, which has an estimated population of 673,104 inhabitants based on the U.S. Census Bureau's 2017 estimates. Downtown Detroit has a strong and growing residential population that will provide a strong base for future development. According to the 2017 U.S. Census Bureau estimates, the City has 256,985 households with a median family income of \$26,249, and a poverty rate of 39.4 percent for individuals. The survey estimates that the Detroit population is made up of approximately 47.3 percent males and 52.7 percent females.

National economic factors have a direct impact on the employment rate within the city limits. The Bureau of Labor Statistics indicates that the unemployment rate for the City of Detroit is 4.6 percent while the national unemployment rate was 3.7 percent and the State of Michigan had a rate of 3.9 percent. Continued focus has been placed on educational training for students as well as adults within the City of Detroit to reduce the City's unemployment rate and provide enhanced opportunities for its residents.

The City of Detroit continues to experience economic resurgence through real estate and commerce developments along the Woodward Corridor including the redevelopment by Bedrock ventures of the Hudson site, continued expansion commercial and entertainment businesses around the Little Caesars Arena to the recent investment by Ford Motor Company in the Detroit Train Station.

About the Detroit Public Schools Community District

The District is divided into geographically defined configurations. Each configuration has administrative responsibility for the elementary, middle, and high schools located within its boundaries, which include regular, special education, vocational/technical, and alternative programs.

The District has 106 schools, consisting of 18 elementary schools, 51 K-8 schools, three middle schools, one middle/high school, 20 high schools, two K-12 school, seven special education, three career technical and vocational centers, and one alternative education school. These locations provide services to over 50,000 students.

Of the District's total operating expenditures of approximately \$633 million, 51 percent or approximately \$324 million, was spent on instruction for the year ended June 30, 2018. When pupil and instructional expenditures are included, the total spent on instruction related activities climbs to approximately 68 percent.

Included in the footprint of the District are nearly 100 charter schools. Charter schools are funded on the same basis as traditional school districts in Michigan – receiving a foundation allowance. However, they are not able to levy taxes, which means the State of Michigan provides 100% of their funding, rather than a shared commitment between residents of the City and the State.

The District is focused on improving educational opportunities for all students of Detroit through our Blueprint 2020. We have seen an increase in student enrollment in FY 18 and in FY 19 enrollment maintained the increases from the previous year. The District will launch new schools in FY 2019 including a new partnership with Kresge Foundation, University of Michigan to create a K-12 school on the Marygove campus. Additionally, the District is partnering to open Detroit Latin. The District believes that these new schools in combination with efforts to improve curriculum and provide additional resources to traditional District schools will result in continued increase in student enrollment.

BLUEPRINT 2020

The School District's mission is to education and empower every student, in every community, every day to build a strong Detroit. In 2017, the District has established a strategic plan, BluePrint 2020, which outlines the process for rebuilding Detroit's Public Schools Community District. The strategic plan outlines the Districts priorities:

1. Outstanding Achievement – Dramatically improve the academic experience of all students ensure they are college and career ready.
2. Transformative Culture – Transform our culture so that students, families, community members, and staff feel safe, respected, and connected.

3. Whole Child Commitment – Champion a whole child approach that unlocks students’ full potential.
4. Exceptional Talent – Build an excellent team of dedicated staff to serve our students.
Responsible Stewardship – Manage and deploy our resources responsibly, transparently, and equitably to support our students’ success.

Financial Planning, Policies and Future Financial Outlook

The entire School District is committed to maintaining a fiscally sound organization and balancing the available resources with the needs of the District to serve its students at the highest level possible. The financial policies of the District have been and are continually being revised to strengthen controls, streamline operations and standardize procedures.

FY 18 marks the second consecutive year the District had a positive fund balance. This trend is projected to continue in FY 19. The School Board created a “Rainy Day” Fund which will be kept in reserve and a Capital Projects Fund to begin investments in capital projects across the District.

An independent assessment of District facilities concluded District facilities require \$500 million of investments to bring them up to 2020 standards. This cost will grow to \$1.3 billion in the next five years as building systems are scheduled to need replacement.

While the District can make minor investments in capital repairs with one-time operating surplus, the District does not have access to the capital markets to borrow funds to address the current capital requirements.

Accomplishments and Acknowledgements

Acknowledgments

The preparation of this report was accomplished through the commitment, dedication, and tireless effort of the entire Division of Finance. We would also like to extend our thanks to other District and non-district personnel who assisted in the preparation of this report.

Respectfully submitted,

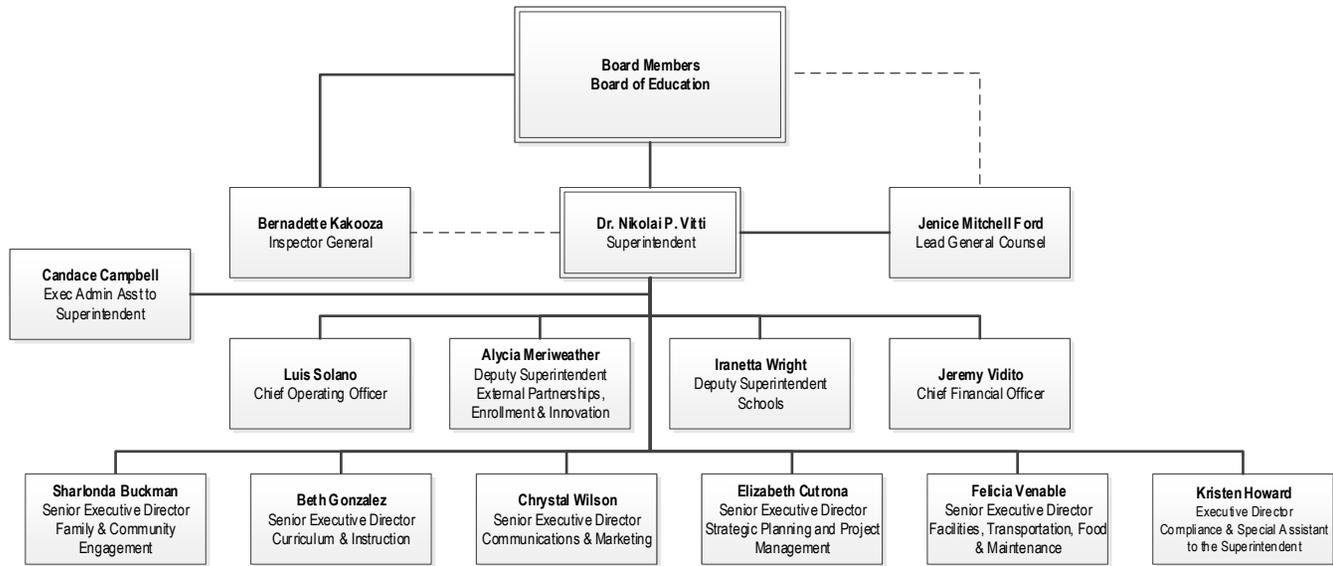


Jeremy Vidito
Chief Financial Officer



Arthur Jackson
Executive Director of the Business Office

DPSCD Organizational Chart



June 30, 2018

Board of Education

President	Dr. Iris Taylor
Vice President	Angelique Peterson-Mayberry
Treasurer	Sonya Mays
Secretary	Misha Stallworth
Member	Deborah Hunter-Harvill
Member	Georgia Lemmons
Member	LaMar Lemmons

Cabinet

Superintendent	Dr. Nikolai P. Vitti
Chief General Counsel	Jenice Mitchell Ford
Deputy Superintendent External Partnerships, Enrollment & Innovation	Alycia Meriweather
Chief Operating Officer	Luis Solano
Chief Financial Officer	Jeremy Vidito
Deputy Superintendent Schools	Iranetta Wright
Senior Executive Director Family & Community Engagement	Sharlonda Buckman
Senior Executive Director Strategic Planning and Project Management	Elizabeth Cutrona
Senior Executive Director Curriculum & Instruction	Beth Gonzalez
Senior Executive Director Communications & Marketing	Chrystal Wilson
Senior Executive Director Facilities, Transportation, Food & Maintenance	Felicia Venable
Executive Director Compliance & Special Assistant to the Superintendent	Kristen Howard

Independent Auditor's Report

To the Board of Education
Detroit Public Schools Community District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and aggregate remaining fund information of Detroit Public Schools Community District (the "School District") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise Detroit Public Schools Community District'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 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.

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and aggregate remaining fund information of Detroit Public Schools Community District as of June 30, 2018 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The School District's unrestricted net position has been restated as of July 1, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

To the Board of Education
Detroit Public Schools Community District

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as identified 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 an opinion on the financial statements that collectively comprise Detroit Public Schools Community District's basic financial statements. The other supplemental information, as identified in the table of contents, introductory section, and statistical section schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, 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, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical schedules 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 October 26, 2018 on our consideration of Detroit Public Schools Community District'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 Detroit Public Schools Community District's internal control over financial reporting and compliance.



October 26, 2018

This section of Detroit Public Schools Community District's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Detroit Public Schools Community District financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, with all other funds presented in one column as nonmajor funds. The School District has also established a proprietary Internal Service Fund, primarily to account for certain insurance obligations and legal commitments. The remaining statements, the statement of fiduciary net position and statement of changes fiduciary net position, present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. This report is composed of the following elements:

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for Major Fund

Schedules of the School District's Proportionate Share of the Net Pension and OPEB Liabilities

Schedules of Pension and OPEB Contributions

Other Supplemental Information

Detroit Public Schools Community District

Management's Discussion and Analysis (Continued)

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as restricted dollars designated for certain purposes).

Governmental Funds

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the 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 School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

Proprietary Funds

Proprietary fund reporting focuses on the economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services it provides to other funds. The School District established a proprietary fund, specifically the Internal Service Fund, to finance specific services provided to other funds of the School District on a cost-reimbursement basis. The specific services represent certain insurance and legal obligations.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the fiduciary for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Detroit Public Schools Community District

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2018 and 2017:

	Governmental Activities	
	2018	2017
	(in millions)	
Assets		
Current and other assets	\$ 348.6	\$ 258.0
Capital assets	1,213.9	1,264.9
Total assets	1,562.5	1,522.9
Deferred Outflows of Resources	199.7	132.3
Liabilities		
Current liabilities	157.2	126.7
Noncurrent liabilities	24.5	26.7
Net pension liability	838.1	844.6
Net OPEB liability	286.3	-
Total liabilities	1,306.1	998.0
Deferred Inflows of Resources	196.8	158.9
Net Position		
Net investment in capital assets	1,213.9	1,264.9
Restricted	24.3	17.1
Unrestricted	(978.9)	(783.7)
Total net position	<u>\$ 259.3</u>	<u>\$ 498.3</u>

The above analysis focuses on net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$259.3 million at June 30, 2018. Net investment in capital assets totaling \$1,213.9 million compares the original cost, less depreciation of the School District's capital assets. Restricted net position is reported separately to show legal constraints from legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position (\$(978.9) million) was unrestricted.

