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# Detroit Public Schools

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**Financial Report  
with Supplemental Information  
June 30, 2020**

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## **Independent Auditor's Report**

To the Board of Education  
Detroit Public Schools

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Detroit Public Schools (the "School District") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Detroit Public Schools' 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 and each major fund of Detroit Public Schools as of June 30, 2020 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.

To the Board of Education  
Detroit Public Schools

**Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as 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' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020 on our consideration of Detroit Public Schools' 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' internal control over financial reporting and compliance.



October 15, 2020

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with *Government Auditing Standards*

**Independent Auditor's Report**

To Management and the Board of Education  
Detroit Public Schools

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Detroit Public Schools (the "School District") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 15, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Board of Education  
Detroit Public Schools

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moreau, PLLC*

October 15, 2020

This section of Detroit Public Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2020. 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 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 and 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 only two funds, the General Fund and the Bond Redemption Fund. 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 the General Fund

Schedule of Proportionate Share of the Net Pension Liability

Schedule of Pension Contributions

##### **Other Supplemental Information**

### ***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.

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 any final instruction and support services, with the primary expenses being interest and debt, given the restructured School District. Property taxes are currently the primary source of funding for the School District and will be the sole source of the funding for the future.

**Reporting the School District's 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 and by bond covenants. However, the School District has established one other fund, the Bond Redemption Fund, to help it control and manage money for a particular purpose and to show it is meeting legal responsibilities for using certain taxes and other money received by the School District.

**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.

**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, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
<b>Assets</b> - Current and other assets	\$ 48.3	\$ 50.5
<b>Deferred Outflows of Resources</b>	13.8	16.3
<b>Liabilities</b>		
Current liabilities	57.7	58.3
Noncurrent liabilities	1,964.7	2,047.1
Total liabilities	<u>2,022.4</u>	<u>2,105.4</u>
<b>Net Position</b>		
Net investment in capital assets	(1,610.6)	(1,639.2)
Restricted	6.4	6.2
Unrestricted	<u>(356.1)</u>	<u>(405.6)</u>
Total net position	<u><u>\$ (1,960.3)</u></u>	<u><u>\$ (2,038.6)</u></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 a deficit of \$(1,960.3) million at June 30, 2020. Net investment in capital assets totaled \$(1,610.6) million, which is a result of the capital assets being transferred to Detroit Public Schools Community District (DPSCD); however, under the terms of the restructuring agreement approved by the State of Michigan, the related long-term debt used to finance the acquisition of those assets remains with the School District. The majority of the debt will be repaid from voter-approved property taxes collected annually. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net deficit, \$(356.1) million, was unrestricted.

The \$(356.1) million in unrestricted deficit net position of governmental activities represents the accumulated results of all past years' operations. This accumulated deficit represents that the School District's obligations are greater than its assets available to pay them with available resources. 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

### 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, 2020 and 2019:

	Governmental Activities	
	2020	2019
	(in millions)	
<b>Revenue</b>		
Program revenue - Operating grants	\$ 17.0	\$ 13.3
General revenue:		
Taxes	146.1	144.4
State aid not restricted to specific purposes	4.2	5.4
Other	8.7	11.5
Total revenue	176.0	174.6
<b>Expenses</b>		
Support services	0.4	0.1
Debt service	97.3	100.8
Total expenses	97.7	100.9
Special item	-	(6.9)
<b>Change in Net Position</b>	78.3	66.8
<b>Net Position - Beginning of year</b>	(2,038.6)	(2,105.4)
<b>Net Position - End of year</b>	\$ (1,960.3)	\$ (2,038.6)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$97.7 million. Certain activities were partially funded from governments that subsidized certain costs with grants and contributions (\$17.0 million). We paid for the remaining public benefit portion of our governmental activities with \$146.1 million in taxes and our other revenue (i.e., interest and general entitlements).

The School District experienced an increase in net position of \$78.3 million. Key reasons for the change in net position were the excess of property tax receipts over the required debt obligations due for the year. These funds will be used to service future debt obligations.

#### ***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 \$43.1 million, which is an increase of \$3.8 million from last year. The primary reason for the increase was that property tax receipts exceeded the required debt service payments for the year, which will be used to service future debt obligations as they come due.

#### **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. 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 no significant variances between the final budget and actual amounts.

**Capital Assets and Debt Administration**

**Capital Assets**

As of June 30, 2020, the School District had no capital assets since all capital assets were transferred to DPSCD as a result of the legislation that split the School District into two separate legal entities. The cost basis and related accumulated depreciation were transferred to DPSCD on July 1, 2016.