The \$(978.9) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

Detroit Public Schools Community District

Management's Discussion and Analysis (Continued)

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2018 and 2017:

	Governmental Activities	
	2018	2017
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 5.9	\$ 3.9
Operating grants	341.1	316.8
General revenue:		
State aid not restricted to specific purposes	353.0	310.3
Other	23.1	22.5
Total revenue	723.1	653.5
Expenses		
Instruction	330.2	289.9
Support services	294.1	267.2
Athletics	2.0	3.0
Food services	34.7	38.4
Community services	5.5	3.7
Loss on sale of assets	-	2.5
Depreciation expense (unallocated - exclusive of direct charge)	19.1	18.7
Total expenses	685.6	623.4
Special Item	15.2	468.2
Change in Net Position	52.7	498.3
Net Position - Beginning of year	498.3	-
Cumulative Effect of Change in Accounting	(291.7)	-
Net Position - Beginning of year	206.6	-
Net Position - End of year	\$ 259.3	\$ 498.3

As reported in the statement of activities, the cost of all of our governmental activities this year was \$685.6 million. Certain activities were partially funded from those who benefited from the programs (\$5.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$341.1 million). We paid for the remaining "public benefit" portion of our governmental activities with \$353.0 million in state foundation allowance and with our other revenue.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

Detroit Public Schools Community District

Management's Discussion and Analysis (Continued)

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$164.7 million, which is an increase of \$68.6 million from last year. The primary reasons for the increase relate to the School District's continued efforts to post and fill open positions. Since not all positions were able to be filled, although many were, the expenditures are less than anticipated. The School District treats the fund balance increase as a temporary measure since many efforts continue to attract additional staff to the School District.

In the General Fund, our principal operating fund, the fund balance increased \$62.0 million to \$141.0 million. The change is mainly due to the staffing items mentioned above, which should be corrected over time.

In the Food Service Fund, our only special revenue fund, the fund balance increased from \$14.9 million last year to \$22.1 million this year as a result of certain expenditures being reimbursed by the General Fund and our efficient operation, which allows for costs to be less than the per meal reimbursements received from the government. The School District has an operational spending plan to utilize some of the Food Service Fund fund balance in the coming year.

The School District has two capital project funds, which have a combined fund balance of \$1.5 million, which is a decrease of \$0.7 million from last year. This decrease is primarily due to an operating deficit in the newly established Capital Projects Fund.

Combining General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2018. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were significant revisions made to the 2017-2018 Combining General Fund original budget. Budgeted revenue was decreased \$25.0 million due to reductions in expected federal and local revenue based on actual grant year spending.

Budgeted expenditures were also decreased \$79.2 million to account for the decrease in salaries and purchased professional services resulting from the School District's revised operating plan due to staffing vacancies and reduction in purchased services.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the School District had \$1,213.9 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$51.0 million, or 4.0 percent, from last year.

	Governmental Activities	
	2018	2017
Land	\$ 55,508,814	\$ 55,508,814
Buildings and improvements	1,104,613,904	1,148,020,591
Furniture and equipment	21,808,381	24,866,232
Buses and other vehicles	290,353	279,641
Land improvements	31,697,073	36,245,181
Total capital assets - Net of accumulated depreciation	\$ 1,213,918,525	\$ 1,264,920,459

Detroit Public Schools Community District

Management's Discussion and Analysis (Continued)

There were no significant additions in the current year; however, several major capital projects are planned for the 2018-2019 fiscal year. We anticipate capital additions will be approximately \$19.0 million greater than this year. We present more detailed information about our capital assets in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2018-2019 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2018-2019 budget was adopted in June 2018 based on an estimate of students who will enroll in September 2018. Approximately 56.4 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2018 school year, we anticipate that the fall student count will be close to the estimates used in creating the FY 2019 budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District. The State periodically holds a revenue estimating conference to estimate revenue. Based on the results of the most recent conference, the State estimates providing the School District with additional funding of \$236 per pupil.

During 2018, the School District settled a labor contracts with six of the seven labor groups represented by the School District's workforce. The financial impact on operations was included within the FY 2018 budget and is included in the adopted FY 2019 budget. The increases for unions were in line with a 3 percent overall increase for the unit in the combination of bonuses and salary increase. The School District reached an agreement with DFT to recognize internal and external teaching experience for current employees and new hires to make our salaries more competitive for teachers.

Contacting the School District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact 313-973-4149.

Detroit Public Schools Community District

Statement of Net Position

June 30, 2018

Governmental
Activities

Assets

Cash and investments (Note 4)	\$ 173,271,967
Receivables:	
Land contract and other receivables	2,116,402
Due from other governments	145,327,026
Prepaid costs and other assets	3,852,965
Restricted assets - Cash and investments (Note 4)	23,968,881
Capital assets: (Note 6)	
Assets not subject to depreciation	55,508,814
Assets subject to depreciation - Net	1,158,409,711
Total assets	1,562,455,766

Deferred Outflows of Resources

Deferred pension costs (Note 11)	183,725,338
Deferred OPEB costs (Note 11)	15,980,124
Total deferred outflows of resources	199,705,462

Liabilities

Accounts payable	40,567,242
Due to other governmental units	17,468,432
Accrued liabilities and other	63,547,998
Unearned revenue	15,475,377
Accrued TIP obligation	20,061,923
Noncurrent liabilities:	
Due within one year (Note 8)	2,923,380
Due in more than one year (Note 8)	21,561,303
Net pension liability (Note 11)	838,120,461
Net OPEB liability (Note 11)	286,320,154
Total liabilities	1,306,046,270

Deferred Inflows of Resources

Revenue in support of pension contributions made subsequent to measurement (Note 11)	32,816,177
Deferred pension cost reductions (Note 11)	154,308,891
Deferred OPEB cost reductions (Note 11)	9,679,708
Total deferred inflows of resources	196,804,776

Net Position

Net investment in capital assets	1,213,918,525
Restricted:	
Capital projects	2,247,562
Food service	22,120,635
Unrestricted	(978,976,540)
Total net position	<u><u>\$ 259,310,182</u></u>

Detroit Public Schools Community District

Statement of Activities

Year Ended June 30, 2018

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 330,239,944	\$ -	\$ 298,104,723	\$ (32,135,221)
Support services	294,093,879	-	2,367,076	(291,726,803)
Athletics	1,961,266	-	-	(1,961,266)
Food services	34,689,187	480,297	40,630,342	6,421,452
Community services	5,528,566	5,457,502	-	(71,064)
Depreciation expense (unallocated - exclusive of direct charge)	19,056,838	-	-	(19,056,838)
Total primary government	\$ 685,569,680	\$ 5,937,799	\$ 341,102,141	(338,529,740)
General revenue:				
State aid not restricted to specific purposes				353,003,900
Interest and investment earnings				130,020
Other				22,910,068
Total general revenue				376,043,988
Special Item (Note 14)				15,188,659
Change in Net Position				52,702,907
Net Position - Beginning of year, as previously reported				498,302,798
Cumulative Effect of Change in Accounting				(291,695,523)
Net Position - Beginning of year				206,607,275
Net Position - End of year				\$ 259,310,182

Detroit Public Schools Community District

Governmental Funds Balance Sheet

June 30, 2018

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and investments (Note 4)	\$ 129,459,872	\$ -	\$ 129,459,872
Receivables:			
Land contract and other receivables	2,116,402	-	2,116,402
Due from other governments	142,542,506	2,784,520	145,327,026
Due from other funds (Note 7)	2,184,792	21,721,319	23,906,111
Prepaid costs and other assets	3,852,965	-	3,852,965
Restricted assets - Cash and investments (Note 4)	21,721,319	2,247,562	23,968,881
	<u>\$ 301,877,856</u>	<u>\$ 26,753,401</u>	<u>\$ 328,631,257</u>
Total assets			
Liabilities			
Accounts payable	\$ 37,544,882	\$ 2,972,232	\$ 40,517,114
Due to other governmental units	17,468,432	-	17,468,432
Due to other funds (Note 7)	21,771,447	-	21,771,447
Accrued liabilities and other	63,443,867	104,131	63,547,998
Unearned revenue (Note 5)	15,436,044	39,333	15,475,377
	<u>155,664,672</u>	<u>3,115,696</u>	<u>158,780,368</u>
Total liabilities			
Deferred Inflows of Resources - Unavailable revenue (Note 5)	<u>5,177,955</u>	<u>-</u>	<u>5,177,955</u>
Total liabilities and deferred inflows of resources	160,842,627	3,115,696	163,958,323
Fund Balances			
Nonspendable - Prepays	3,852,965	-	3,852,965
Restricted:			
Capital projects	-	2,247,562	2,247,562
Food service	-	22,120,635	22,120,635
Assigned - Transitional funding	16,466,398	-	16,466,398
Unassigned	120,715,866	(730,492)	119,985,374
	<u>141,035,229</u>	<u>23,637,705</u>	<u>164,672,934</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 301,877,856</u>	<u>\$ 26,753,401</u>	<u>\$ 328,631,257</u>

Detroit Public Schools Community District

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

Fund Balances Reported in Governmental Funds	\$ 164,672,934
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	2,166,895,369
Accumulated depreciation	<u>(952,976,844)</u>
Net capital assets used in governmental activities	1,213,918,525
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	5,177,955
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(7,626,933)
Net pension liability and related deferred inflows and outflows	(808,704,014)
Retiree healthcare benefits	(280,019,738)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	(32,816,177)
Internal service funds are included as part of governmental activities	<u>4,707,630</u>
Net Position of Governmental Activities	<u><u>\$ 259,310,182</u></u>

Detroit Public Schools Community District

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

Year Ended June 30, 2018

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenue			
Local sources	\$ 28,540,208	\$ 545,993	\$ 29,086,201
State sources	484,209,873	1,198,692	485,408,565
Federal sources	131,731,039	40,630,342	172,361,381
Interdistrict sources	37,682,585	-	37,682,585
Total revenue	682,163,705	42,375,027	724,538,732
Expenditures			
Current:			
Instruction	324,114,333	-	324,114,333
Support services	299,590,917	847,478	300,438,395
Athletics	1,996,288	-	1,996,288
Food services	-	34,591,200	34,591,200
Community services	4,047,594	-	4,047,594
Capital outlay	3,366,622	511,735	3,878,357
Total expenditures	633,115,754	35,950,413	669,066,167
Excess of Revenue Over Expenditures	49,047,951	6,424,614	55,472,565
Other Financing Sources (Uses)			
Transfers in (Note 7)	1,779,586	-	1,779,586
Transfers out (Note 7)	-	(1,779,586)	(1,779,586)
Total other financing sources (uses)	1,779,586	(1,779,586)	-
Special Item (Note 14)	11,244,572	1,855,428	13,100,000
Net Change in Fund Balances	62,072,109	6,500,456	68,572,565
Fund Balances - Beginning of year	78,963,120	17,137,249	96,100,369
Fund Balances - End of year	\$ 141,035,229	\$ 23,637,705	\$ 164,672,934

Detroit Public Schools Community District

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

Year Ended June 30, 2018

Net Change in Fund Balances Reported in Governmental Funds	\$ 68,572,565
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:	
Capitalized capital outlay	843,545
Depreciation expense	<u>(53,934,138)</u>
Total	(53,090,593)
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	(3,645,893)
Revenue in support of pension contributions made subsequent to the measurement date	(7,302,882)
Some employee costs (pension, OPEB, compensated absences, and self-insured claims) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	48,483,061
Capital assets transferred in from EAA	2,088,659
Internal service funds are included as part of governmental activities	<u>(2,402,010)</u>
Change in Net Position of Governmental Activities	<u>\$ 52,702,907</u>

Detroit Public Schools Community District

**Proprietary Funds
Statement of Net Position**

June 30, 2018

	<u>Internal Service Funds</u>
Assets - Cash and investments	\$ 43,812,095
Liabilities	
Current liabilities:	
Due to other funds (Note 7)	2,184,792
Accrued TIP obligation	20,061,923
Self-insurance claims	1,100,884
Legal reserve	<u>544,838</u>
Total current liabilities	23,892,437
Noncurrent liabilities - Self-insurance claims	<u>15,212,028</u>
Total liabilities	<u>39,104,465</u>
Net Position	<u><u>\$ 4,707,630</u></u>

Detroit Public Schools Community District

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

Year Ended June 30, 2018

	<u>Internal Service Funds</u>
Operating Revenue - Charges for services	\$ 3,659,175
Operating Expenses - Payments and changes in estimates	<u>170,332</u>
Operating Income	3,488,843
Nonoperating Revenue - Interest and earnings received on investments	<u>843,597</u>
Change in Net Position	4,332,440
Net Position - Beginning of year, as previously reported	7,109,640
Cumulative Effect of Change in Accounting	<u>(6,734,450)</u>
Net Position - Beginning of year	<u>375,190</u>
Net Position - End of year	<u><u>\$ 4,707,630</u></u>

Detroit Public Schools Community District

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2018

	<u>Internal Service Funds</u>
Cash Flows from Operating Activities	
Charges for services	\$ 3,659,175
Payments and changes in estimates	<u>(9,144,580)</u>
Net cash and investments used by operating activities	(5,485,405)
Cash Flows Provided by Investing Activities - Interest and earnings received on investments	<u>843,597</u>
Net Decrease in Cash and Investments	(4,641,808)
Cash and Investments - Beginning of year	<u>48,453,903</u>
Cash and Investments - End of year	<u>\$ 43,812,095</u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 3,488,843
Adjustments to reconcile operating income to net cash from operating activities -	
Changes in assets and liabilities:	
TIP obligation	(1,617,596)
Self-insurance claims	(1,545,061)
Legal reserve	(754,162)
Due to other funds	(1,278,450)
Due to DPS for reimbursements	<u>(3,778,979)</u>
Total adjustments	<u>(8,974,248)</u>
Net cash and investments used in operating activities	<u>\$ (5,485,405)</u>

Detroit Public Schools Community District

Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2018

	Private Purpose Trusts	Agency Funds
Assets		
Cash and investments (Note 4)	\$ 506,268	\$ 1,638,554
Due from other funds (Note 7)	50,128	-
Total assets	556,396	<u><u>\$ 1,638,554</u></u>
Liabilities		
Accounts payable	42,055	\$ -
Due to student groups	-	1,638,554
Total liabilities	42,055	<u><u>\$ 1,638,554</u></u>
Net Position	<u><u>\$ 514,341</u></u>	

Detroit Public Schools Community District

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2018

	<u>Private Purpose Trusts</u>
Additions - Interest	\$ 11,236
Deductions	<u>-</u>
Net Increase	11,236
Net Position - Beginning of year	<u>503,105</u>
Net Position - End of year	<u><u>\$ 514,341</u></u>

June 30, 2018

Note 1 - Nature of Business

Detroit Public Schools Community District (the "School District" or DPSCD) is a school district in the state of Michigan that provides educational services to students. Effective July 1, 2016, the Michigan Legislature approved a set of bills to restructure Detroit Public Schools (DPS). The bills effectively split the School District into two entities, Detroit Public Schools and Detroit Public Schools Community District. The bills include a funding package totaling \$617 million. DPS continues to exist for the purpose of collecting 18 mills of property taxes on nonhomestead properties, which are authorized to be assessed and collected through 2022. The tax revenue from the 18 mills will be used to pay down the certain remaining obligations of DPS, as negotiated with the Michigan Department of Treasury.

DPSCD holds the school buildings and all the assets and employee liabilities that are not specifically left in DPS, and is responsible for overseeing the daily operations of the schools, primarily focused on student education. The students, employees, contracts, employee benefits, and assets transferred to DPSCD when it was established. Once DPS' allocated debt has been discharged, DPS will dissolve. As part of the funding package that created DPSCD, certain funds were to be transferred from DPS to pay for transitional costs, as well as certain operational support items.

In addition to the transitional funds provided, DPSCD will collect the full foundation allowance for the students of the School District. Additionally, as part of the restructuring package, control of DPSCD was returned to a seven-member locally elected school board in January 2017. The administration also reports activity associated with DPSCD to the Financial Review Commission, an independent body that provides additional oversight during the term of the financial restructuring.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the School District:

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, claims and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

Note 2 - Significant Accounting Policies (Continued)

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, and capital project funds. The School District's only major fund is the General Fund, which is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The School District's only special revenue fund is the Food Service Fund. Any operating deficit generated by these activities is the responsibility of the General Fund.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, technology upgrades, and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished. The School District has the 1994 School Building Site Improvements Bond Series V, which was transferred to DPSCD upon the new district's formation. The School District also established a new Capital Projects Fund in 2018, which is to be used to set aside funds for future capital improvements.

Proprietary Funds

The School District has three internal service funds that serve different purposes:

- *Termination Incentive Program Fund* - This fund was established to process payments to employees as they separate from service, based on an agreement previously prescribed between DPS and certain employees. A one-time transfer of funds was made from DPS to DPSCD which was equal to the non-present value of the remaining obligation at July 1, 2016.
- *Workers Compensation and Health Fund* - This fund was established to service the School District's obligations related to self-insured workers' compensation claims and self-insured health insurance claims. Current obligations are paid for by the General Fund through charges for service on an annual basis, based on expected claims each year.
- *Legal Reserve Fund* - This fund was established to service the School District's obligations that arise from legal claims or judgements. Current obligations will be provided by the DPSCD General Fund on a cost-reimbursement basis for future legal claims.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the School District's programs. The School District maintains a student activity agency fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Note 2 - Significant Accounting Policies (Continued)

The School District also maintains a Private Purpose Trust Fund, which is used to account for resources legally held in trust, including contributions received by the School District to be awarded in the form of scholarships.

Interfund Activity

During the course of operations, the School District 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.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the School District's water and sewer function and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Note 2 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value except for investments in the Michigan Liquid Asset Fund (MILAF), which are valued at amortized cost. Investment income is recorded in the fund for which the investment income account was established.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Restricted Assets

The unspent bond proceeds and related interest on 1994 School Building Site Improvement Bonds Series V, which were transferred from DPS to DPSCD, are required to be set aside for future capital project expenditures. The unspent program income earned by the Food Service Fund is required to be set aside for food services. In addition, the portion of General Fund cash and investments that relates to General Fund interfund payables to the Food Service Fund represents cash collected on behalf of those funds that has yet to be distributed to those funds; therefore, these amounts have been classified as restricted assets.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

	Depreciable Life - Years
	<hr/>
Buildings and improvements	20 to 50
Furniture and equipment	5 to 20
Buses and other vehicles	5 to 10

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.

The School District reports deferred outflows related to the deferred charges for the unfunded pension and OPEB benefit obligations.

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.

Note 2 - Significant Accounting Policies (Continued)

The School District reports deferred inflows related to revenue in support of pension and OPEB payments made subsequent to the measurement date and deferred pension and OPEB cost reductions.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School District's assigned fund balance relates to intent to spend resources on specific purposes. The assignment related to transitional funding is directed by the legislation that created the School District.

Grants and Contributions

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Note 2 - Significant Accounting Policies (Continued)

Pension and Other Postemployment Benefit (OPEB) Plan

For the purpose of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

It is the School District's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. These amounts are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. 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 are charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services, administrative expenses, and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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.

Adoption of New Accounting Pronouncement

As of June 30, 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System (MPERS). The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

In accordance with the statement, the School District has reported a net OPEB liability of \$302,004,331, deferred outflows of financial resources for OPEB contributions of \$19,802,779 made subsequent to the measurement date, and deferred inflows of financial resources for revenue received from State Aid in support of OPEB contributions of \$9,493,971 that was received subsequent to the measurement date, as the effects of these changes in accounting principles on the School District's net position as of July 1, 2017.

Note 2 - Significant Accounting Policies (Continued)

In accordance with the statement, the School District also has reported a net TIP liability of \$21,042,500. This required an adjustment to the TIP fund net position of \$6,734,450, which has been recorded as change in accounting principles on the School District's TIP fund net position as of July 1, 2017.

Upcoming Accounting Pronouncements

In January 2017, the 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 School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District'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 School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2021.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were significant amendments during the year that are further discussed in the management's discussion and analysis.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the School District incurred expenditures in the General Fund that were in excess of the amounts budgeted, as follows:

	Budget	Actual
Support - Business office	\$ 9,204,992	\$ 10,206,870
Community services	1,626,964	4,047,594

Fund Deficits

For the year ended June 30, 2018, the School District had a deficit net position in the Capital Projects Fund. The School District intends to correct this by making a transfer from the General Fund in fiscal year 2019.

Note 3 - Stewardship, Compliance, and Accountability (Continued)

Capital Projects Fund Compliance

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For current year activity of the 1994 Building Site Improvement Bonds Series V, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Note 4 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated three banks for the deposit of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost (except there is a one-day minimum investment period), and investments may not be for at least 14 calendar days with the exception of direct investments of funds distributed by the State of Michigan. Redemptions made prior to the end of the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount so redeemed.

The School District'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 a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District had \$156,629,114 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District 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 School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. At June 30, 2018, the School District does not have investments with custodial credit risk.

Note 4 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements. At year end, the School District did not hold any investments with maturity dates.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
MILAF+ Cash management Class	\$ 11,620,833	AAAm	S&P
MILAF+ Max Class	<u>38,509,543</u>	AAAm	S&P
Total	<u><u>\$ 50,130,376</u></u>		

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. All investments held at year end are reported in the schedule above.

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 School District's investment policy prohibit investments in foreign currency.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. The majority of unavailable revenue relates to federal grant funding not yet received.

Unearned revenue relates to certain state and local grants where funding, primarily Section 31a At-Risk funding, which was received in advance of programs being offered or completed. Additionally, there is unearned revenue related to cell tower leases whereby the lessors prepaid the lease payments in a previous year. The cell tower lease revenue is earned monthly over a period of 15-20 years.

At June 30, 2018, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Land contract receivable	\$ 2,082,561	\$ -
Grant and categorical aid payments not received until subsequent to 60 days after year end	3,095,394	-
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	12,026,651
Cell tower leases	-	3,448,726
Total	<u>\$ 5,177,955</u>	<u>\$ 15,475,377</u>

Note 6 - Capital Assets

Capital asset activity of the School District's activities was as follows:

	Balance July 1, 2017	Additions	Transfers from EAA	Balance June 30, 2018
Capital assets not being depreciated - Land	\$ 55,508,814	\$ -	\$ -	\$ 55,508,814
Capital assets being depreciated:				
Buildings and improvements	1,784,887,711	114,839	10,041,004	1,795,043,554
Machinery and other equipment	208,449,225	428,616	2,712,640	211,590,481
Vehicles	2,542,371	95,271	-	2,637,642
Land improvements	101,910,059	204,819	-	102,114,878
Subtotal	<u>2,097,789,366</u>	<u>843,545</u>	<u>12,753,644</u>	<u>2,111,386,555</u>
Accumulated depreciation:				
Buildings and improvements	636,867,120	44,532,607	9,029,922	690,429,649
Machinery and other equipment	183,582,993	4,564,045	1,635,063	189,782,101
Vehicles	2,262,730	84,559	-	2,347,289
Land improvements	65,664,878	4,752,927	-	70,417,805
Subtotal	<u>888,377,721</u>	<u>53,934,138</u>	<u>10,664,985</u>	<u>952,976,844</u>
Net capital assets being depreciated	<u>1,209,411,645</u>	<u>(53,090,593)</u>	<u>2,088,659</u>	<u>1,158,409,711</u>
Net governmental activities capital assets	<u>\$ 1,264,920,459</u>	<u>\$ (53,090,593)</u>	<u>\$ 2,088,659</u>	<u>\$ 1,213,918,525</u>

Note 6 - Capital Assets (Continued)

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

Governmental activities:	
Instruction	\$ 29,042,539
Support services	3,394,862
Community services	36,640
Food services	873,945
Athletics	1,529,314
Unallocated	<u>19,056,838</u>
Total governmental activities	<u>\$ 53,934,138</u>

Depreciation expense was unallocated whereby the School District considers its assets to impact multiple activities and allocation is not practical.

At year end, the School District has no significant construction commitments with contractors.

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From		
	General Fund	Internal Service Funds	Total
General Fund	\$ -	\$ 2,184,792	\$ 2,184,792
Nonmajor governmental funds	21,721,319	-	21,721,319
Fiduciary funds	<u>50,128</u>	<u>-</u>	<u>50,128</u>
Total	<u>\$ 21,771,447</u>	<u>\$ 2,184,792</u>	<u>\$ 23,956,239</u>

Interfund receivables and payables occur in the course of ordinary operations and reflect short-term transactions between funds. All interfund balances are expected to be repaid within one year.

At year end, interfund transfers consisted of a transfer from the Food Service Fund to the General Fund for administrative costs.

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 7,484,754	\$ 142,179	\$ -	\$ 7,626,933	\$ 1,277,658
Workers' compensation and health insurance claims (included in internal service fund)	17,857,973	8,073,341	(9,618,402)	16,312,912	1,100,884
Legal reserve (included in internal service fund)	1,299,000	-	(754,162)	544,838	544,838
Net TIP obligation (included in internal service fund)	<u>21,042,500</u>	<u>-</u>	<u>(980,577)</u>	<u>20,061,923</u>	<u>-</u>
Total obligations	<u>\$ 47,684,227</u>	<u>\$ 8,215,520</u>	<u>\$ (11,353,141)</u>	<u>\$ 44,546,606</u>	<u>\$ 2,923,380</u>

Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and is self-insured for workers' compensation, dental insurance, and other claims, litigation, and assessments. Accruals for claims, litigation, and assessments are recorded in the Legal Reserve Internal Service Fund. These accruals are recorded in the fund financial statements within the governmental funds, when the amounts are due and payable at year end. There were no significant reductions in coverage from the prior year.

Dental insurance and workers' compensation claims that are probable of loss and estimable in amount are included in the Workers Compensation and Health Fund. The amount of claims liability is based on analyses performed by outside consultants and includes an estimate of incurred claims that have not yet been reported.

A reconciliation of the School District's self-insured claims liability at June 30, 2018 is as follows:

	2018	2017
Estimated liability - Beginning of year	\$ 17,857,973	\$ 18,776,930
Estimated claims incurred, including changes in estimates	8,073,341	13,688,069
Claim payments	(9,618,402)	(14,607,026)
Unpaid claims - End of year	\$ 16,312,912	\$ 17,857,973

The liability for workers' compensation claims includes an estimate of loss and allocated loss adjustment (ALAE). The estimate of loss is based on historical loss runs for the workers' compensation program through June 30, 2018. ALAE represents the cost of legal fees, expert testimony, medical examination, etc. that are associated with the defense and settlement of particular claims. Unallocated loss adjustment expenses are not included in the estimate.

Various legal actions, proceedings, and claims are pending or may be asserted in the future against the School District, including those arising out of personal injuries and civil actions. Some of the foregoing matters involve compensatory and/or punitive damage claims.

Litigation is subject to many uncertainties, the ultimate outcome of which is not predictable; however, the School District's management believes the resulting liabilities from outstanding legal actions, proceedings, and claims will not have a material adverse effect upon the School District's financial position or results of operations. At June 30, 2018, the School District has recorded an estimated liability of approximately \$540,000 for pending litigation as a long-term obligation.

Note 10 - Termination Incentive Plan (TIP)

The Detroit Federation of Teachers (DFT), Local 231 union contract from July 1, 2009 through June 30, 2012 included a professional compensation clause: Termination Incentive Plan. This plan started on January 12, 2010 and was expected to expire in fiscal year 2012. On August 19, 2011, DPS' emergency manager signed an amended order relating to wages, compensation, and benefits structure for DPS employees. This amended order suspended the Termination Incentive Plan. The plan applies to all salaried members of DFT except assistant attendance officers, accompanists, and members who work less than .5 FTEs. A total of \$250 was deducted each pay except during the summer. Plan to date, these deductions amounted to \$49 million. Up until May 2, 2018, if an employee retires or resigns, the employee is entitled to \$1,000 for each year of service up to nine years with a cap of \$9,000. No payment will exceed the amount contributed. Payments are subject to pension calculations and reportable to the Office of Retirement at the time the employee receives the funds from DPSCD.

Note 10 - Termination Incentive Plan (TIP) (Continued)

Effective May 2, 2018, the DFT union contract was amended to pay out all remaining TIP obligations in fiscal year 2019. As of May 2, 2018, the remaining liability was no longer subject to an actuarial valuation, and became a current obligation of the School District. According to the agreement, the TIP obligation shall be paid out by September 30, 2018, unless a member elected to have his or her TIP funds deposited into an annuity, for which those funds would be transferred into the member's annuity account by March 1, 2019. As of June 30, 2018, the School District has recorded a liability of approximately \$20,100,000 in the Termination Incentive Program Fund related to the TIP payments to be paid in 2019.

At the formation of DPSCD, DPS transferred approximately \$25 million to DPSCD, which was placed in the Termination Incentive Program (TIP) fund to pay these obligations as they come due. The contribution requirements of DPSCD are determined by an actuary until May 2, 2018 when the teacher contract was amended to pay all remaining obligations in fiscal year 2019, which then made the TIP obligation a current liability equal to the remaining payments.

Note 11 - Michigan Public School Employees' Retirement System

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree health care and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the retiree health care as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The School District's contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS.

The range of rates is as follows:

	Pension	OPEB
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
October 1, 2016 - June 30, 2017	13.54% - 19.74%	7.42% - 7.67%

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the year ended June 30, 2018 were \$88,515,535, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual contributions include an allocation of \$32,816,177 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2018.

Note 11 - Michigan Public School Employees' Retirement System (Continued)

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2018 were \$20,793,209, which include the School District's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2018, the School District reported a liability of \$838,120,461 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the School District's proportion was 3.24 percent.

Net OPEB Liability

At June 30, 2018, the School District reported a liability of \$286,320,154 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the School District's proportion was 3.23 percent of MPSERS in total.

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

For the year ended 2016, the School District recognized pension expense of \$44,275,546, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,287,067	\$ 4,114,304
Changes in assumptions	91,863,454	-
Net difference between projected and actual earnings on pension plan investments	-	40,085,431
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	16,105,771	110,109,156
The School District's contributions to the plan subsequent to the measurement date	68,469,046	-
Total	<u>\$ 183,725,338</u>	<u>\$ 154,308,891</u>

Note 11 - Michigan Public School Employees' Retirement System (Continued)

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

Years Ending	Amount
2019	\$ (27,368,925)
2020	(5,726,865)
2021	(76,068)
2022	<u>(5,880,741)</u>
Total	<u>\$ (39,052,599)</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

In addition, the School District had deferred inflows of resources related to revenue in support of pension payments made subsequent to the measurement date totaling \$32,816,177 at June 30, 2018.

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

For the years ended June 30, 2018, the School District recognized OPEB expense of \$19,155,291.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 3,048,467
Net difference between projected and actual earnings on OPEB plan investments	-	6,631,241
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	18,029	-
Employer contributions to the plan subsequent to the measurement date	<u>15,962,095</u>	<u>-</u>
Total	<u>\$ 15,980,124</u>	<u>\$ 9,679,708</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future pension expense):

Years Ending	Amount
2019	\$ (2,335,094)
2020	(2,335,094)
2021	(2,335,094)
2022	(2,335,094)
2023	<u>(321,303)</u>
Total	<u>\$ (9,661,679)</u>

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Actuarial Assumptions

The total pension liability as of September 30, 2017 is based on the results of an actuarial valuation as of September 30, 2016 and rolled forward. The total pension liability was determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	7.00% - 7.50%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.50%	Including wage inflation of 3.50 percent
Salary increases	3.50% - 12.30%	0
Healthcare cost trend rate	7.50%	Year 1 graded to 3.5 percent year 12
Mortality basis		RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 - 7.50 percent, depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.60 %
Private equity pools	18.00	8.70
International equity pools	16.00	7.20
Fixed-income pools	10.50	(0.10)
Real estate and infrastructure pools	10.00	4.20
Real return, opportunistic, and absolute pool	15.50	5.00
Short-term investment pools	2.00	(0.90)
Total	100.00 %	

On February 23, 2017, MPERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent. As a result, the actuarial computed employer contributions and the net pension liability will increase for the measurement period ended September 30, 2017.

Note 11 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School District, calculated using the discount rate of 7.00 - 7.50 percent, depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 - 7.00 percent) or 1 percentage point higher (8.00 - 9.00 percent) than the current rate:

	1 Percent Decrease (6.00 - 6.50%)	Current Discount Rate (7.00 - 7.50%)	1 Percent Increase (8.00 - 8.50%)
Net pension liability of the School District	\$ 1,092,276,103	\$ 838,120,461	\$ 624,821,833

Pension Plan Fiduciary Net Position

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability 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 (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 335,363,655	\$ 286,320,154	\$ 244,697,579

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the School District, calculated using the current healthcare cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the School District	\$ 242,474,683	\$ 286,320,154	\$ 336,103,631

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2018, the School District reported a payable of \$13,019,922, and \$1,821,130 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

Note 12 - Jointly Governed Organization

Education Achievement Authority

Effective July 1, 2017, the School District and the EAA entered into an agreement whereby the EAA will dissolve as an entity pursuant to the "Interlocal Agreement." As a result of the EAA dissolution, school buildings leased to the EAA and all the EAA students will return to DPSCD. In conjunction with the return of the buildings, the agreement states the EAA would pay DPSCD for certain required repair and maintenance costs. Additionally, during 2018, the EAA paid DPSCD an amount required to hire additional staff to operate those buildings and educate the students, which totaled \$5,000,000, and which is broken out as follows:

- Building renovation costs - \$1,200,000
- Support costs - \$1,350,000
- Accumulated past due cost reimbursement - \$831,000
- Accumulated past-due rent - \$1,619,000

On July 1, 2017, capital assets transferred from the EAA to DPSCD with a cost basis of approximately \$12,750,000 and a net book value of approximately \$2,100,000. Those assets were included in the DPSCD capital asset balances as of June 30, 2018.

Note 13 - Contingent Liabilities

The School District receives financial assistance from federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements. Any unresolved disallowed costs could become a liability to the School District. Various instances of noncompliance with federal grant agreements were noted in prior years, which have the potential to result in disallowed costs. The ultimate outcome of these identified instances cannot be determined, and the School District is unable to provide a possible range of loss. As a result, no liability has been recorded in the financial statements.

Note 14 - Special Items

In connection with the Master Debt Indenture Agreement between the School District and the State of Michigan, the School District is eligible to receive disbursements from Detroit Public Schools (DPS) equal to the amount of excess funds transferred to DPS through the indenture agreement, after full payment of the respective obligations at June 30 of each year. Subsequent to year end, DPS transferred to DPSCD's General Fund \$13,100,000 related to this provision. This amount has been recorded as a special item in the fund level financial statements, as the amount was calculated, approved, and authorized prior to June 30. This amount was also approved by the Michigan Department of Treasury.

During 2018, the Michigan Department of Education reviewed the Child Nutrition Program noting indirect costs in a previous year were charged in excess of the amounts allowable. As a result, the General Fund was required to reimburse the Food Service Fund for the disallowed costs. The Food Service Fund has recorded a special item related to the reimbursement of those expenditures, as well as a corresponding amount on the General Fund.

In connection with the transfer of capital assets from the EAA to DPSCD, the School District has recorded a special item equal to the net book value of the assets received on the date of transfer.

Required Supplemental Information

Detroit Public Schools Community District

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 29,430,285	\$ 31,737,776	\$ 28,540,208	\$ (3,197,568)
State sources	475,732,309	489,277,904	484,209,873	(5,068,031)
Federal sources	144,305,730	109,750,256	131,731,039	21,980,783
Intergovernmental sources	45,697,932	39,176,894	37,682,585	(1,494,309)
Total revenue	695,166,256	669,942,830	682,163,705	12,220,875
Expenditures				
Current:				
Instruction	368,474,924	320,058,309	324,511,382	4,453,073
Support services:				
Pupil	64,545,884	54,146,889	52,567,856	(1,579,033)
Instructional staff	53,486,475	32,835,031	31,296,933	(1,538,098)
General administration	5,421,503	4,638,245	4,549,474	(88,771)
School administration	39,684,565	38,862,766	39,221,706	358,940
Business office	7,718,860	9,204,922	10,206,870	1,001,948
Operations and maintenance	90,944,957	86,691,268	93,223,006	6,531,738
Pupil transportation services	39,401,259	37,672,278	34,896,150	(2,776,128)
Central	29,494,567	37,149,061	34,934,693	(2,214,368)
Other	2,036,418	2,086,354	1,663,802	(422,552)
Athletics	1,735,915	1,700,105	1,996,288	296,183
Community services	2,970,692	1,626,964	4,047,594	2,420,630
Total expenditures	705,916,019	626,672,192	633,115,754	6,443,562
Excess of Revenue (Under) Over Expenditures	(10,749,763)	43,270,638	49,047,951	5,777,313
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	140,000	-	(140,000)
Transfers in	2,000,000	2,000,000	1,779,586	(220,414)
Transfers out	-	(1,000,000)	-	1,000,000
Total other financing sources	2,000,000	1,140,000	1,779,586	639,586
Special Item	13,100,000	11,244,572	11,244,572	-
Net Change in Fund Balance	4,350,237	55,655,210	62,072,109	6,416,899
Fund Balance - Beginning of year	78,963,120	78,963,120	78,963,120	-
Fund Balance - End of year	\$ 83,313,357	\$ 134,618,330	\$ 141,035,229	\$ 6,416,899

Detroit Public Schools Community District

Required Supplemental Information
Schedule of the School District's Proportionate Share of the Net Pension
Liability
Michigan Public School Employees' Retirement System

	Last Two Plan Years	
	Plan Years Ended September 30	
	<u>2017</u>	<u>2016</u>
School District's proportion of the net pension liability	3.23564 %	3.38535 %
School District's proportionate share of the net pension liability	\$ 838,120,461	\$ 844,616,130
School District's covered employee payroll	\$ 266,534,366	\$ 279,494,927
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	314.45 %	302.19 %
Plan fiduciary net position as a percentage of total pension liability	63.96 %	63.01 %

Detroit Public Schools Community District

Required Supplemental Information
Schedule of Pension Contributions
Michigan Public School Employees' Retirement System

	Last Two Fiscal Years	
	Years Ended June 30	
	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 81,231,740	\$ 76,103,398
Contributions in relation to the statutorily required contribution	<u>81,231,740</u>	<u>76,103,398</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Employee Payroll	\$ 279,301,756	\$ 267,779,118
Contributions as a Percentage of Covered Employee Payroll	29.08 %	28.42 %

Detroit Public Schools Community District

Required Supplemental Information
Schedule of the School District's Proportionate Share of the Net OPEB
Liability
Michigan Public School Employees' Retirement System

**Last One Plan Years
For the Plan Year Ended June 30**

	<u>2017</u>
School District's proportion of the net OPEB liability	3.23326 %
School District's proportionate share of the net OPEB liability	\$ 286,320,154
School District's covered employee payroll	\$ 266,534,366
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	107.42 %
Plan fiduciary net position as a percentage of total OPEB liability	36.53 %

Detroit Public Schools Community District

Required Supplemental Information
Schedule of OPEB Contributions
Michigan Public School Employees' Retirement System

	Last Fiscal Year
	Year Ended June 30
	<u>2018</u>
Statutorily required contribution	\$ 20,058,056
Contributions in relation to the statutorily required contribution	<u>20,058,056</u>
Contribution Deficiency	<u>\$ -</u>
School District's Covered Employee payroll	\$ 279,301,756
Contributions as a Percentage of Covered Employee Payroll	7.18 %

June 30, 2018

Pension Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

On February 23, 2017, MPERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent to 7.00-7.50 percent based on the group.

Covered Payroll

The employer's covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

There were no changes of benefit assumptions in 2017.

Covered Payroll

The employer's covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the School District, covered payroll represents payroll on which contributions to both plans are based.

Other Supplemental Information

Detroit Public Schools Community District

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2018

	Special Revenue Fund	Capital Project Funds		Total
	Food Service Fund	1994 School Building Site Improvement Bonds Series V	Capital Projects Fund	
Assets				
Due from other governments	\$ 2,784,520	\$ -	\$ -	\$ 2,784,520
Due from other funds	21,721,319	-	-	21,721,319
Restricted assets - Cash and investments	-	2,247,562	-	2,247,562
Total assets	\$ 24,505,839	\$ 2,247,562	\$ -	\$ 26,753,401
Liabilities				
Accounts payable	\$ 2,241,740	\$ -	\$ 730,492	\$ 2,972,232
Accrued liabilities and other	104,131	-	-	104,131
Unearned revenue	39,333	-	-	39,333
Total liabilities	2,385,204	-	730,492	3,115,696
Fund Balances				
Restricted:				
Capital projects	-	2,247,562	-	2,247,562
Food service	22,120,635	-	-	22,120,635
Unassigned	-	-	(730,492)	(730,492)
Total fund balance (deficit)	22,120,635	2,247,562	(730,492)	23,637,705
Total liabilities and fund balance (deficit)	\$ 24,505,839	\$ 2,247,562	\$ -	\$ 26,753,401

Detroit Public Schools Community District

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

Year Ended June 30, 2018

	Special Revenue Fund	Capital Project Funds		Total
	Food Service Fund	1994 School Building Site Improvement Bonds Series V	Capital Projects Fund	
Revenue				
Local sources	\$ 519,392	\$ 26,601	\$ -	\$ 545,993
State sources	1,198,692	-	-	1,198,692
Federal sources	40,630,342	-	-	40,630,342
Total revenue	42,348,426	26,601	-	42,375,027
Expenditures				
Current:				
Support services	116,986	-	730,492	847,478
Food services	34,591,200	-	-	34,591,200
Capital outlay	511,735	-	-	511,735
Total expenditures	35,219,921	-	730,492	35,950,413
Excess of Revenue Over (Under) Expenditures	7,128,505	26,601	(730,492)	6,424,614
Other Financing Uses - Transfer out	(1,779,586)	-	-	(1,779,586)
Special Item	1,855,428	-	-	1,855,428
Net Change in Fund Balances	7,204,347	26,601	(730,492)	6,500,456
Fund Balances - Beginning of year	14,916,288	2,220,961	-	17,137,249
Fund Balances (Deficit) - End of year	\$ 22,120,635	\$ 2,247,562	\$ (730,492)	\$ 23,637,705

Detroit Public Schools Community District

Other Supplemental Information
Combining Statement of Net Position
Internal Service Funds

June 30, 2018

	Termination Incentive Program Fund	Workers Compensation and Health Fund	Legal Reserve Fund	Total
Assets - Current assets - Cash and investments	\$ 23,686,188	\$ 17,364,473	\$ 2,761,434	\$ 43,812,095
Liabilities				
Current liabilities:				
Due to other funds	225,231	1,051,561	908,000	2,184,792
TIP obligation	20,061,923	-	-	20,061,923
Self-insurance claims	-	1,100,884	-	1,100,884
Legal reserve	-	-	544,838	544,838
Total current liabilities	20,287,154	2,152,445	1,452,838	23,892,437
Noncurrent liabilities - Self-insurance claims	-	15,212,028	-	15,212,028
Total liabilities	20,287,154	17,364,473	1,452,838	39,104,465
Net Position	\$ 3,399,034	\$ -	\$ 1,308,596	\$ 4,707,630

Detroit Public Schools Community District

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds

Year Ended June 30, 2018

	Termination Incentive Program Fund	Workers Compensation and Health Fund	Legal Reserve Fund	Total
Operating Revenue - Charges for services	\$ -	\$ 3,659,175	\$ -	\$ 3,659,175
Operating Expenses - Payments and (decrease) increase in valuation adjustment	(349,596)	519,928	-	170,332
Operating Income (Loss)	349,596	3,139,247	-	3,488,843
Nonoperating Revenue - Interest and earnings on investments	332,278	303,898	207,421	843,597
Change in Net Position	681,874	3,443,145	207,421	4,332,440
Net Position - Beginning of year, as previously reported	9,451,610	(3,443,145)	1,101,175	7,109,640
Cumulative Effect of Change in Accounting	(6,734,450)	-	-	(6,734,450)
Net Position - Beginning of year	2,717,160	(3,443,145)	1,101,175	375,190
Net Position - End of year	<u>\$ 3,399,034</u>	<u>\$ -</u>	<u>\$ 1,308,596</u>	<u>\$ 4,707,630</u>

Detroit Public Schools Community District

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds

Year Ended June 30, 2018

	Termination Incentive Program Fund	Workers Compensation and Health Fund	Legal Reserve Fund	Total
Cash Flows from Operating Activities				
Charges for services	\$ -	\$ 3,659,175	\$ -	\$ 3,659,175
Payments and changes in estimates	(2,280,179)	(5,381,720)	(1,482,681)	(9,144,580)
Net cash and investments used in operating activities	(2,280,179)	(1,722,545)	(1,482,681)	(5,485,405)
Cash Flows Provided by Investing Activities -				
Interest and earnings on investments	332,278	303,898	207,421	843,597
Net Decrease in Cash and Investments	(1,947,901)	(1,418,647)	(1,275,260)	(4,641,808)
Cash and Investments - Beginning of year	25,634,089	18,783,120	4,036,694	48,453,903
Cash and Investments - End of year	<u>\$ 23,686,188</u>	<u>\$ 17,364,473</u>	<u>\$ 2,761,434</u>	<u>\$ 43,812,095</u>
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ 349,596	\$ 3,139,247	\$ -	\$ 3,488,843
Adjustments to reconcile operating income to net cash from operating activities -				
Changes in assets and liabilities:				
Due to and from other funds	(786,948)	(670,983)	179,481	(1,278,450)
Self-insurance claims	-	(1,545,061)	-	(1,545,061)
Legal reserve	-	-	(754,162)	(754,162)
TIP obligation	(1,617,596)	-	-	(1,617,596)
Due to DPS for reimbursements	(225,231)	(2,645,748)	(908,000)	(3,778,979)
Net cash and investments used in operating activities	<u>\$ (2,280,179)</u>	<u>\$ (1,722,545)</u>	<u>\$ (1,482,681)</u>	<u>\$ (5,485,405)</u>

Detroit Public Schools Community District

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Fund Food Service Fund

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 980,500	\$ 980,500	\$ 519,392	\$ (461,108)
State sources	1,283,000	1,610,600	1,198,692	(411,908)
Federal sources	45,815,884	45,815,884	40,630,342	(5,185,542)
Total revenue	48,079,384	48,406,984	42,348,426	(6,058,558)
Expenditures				
Current:				
Food services:				
Personnel	18,110,553	18,343,456	13,337,787	(5,005,669)
Purchased services	1,924,400	1,923,110	479,786	(1,443,324)
Supplies	24,864,431	24,875,498	20,890,613	(3,984,885)
Capital outlay	1,180,000	1,264,920	511,735	(753,185)
Total expenditures	46,079,384	46,406,984	35,219,921	(11,187,063)
Excess of Revenue Over Expenditures	2,000,000	2,000,000	7,128,505	5,128,505
Other Financing Uses - Transfers out	(2,000,000)	(2,000,000)	(1,779,586)	220,414
Special Item	-	1,855,428	1,855,428	-
Net Change in Fund Balance	-	1,855,428	7,204,347	5,348,919
Fund Balance - Beginning of year	14,916,288	14,916,288	14,916,288	-
Fund Balance - End of year	<u>\$ 14,916,288</u>	<u>\$ 16,771,716</u>	<u>\$ 22,120,635</u>	<u>\$ 5,348,919</u>

Statistical and Other Information
(Unaudited)

Statistical and Other Information (Unaudited)

This part of Detroit Public Schools' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the government's overall financial health.

Contents

Financial Trends	55-59
<i>These schedules contain trend information to help the reader understand how the School District's financial performance and well-being have changed over time.</i>	
Revenue Capacity	60-62
<i>These schedules contain information to help the reader assess the School District's most significant local revenue source, the property tax.</i>	
Demographic and Economic Information	63-65
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District's financial activities take place.</i>	
Operating Information	66-80
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year

Detroit Public Schools Community District

Net Position by Component (Unaudited)

Last Two Fiscal Years

	Fiscal Year 2017	Fiscal Year 2018
Governmental Activities		
Net investment in capital assets	\$ 1,264,920,459	\$ 1,213,918,525
Restricted	17,137,249	24,368,197
Unrestricted	<u>(783,754,910)</u>	<u>(978,976,540)</u>
Total net position	<u>\$ 498,302,798</u>	<u>\$ 259,310,182</u>

Source: District Comprehensive Annual Financial Report

Note: There is only two years of prior historical data for Detroit Public Schools Community District as it was established July 1, 2016. The District will build this schedule to include 10 years of data on a prospective basis.

Detroit Public Schools Community District

Changes in Governmental Net Position (Unaudited)

Last Two Fiscal Years

	2017	2018
Expenses		
Governmental activities:		
Instruction	\$ 289,892,135	\$ 330,239,944
Support services	267,183,144	294,093,879
Community services	3,666,308	5,528,566
Food services	38,473,730	34,689,187
Athletics	2,972,243	1,961,266
Depreciation (unallocated - exclusive of direct charge)	18,710,663	19,056,838
Total governmental activities	620,898,223	685,569,680
Revenue		
Governmental activities - Charges for services:		
Instruction	86,150	-
Support services	-	-
Community services	3,479,804	5,457,502
Food services	355,123	480,297
Athletics	-	-
Total charges for services	3,921,077	5,937,799
Operating grants and contributions:		
Instruction	140,438,000	298,104,723
Support services	129,111,529	2,367,076
Community services	-	-
Food services	47,247,599	40,630,342
Total operating grants and contributions	316,797,128	341,102,141
Net expenses	(300,180,018)	(338,529,740)
General Revenue		
Federal and state aid not restricted to specific purposes	310,332,569	353,003,900
Interest and investment earnings	22,091	130,020
Other sources	22,456,507	22,910,068
County-wide enhancement millage	-	-
Loss on sale of capital assets	(2,501,331)	-
Total general revenue	330,309,836	376,043,988
Special Item	468,172,980	15,188,659
Change in Net Position	\$ 498,302,798	\$ 52,702,907

Source: District Comprehensive Annual Financial Report

Note: There is only two years of prior historical data for Detroit Public Schools Community District as it was established July 1, 2016. The District will build this schedule to include 10 years of data on a prospective basis.

Detroit Public Schools Community District

Fund Balances, Governmental Funds (Unaudited)

Last Two Fiscal Years

	2017	2018
General Fund:		
Nonspendable	\$ 2,609,934	\$ 3,852,965
Assigned	20,190,532	16,466,398
Unassigned (deficit)	<u>56,162,654</u>	<u>119,985,374</u>
Total General Fund	<u>78,963,120</u>	<u>140,304,737</u>
Other governmental funds:		
Restricted	17,137,249	24,368,197
Unassigned (deficit)	<u>-</u>	<u>-</u>
Total other governmental funds	<u>17,137,249</u>	<u>24,368,197</u>
Total fund balance	<u>\$ 96,100,369</u>	<u>\$ 164,672,934</u>

Source: District Comprehensive Annual Financial Report

Note: There is only two years of prior historical data for Detroit Public Schools Community District as it was established July 1, 2016. The District will build this schedule to include 10 years of data on a prospective basis.

Detroit Public Schools Community District

Changes in Fund Balances Governmental Funds (Unaudited)

Last Two Fiscal Years

	2017	2018
Revenue		
Local revenue	\$ 24,208,800	\$ 29,086,201
State revenue	443,612,908	485,408,565
Federal revenue	163,539,913	172,361,381
Intergovernmental sources	<u>38,857,198</u>	<u>37,682,585</u>
Total revenue	670,218,819	724,538,732
Other Financing Sources		
Transfers in	2,571,460	1,779,586
Proceeds from sale of capital assets	<u>9,453,274</u>	<u>-</u>
Total revenue and other financing sources	682,243,553	726,318,318
Expenditures		
Instruction	300,458,746	324,114,333
Support services	278,073,392	300,438,395
Community services	3,698,595	4,047,594
Food services	40,520,751	34,591,200
Athletics	1,535,672	1,996,288
Capital outlay	<u>4,291,558</u>	<u>3,878,357</u>
Total expenditures	628,578,714	669,066,167
Other Financing Uses		
Payment to bond escrow agent	-	-
Transfers out	<u>2,571,460</u>	<u>1,779,586</u>
Total expenditures and other financing uses	<u>631,150,174</u>	<u>670,845,753</u>
Special Item	<u>45,006,990</u>	<u>13,100,000</u>
Net Change in Fund Balances	<u>\$ 96,100,369</u>	<u>\$ 68,572,565</u>

Source: District Comprehensive Annual Financial Report

Note: There is only two years of prior historical data for Detroit Public Schools Community District as it was established July 1, 2016. The District will build this schedule to include 10 years of data on a prospective basis.

Detroit Public Schools Community District

**Comparison of Unassigned General Fund Balance to
Expenditures and Other Uses (Unaudited)**

Last Two Fiscal Years

<u>Fiscal Year</u>	<u>Unassigned Fund Balance</u>	<u>Expenditures and Transfers Out</u>	<u>General Fund Balance (Deficit) as a Percentage of Expenditures and Other Uses</u>
2017	\$ 56,162,654	\$ 587,898,328	9.55%
2018	119,985,374	633,115,754	18.95%

Source: District Comprehensive Annual Financial Report

Note: There is only two years of prior historical data for Detroit Public Schools Community District as it was established July 1, 2016. The District will build this schedule to include 10 years of data on a prospective basis.

Detroit Public Schools Community District

Assessed Value and Estimated Actual Value of Taxable Property (Unaudited)

Last Two Fiscal Years

Fiscal Year	Assessed Value				Taxable Value			Total Direct Tax Rate	Taxable Assessed Value as a Percentage of Actual Taxable Value
	Commercial and Industrial	Residential	Personal	Total	Commercial and Industrial	Residential	Total		
2017	\$ 2,867,178,689	\$ 2,566,135,740	\$ 1,518,530,153	\$ 6,951,844,582	\$ 2,867,178,689	\$ 2,566,135,740	\$ 5,433,314,429	N/A*	78.16%
2018	2,938,295,128	2,450,477,398	1,482,438,412	\$ 6,871,210,938	\$ 2,938,295,128	\$ 2,450,477,398	\$ 5,388,772,526	N/A*	78.43%

Note: Property in Wayne County is reassessed every year. The county reassesses property at 50 percent of actual value for commercial, industrial, and residential. Estimated actual value is calculated by sales and 50 percent of the market value.

* Tax Rate is not applicable as the School District, by way of legislation, does not have the authority to levy taxes. The School District will receive the full Foundation allowance from the State of Michigan

Source: Wayne County Equalization Report and Wayne County Assessor's Office.

Detroit Public Schools Community District

Assessed Valuation Data (Unaudited)

For the Year Ended June 30, 2018

Type of Property	Assessed Value at December, 31 2017*	Total Real Property	Percent of Total Roll
Commercial property	\$ 2,791,734,165	47.74%	38.08%
Industrial property	480,702,250	8.22%	6.56%
Residential property	<u>2,574,909,572</u>	<u>44.04%</u>	<u>35.12%</u>
Total real property	5,847,345,987	<u>100.00%</u>	79.76%
Personal property	<u>1,484,119,257</u>		<u>20.24%</u>
Total property	<u>\$ 7,331,465,244</u>		<u>100.00%</u>

* The December 31, 2017 valuations, used for the 2017 tax year levy, are not used to generate revenue for the School District, as they have no ability to levy taxes, due to the legislation that formed the District.

Source: Wayne County Equalization Report (2018)

Detroit Public Schools Community District

Direct and Overlapping Property Tax Rates (Unaudited)

(Rates per \$1,000 of assessed value)

Last Two Fiscal Years

Fiscal Year	School Operating	School Debt	Judgement Levy	Total	State Education Tax	Library	City of Detroit	Wayne County*	Wayne Regional Education Service Agency	Wayne County Community College	Wayne County
2017	N/A	N/A	N/A	0.000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2018	N/A	N/A	N/A	0.000	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Tax Rate is not applicable as the School District, by way of legislation, does not have the authority to levy taxes. The School District will receive the full Foundation allowance from the State of Michigan

Source: City of Detroit Finance Department and Michigan Department of Education

Detroit Public Schools Community District

Demographic and Economic Statistics (Unaudited)

Last Two Fiscal Years

Fiscal Year	Population	Personal Income*	Per Capita Personal Income**	Unemployment Rate
2017	672,795	N/A*	N/A*	8.40%
2018	673,104	N/A*	N/A*	9.30%

n/a* - City of Detroit information not available

Sources:

U.S. Census Bureau

U.S. Department of Labor - Bureau of Labor Statistics

Note: There is only two years of prior historical data for Detroit Public Schools Community District as it was established July 1, 2016. The District will build this schedule to include 10 years of data on a prospective basis

Principal Private Employers (Unaudited)

Last Two Fiscal Years

Employer	2018		Percentage of Total Employment	Employer	2017		Percentage of Total Employment
	Employees				Employees		
Rock Ventures	16,617	20.4%		Rock Ventures	14,237	17.7%	
City of Detroit	9,066	11.1%		Detroit Medical Center	9,184	11.4%	
Detroit Medical Center	9,014	11.1%		City of Detroit	8,918	11.1%	
Henry Ford Health System	8,923	10.9%		Henry Ford Health Systems	8,790	10.9%	
Ilitch companies	7,686	9.4%		Ilitch Companies	7,616	9.5%	
U.S. government	6,361	7.8%		General Motors Co.	7,371	9.1%	
General Motors Co.	6,341	7.8%		U.S. Government	6,427	8.0%	
FCA US LLC	5,981	7.3%		Detroit Public Schools Community District	6,300	7.8%	
Detroit Public Schools Community District	5,794	7.1%		FCA US LLC	5,919	7.3%	
Wayne State University	5,780	7.1%		Wayne State University	5,806	7.2%	
Total principal private employers	<u>81,563</u>			Total principal private employers	<u>80,568</u>		
Total employment	<u>N/A</u>			Total employment	<u>N/A</u>		

Source: Crain's Detroit Business
 District Human Resource System
 City of Detroit Finance Department
 Bureau of Labor Statistics

Detroit Public Schools Community District

Principal Property Tax Payers (Unaudited)

Last Two Fiscal Years

Fiscal Year 2017/2018			Fiscal Year 2016/2017		
Taxpayer	2017 Taxable Value	Percentage of Total	Taxpayer	2016 Taxable Value	Percentage of Total
1 DTE ENERGY COMPANY	\$ 518,815,824	8.91%	1 DTE ENERGY COMPANY	\$ 524,606,862	8.69%
2 MARATHON PETROLEUM COMPANY	303,313,157	5.21%	2 VANGUARD HEALTH SYSTEMS - HOSPITALS	287,730,332	4.77%
3 VHS HARPER-HUTZEL HOSPITAL INC	278,258,817	4.78%	3 MARATHON PETROLEUM COMPANY	285,369,420	4.73%
4 MGM GRAND DETROIT	204,898,402	3.52%	4 MGM GRAND DETROIT	207,301,077	3.43%
5 RIVERFRONT HOLDINGS LLC	112,962,017	1.94%	5 RIVERFRONT HOLDINGS LLC	111,055,429	1.84%
6 FCA US LLC	72,014,109	1.24%	6 FCA US LLC	73,710,524	1.22%
7 INTERNATIONAL TRANSMISSION COMPANY	66,889,416	1.15%	7 INTERNATIONAL TRANSMISSION COMPANY	67,642,795	1.12%
8 DETROIT ENTERTAINMENT LLC	60,420,398	1.04%	8 DETROIT ENTERTAINMENT LLC	61,357,822	1.02%
9 GREEKTOWN CASINO LLC	54,069,657	0.93%	9 GREEKTOWN CASINO LLC	53,069,211	0.88%
10 1000 WEBWARD LLC	56,699,278	0.97%	10 1000 WEBWARD LLC	50,601,350	0.84%
Total	<u>\$ 1,728,341,075</u>	29.70%	Total	<u>\$ 1,722,444,822</u>	28.53%
Total taxable value	<u>\$ 5,820,081,759</u>		Total taxable value	<u>\$ 6,038,052,029</u>	

Source: City of Detroit Finance Department
Wayne County Equalization Report

<u>Fiscal Year Ended</u>	<u>Enrollment</u>	<u>Operating Expenditures</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Expenses</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil-teacher Ratio</u>	<u>Average Daily Attendance</u>
2017	45,237	\$ 624,287,156	\$ 13,800	N/A	\$ 628,578,714	\$ 13,895.23	N/A	2,494	18.1	85.0%
2018	50,875	\$ 665,187,810	\$ 13,075	N/A	\$ 669,066,167	\$ 13,151.18	N/A	2,700	18.8	83.0%

Note: Operating expenditures are total expenditures less debt service and capital outlays.

The School District was formed July 1, 2016. This schedule will build to 10 years of information on a prospective basis.

Source: Nonfinancial information from School District records

Detroit Public Schools Community District

Full-time Equivalent District Employees by Type (Unaudited)

Last Two Fiscal Years

	<u>2017</u>	<u>2018</u>
Officials, administrators, managers	163.0	182.0
Principals	96.0	103.0
Assistant principals	48.0	57.0
Classroom teachers	2,493.7	2,669.2
Guidance	98.2	98.6
Psychological	33.4	31.4
Librarians/Audio-visual staff	-	-
Consultants/Supervisors of instruction	205.0	109.0
Other professional staff	317.0	340.0
Teacher aides	997.0	965.0
Technicians	6.0	5.0
Clerical/Secretarial staff	260.0	275.0
Service workers	676.0	655.0
Skilled crafts	11.0	10.0
Laborers - Unskilled	-	-
Staff Totals	<u>5,404.3</u>	<u>5,500.2</u>
Part-time Staff	<u>328.0</u>	<u>381.0</u>
Substitute staff:		
Instructional	370.0	742.0
Instructional support	7.0	8.0
Substitute Staff Totals	<u>377.0</u>	<u>750.0</u>
Staff Totals	<u>6,109.3</u>	<u>6,631.2</u>

Note: Full-time equivalent employees are as of June 30.

Source: District Human Resource department

Schedule of Major Insurance Coverage (Unaudited)

For the Year Ended June 30, 2018

Policy Coverage	Insurance Company Policy Number	Policy Period	Details of Insurance Coverage	Premium	Insurance Agency/Broker
Commercial General Liability Insurance	AIG-Lexington	01/30/18 - 01/30/19	Provides coverage for bodily injury and property damage arising out of premises and operations.	\$ 285,173	Aon Risk Management Services
Law Enforcement Professional Liability Insurance	AIG-Lexington	01/30/18 - 01/30/19	Provides errors and omissions coverage for DPSCD Police Department.	\$ 350,124	Aon Risk Management Services
School Leader Liability Insurance	AIG-Lexington	01/30/18 - 01/30/19	School Entity Errors and Omissions Insurance/Employment Practices Liability.	\$ 86,092	Aon Risk Management Services
Commercial Property Insurance	Lexington Insurance Company	07/01/18 - 07/01/19	Coverage protects the physical assets of the District – buildings, contents, valuable papers & records. Coverage is provided on an all risk	\$ 377,595	Aon Risk Management Services
Excess Workers' Compensation and Employer's Liability	State National Insurance Company, Inc.	08/01/18 - 08/01/19	Excess Insurance coverage against catastrophic occurrences for Self-Insured loss exposures.	\$ 138,766	Aon Risk Management Services
Automobile Liability Insurance	National Union Fire Insurance Company	09/01/18 - 09/01/19	Liability coverage for Detroit Public Schools Community District owned vehicles.	\$ 179,770	Aon Risk Management Services
Student Travel Insurance	AIG - National Union Fire Insurance Company of	09/01/18 - 09/01/19	Covers participating students and adult supervisors to & from DPS sponsored and	\$ 5,000	Aon Risk Management Services
Underground Storage Tank Liability Insurance	ACE American Insurance Company	09/19/18 - 09/19/19	For Eastside & Westside Hub/Bus Terminal Third-Party Liability, Corrective Action, and Cleanup Policy.	\$ 3,040	Aon Risk Management Services
Surety Bond	The Hartford	10/19/17 - 10/19/19	For Detroit Public Schools Community District Police Department -campus police. (Two-year policy)	\$ 388	Aon Risk Management Services
Aircraft Hull & Liability Insurance	ACE American Insurance Company Endurance American Insurance Company	11/13/17 - 11/13/18	Liability coverage for District's owned aircrafts at Davis Aerospace.	\$ 12,631	Aon Risk Management Services
Student Catastrophic Athletic Accident Insurance	Gerber Life Insurance Company	12/1/17 - 12/01/18	Covers students involved in interscholastic activities, including athletics sport, and nonsport extracurricular activities.	\$ 28,012	Aon Risk Management Services

Detroit Public Schools Community District

Graduate Information (Unaudited)

Last Two Fiscal Years

School Year	High School	Adult High School Completion	GED Graduates
2016-2017	2,647	34	85
2017-2018	2,965	12	71

Source: Student Information Services - Detroit Public Schools
Office of Adult Education - Detroit Public Schools

Note: There is only two years of prior historical data for Detroit Public Schools Community District as it was established July 1, 2016. The District will build this schedule to include 10 years of data on a prospective basis

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited)

Last Two Fiscal Years

School	2018 (1)	2017
Elementary Schools		
Bagley (1929):		
Square feet	54,317	54,317
Capacity	596	596
Enrollment	325	325
Bennett (1911):	376	
Square feet	67,144	67,144
Capacity	697	697
Enrollment	497	497
Bow (1949):	466	
Square feet	59,100	59,100
Capacity	652	652
Enrollment	456	456
Brown (2001):		525
Square feet	122,415	122,415
Capacity	1,161	1,161
Enrollment	731	731
Carleton (1945):	924	
Square feet	52,134	52,134
Capacity	640	640
Enrollment	295	295
Chrysler (1962):		
Square feet	23,066	23,066
Capacity	160	160
Enrollment	163	163
Clemente, Roberto (2001):	152	
Square feet	86,000	86,000
Capacity	862	862
Enrollment	658	658
Cooke (1925):	643	
Square feet	45,184	45,184
Capacity	420	420
Enrollment	294	294
Dossin (1949):	352	
Square feet	50,508	50,508
Capacity	404	404
Enrollment	325	325
Edison (1921):	366	
Square feet	44,263	44,263
Capacity	476	476
Enrollment	284	284

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued)

Last Two Fiscal Years

School	2018 (1)	2017
Elementary Schools (continued)		
Emerson (1947):	290	
Square feet	126,805	126,805
Capacity	473	473
Enrollment	567	554
Gardner (1925):		
Square feet	32,634	32,634
Capacity	397	397
Enrollment	259	259
Harms (1915):	246	
Square feet	44,933	44,933
Capacity	687	687
Enrollment	415	415
Mann (1944):	391	
Square feet	44,909	44,909
Capacity	492	492
Enrollment	348	344
Maybury (1909):		
Square feet	45,322	45,322
Capacity	542	542
Enrollment	302	333
Neinas (1916):		
Square feet	52,771	52,771
Capacity	499	499
Enrollment	326	289
Pasteur (1930):		
Square feet	56,541	56,541
Capacity	607	607
Enrollment	386	388
Schulze (2002):		
Square feet	94,991	94,991
Capacity	749	749
Enrollment	479	462
Thirkell (1914):		
Square feet	68,701	68,701
Capacity	528	528
Enrollment	558	591
Vernor (1945):		
Square feet	44,608	44,608
Capacity	428	428
Enrollment	243	220

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued)

Last Two Fiscal Years

School	2018 (1)	2017
Elementary Schools (continued)		
Wayne (1929):		
Square feet	45,296	45,296
Capacity	606	606
Enrollment	286	272
Wright, Charles (2002):		
Square feet	94,991	94,991
Capacity	739	739
Enrollment	458	404
Young, C. (1982):		
Square feet	67,800	67,800
Capacity	718	718
Enrollment	375	375
K - 8 Schools		
Academy of the Americas (1996):		
Square feet	97,929	97,929
Capacity	1,034	1,034
Enrollment	872	924
Ann Arbor Trail (1946):		
Square feet	44,850	44,850
Capacity	626	626
Enrollment	215	282
Bates Academy (at Beaubien MS) (1966):		
Square feet	128,190	128,190
Capacity	1,210	1,210
Enrollment	704	674
Blackwell Institute (1980):		
Square feet	57,044	57,044
Capacity	808	808
Enrollment	304	312
Bow (1949):		
Square feet	59,100	59,100
Capacity	804	804
Enrollment	525	456
Brewer Academy (at Columbus MS) (1928):		
Square feet	54,174	54,174
Capacity	812	812
Enrollment	495	480

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued)

Last Two Fiscal Years

School	2018 (1)	2017
K - 8 Schools (continued)		
Bunche Academy (at Duffield) (1922):		
Square feet	109,671	109,671
Capacity	1,167	1,167
Enrollment	584	517
Burton International (at Pelham) (1963):		
Square feet	114,200	114,200
Capacity	1,038	1,038
Enrollment	632	672
Carstens Academy (at Remus Robinson) (1977):		
Square feet	128,000	128,000
Capacity	785	785
Enrollment	363	317
Carver (1953):		
Square feet	67,102	67,102
Capacity	6,628	6,628
Enrollment	315	301
Clark (1925):		
Square feet	56,852	56,852
Capacity	789	789
Enrollment	430	508
Dixon Academy (at Lessenger) (1963):		
Square feet	93,258	93,258
Capacity	914	914
Enrollment	495	449
Dossin (1949):		
Square feet	50,508	50,508
Capacity	498	498
Enrollment	366	
Durfee (1928):		
Square feet	170,870	170,870
Capacity	1,561	1,561
Enrollment	498	514
Earhart Elementary/Middle (2011):		
Square feet	111,090	111,090
Capacity	1,064	1,064
Enrollment	793	737

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued)

Last Two Fiscal Years

School	2018 (1)	2017
K - 8 Schools (continued)		
Ellington, Duke at Beckham (2001):		
Square feet	104,836	104,836
Capacity	1,069	1,069
Enrollment	602	562
Emerson (1947):		
Square feet	126,805	126,805
Capacity	1,586	1,586
Enrollment	567	554
Fisher Magnet Lower Academy (at Heilmann Park ES) (2002):		
Square feet	95,098	95,098
Capacity	866	866
Enrollment	546	549
Fisher Magnet Upper Academy (at Heilmann Park MS) (2003):		
Square feet	147,620	147,620
Capacity	1,088	1,088
Enrollment	431	423
Foreign Language Immersion (1992):		
Square feet	92,010	92,010
Capacity	1,037	1,037
Enrollment	681	658
Garvey Academy, Marcus (at Butzel) (1964):		
Square feet	144,400	144,400
Capacity	1,080	1,080
Enrollment	342	348
Gompers Elementary/Middle (2011):		
Square feet	111,882	111,882
Capacity	1,064	1,064
Enrollment	765	793
Greenfield Union (1914):		
Square feet	75,285	75,285
Capacity	893	893
Enrollment	297	303
Henderson Academy (1963):		
Square feet	109,000	109,000
Capacity	1,013	1,013
Enrollment	800	726

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued)

Last Two Fiscal Years

School	2018 (1)	2017
K - 8 Schools (continued)		
Holmes, A. L. (1915):		
Square feet	102,217	102,217
Capacity	813	813
Enrollment	447	437
Hutchinson at Howe (2002):		
Square feet	97,174	97,174
Capacity	745	745
Enrollment	342	361
King J.R. (at Cerveny) (1923):		
Square feet	133,580	133,580
Capacity	1,320	1,320
Enrollment	1,189	790
Mackenzie Elementary/Middle (2012):		
Square feet	111,774	111,774
Capacity	1,064	1,064
Enrollment	804	1,116
Marquette (1949):		
Square feet	92,618	92,618
Capacity	1,233	1,233
Enrollment	510	521
Marshall, Thurgood (1920):		
Square feet	90,905	90,905
Capacity	781	781
Enrollment	584	578
Mason Elementary/Middle (at Farwell MS) (1964):		
Square feet	96,304	96,304
Capacity	974	974
Enrollment	413	378
Munger Elementary/Middle (2012):		
Square feet	111,245	111,245
Capacity	1,064	1,064
Enrollment	1,007	955
Nichols (1910):		
Square feet	51,904	51,904
Capacity	481	481
Enrollment	292	256
Noble (1920):		
Square feet	143,605	143,605
Capacity	1,030	1,030
Enrollment	634	515

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued)

Last Two Fiscal Years

School	2018 (1)	2017
K - 8 Schools (continued)		
Palmer Park Prep Academy (at B. Jordan) (1928):		
Square feet	160,261	160,261
Capacity	1,115	1,115
Enrollment	437	392
Priest Elementary/Middle (1923):		
Square feet	117,502	117,502
Capacity	1,161	1,161
Enrollment	743	750
Pulaski (1942):		
Square feet	60,966	60,966
Capacity	955	955
Enrollment	468	473
Robeson, Paul / Malcolm X Academy at Hally (1927):		
Square feet	48,500	48,500
Capacity	750	750
Enrollment	309	326
Sampson Webber Academy (1964):		
Square feet	145,118	145,118
Capacity	1,101	1,101
Enrollment	335	339
Schulze (2002):		
Square feet	94,991	94,991
Capacity	813	813
Enrollment	479	462
Spain (1912):		
Square feet	145,591	145,591
Capacity	1,125	1,125
Enrollment	359	337
Thirkell (1914):		
Square feet	68,701	68,701
Capacity	619	619
Enrollment	558	591
Twain, Mark Academy (at Boynton) (1925):		
Square feet	120,132	120,132
Capacity	936	936
Enrollment	216	243

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued)

Last Two Fiscal Years

School	2018 (1)	2017
K - 8 Schools (continued)		
Clippert Academy (1905):		
Square feet	46,194	46,194
Capacity	626	626
Enrollment	461	509
Detroit Lions Alternative MS (1963):		
Square feet	32,241	32,241
Capacity	146	146
Enrollment	86	97
Ludington Magnet (at Langston Hughes/Taft MS) (1963):		
Square feet	95,591	95,591
Capacity	693	693
Enrollment	359	369
Breithaupt Career and Tech (1981):		
Square feet	150,361	150,361
Capacity	616	616
Enrollment	6	5
Carson, Ben Academy (at Crockett CTC) (1980):		
Square feet	95,691	95,691
Capacity	594	594
Enrollment	385	400
Cass Tech (2004):		
Square feet	402,484	402,484
Capacity	2,286	2,286
Enrollment	2,458	2,447
Cody (1947):		
Square feet	286,752	286,752
Capacity	677	677
Enrollment	217	248
King HS (2011):		
Square feet	245,413	245,413
Capacity	1,656	1,656
Enrollment	1,189	1,424
Osborn (1956):		
Square feet	201,884	201,884
Capacity	671	671
Enrollment	615	---
Randolph Career and Tech (1982):		
Square feet	122,883	122,883
Capacity	660	660
Enrollment	6	105

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued)

Last Two Fiscal Years

School	2018 (1)	2017
K - 8 Schools (continued)		
Renaissance (2005):		
Square feet	295,523	295,523
Capacity	1,169	1,169
Enrollment	1,178	1,134
West Side Academy (at Westside Multicultural) (2002):		
Square feet	71,283	71,283
Capacity	419	419
Enrollment	-	484
Western International (1937):		
Square feet	299,630	299,630
Capacity	2,367	2,367
Enrollment	1,985	1,878
Special Education Centers		
Banks-Williamson, Diann Special Education Center (2013):		
Square feet	21,165	21,165
Capacity	108	108
Enrollment	66	73
Drew Transition Center (1970):		
Square feet	139,000	139,000
Capacity	500	500
Enrollment	468	477
Field, Moses Center (1964):		
Square feet	53,742	53,742
Capacity	97	97
Enrollment	---	---
Total - Instructional		
Total - Square Feet ⁽²⁾	8,327,132	8,327,132
Total - Capacity ⁽³⁾	74,332	74,332
Total - Enrollment (PK-12) ⁽⁴⁾	41,257	40,463

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued)

Last Two Fiscal Years

School	2018 (1)	2017
Noninstructional Sites		
Children's Museum (1929):		
Square feet	29,928	29,928
Capacity	---	---
Enrollment	---	---
Detroit School for the Deaf (1970):		
Square feet	61,152	61,152
Capacity	---	---
Enrollment	---	---
Eastside Bus Terminal (1940):		
Square feet	44,784	44,784
Capacity	---	---
Enrollment	---	---
Fisher Building (1928):		
Square feet	172,068	172,068
Capacity	---	---
Enrollment	---	---
Golightly Horticulture (1982):		
Square feet	1,600	1,600
Capacity	---	---
Enrollment	---	---
Office of Adult Education East (at Richard) (1928):		
Square feet	43,664	43,664
Capacity	---	---
Enrollment	---	---
Office of Adult Education West (at Crary) (1938):		
Square feet	48,742	48,742
Capacity	---	---
Enrollment	---	---
Professional Development at Northwestern:		
Square feet	33,700	33,700
Capacity	---	---
Enrollment	---	---
Public Safety Command Center/HQ (2011):		
Square feet	28,400	28,400
Capacity	---	---
Enrollment	---	---

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued)

Last Two Fiscal Years

School	2018 (1)	2017
Noninstructional Sites (continued)		
Speech & Hearing Clinic:		
Square feet	5,400	5,400
Capacity	---	---
Enrollment	---	---
Support Services Bldg A (1929):		
Square feet	169,000	169,000
Capacity	---	---
Enrollment	---	---
Support Services Bldg B (1921):		
Square feet	28,000	28,000
Capacity	---	---
Enrollment	---	---
Support Services Bldg C (1929):		
Square feet	44,000	44,000
Capacity	---	---
Enrollment	---	---
Westside Bus Terminal (1939):		
Square feet	41,735	41,735
Capacity	---	---
Enrollment	---	---
Total - Non-Instructional		
Total - Square Feet ⁽²⁾	752,173	752,173
Total - Capacity ⁽³⁾	-	-
Total - Enrollment (PK-12) ⁽⁴⁾	-	-
GRAND TOTAL		
Total - Square Feet ⁽²⁾	9,079,305	9,079,305
Total - Capacity ⁽³⁾	74,332	74,332
Total - Enrollment (PK-12) ⁽⁴⁾	41,257	40,463

Notes:

(1) The enrollment number reflects the ACTUAL Spring 2018 FTE count.

(2) Total gross square footage by school and non-instructional building. Provided by DPSPMT Planning and Programming Department.

(3) The capacity result reflect program capacity of the School. The numbers come from the "School Facility Capacity Report" conducted and prepared by the Pupil Population Management Department.

(4) The enrollment reflects the actual pre-audit number of PK-12 and Special Education students (based on FTEs) resulting from the Official Count Day process.