**Debt**

At the end of this year, the School District had \$1.34 billion in bonds outstanding versus \$1.46 billion in the previous year. The School District's long-term debt, including bonds, consisted of the following:

	2020	2019
General obligation bonds	\$ 1,340,120,000	\$ 1,463,635,000
Unamortized bond premium	44,767,428	41,625,888
Long-term notes payable	253,710,000	285,760,000
Other long-term liabilities	326,136,558	256,128,525
Total	<b>\$ 1,964,733,986</b>	<b>\$ 2,047,149,413</b>

Other obligations include the outstanding retirement system obligation and the School Loan Revolving Fund balance. We present more detailed information about our long-term liabilities in the notes to the financial statements.

In fiscal year 2020 and during the start of fiscal year 2021, the School District successfully completed the refunding of the 2010B Build America Bonds, 2012 Build America Bond, and the balance of the School Loan Revolving Fund. The decreased interest rates are estimated to yield Detroit taxpayers \$8.5 million in net present value savings on the 2010B refunding. In addition, in fiscal year 2021, the School District will refund the 2012 Build America Bonds and School Loan Revolving Fund balance. The additional refundings are projected to net an additional \$73 million in net present value savings.

***Economic Factors and Next Year's Budgets and Rates***

The future for the School District will entail the assessment and collection of property taxes, sufficient to service the debt obligations, and communication with the community about the renewal of the nonhomestead tax millage to allow the School District to execute the financial plan agreed to by the State of Michigan.

***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 the business office.

# Detroit Public Schools

## Statement of Net Position

June 30, 2020

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments (Note 4)	\$ 25,470,544
Due from other governmental units	2,055,740
Restricted assets - Cash and investments (Note 4)	<u>20,760,174</u>
Total assets	48,286,458
<b>Deferred Outflows of Resources</b> - Deferred charges on bond refunding (Note 5)	13,817,675
<b>Liabilities</b>	
Accounts payable	196,987
Due to other governmental units	3,920,736
Accrued liabilities and other:	
Payroll-related liability	1,065,508
Accrued interest payable	52,475,269
Noncurrent liabilities:	
Due within one year (Note 5)	183,882,315
Due in more than one year (Note 5)	<u>1,780,851,671</u>
Total liabilities	<u>2,022,392,486</u>
<b>Net Position</b>	
Net investment in capital assets	(1,610,555,990)
Restricted - Debt service	6,381,481
Unrestricted	<u>(356,113,844)</u>
Total net position	<u><u>\$ (1,960,288,353)</u></u>

# Detroit Public Schools

## Statement of Activities

Year Ended June 30, 2020

Functions/Programs	Program Revenue		Governmental
	Expenses	Operating Grants and Contributions	Activities
			Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:			
Support services	\$ 401,650	\$ -	\$ (401,650)
Interest	97,025,653	17,013,829	(80,011,824)
Debt issuance costs	347,385	-	(347,385)
Total primary government	<b>\$ 97,774,688</b>	<b>\$ 17,013,829</b>	(80,760,859)
General revenue:			
Taxes:			
Property taxes levied for general purposes			65,855,070
Property taxes levied for debt service			80,270,907
State aid not restricted to specific purposes			4,157,175
Interest and investment earnings			2,185,255
Other:			
Payment in lieu of taxes			6,498,919
Miscellaneous			67,284
Total general revenue			<u>159,034,610</u>
<b>Change in Net Position</b>			78,273,751
<b>Net Position - Beginning of year</b>			<u>(2,038,562,104)</u>
<b>Net Position - End of year</b>			<b><u>\$ (1,960,288,353)</u></b>

# Detroit Public Schools

## Governmental Funds Balance Sheet

June 30, 2020

	General Fund	Bond Redemption Fund	Total Governmental Funds
<b>Assets</b>			
Cash and investments (Note 4)	\$ 25,470,544	\$ -	\$ 25,470,544
Due from other governmental units	2,055,740	-	2,055,740
Restricted assets - Cash and investments (Note 4)	-	20,760,174	20,760,174
Total assets	<u>\$ 27,526,284</u>	<u>\$ 20,760,174</u>	<u>\$ 48,286,458</u>
<b>Liabilities</b>			
Accounts payable	\$ 196,368	\$ 619	\$ 196,987
Due to other governmental units	3,920,736	-	3,920,736
Accrued liabilities and other	1,065,508	-	1,065,508
Total liabilities	5,182,612	619	5,183,231
<b>Fund Balances</b>			
Restricted - Debt service	-	20,759,555	20,759,555
Unassigned	22,343,672	-	22,343,672
Total fund balances	22,343,672	20,759,555	43,103,227
Total liabilities and fund balances	<u>\$ 27,526,284</u>	<u>\$ 20,760,174</u>	<u>\$ 48,286,458</u>

**Detroit Public Schools**

**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

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**June 30, 2020**

<b>Fund Balances Reported in Governmental Funds</b>	\$ 43,103,227
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows related to bond refundings are not reported in the funds	13,817,675
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds	(1,964,733,986)
Accrued interest is not due and payable in the current period and is not reported in the funds	<u>(52,475,269)</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ (1,960,288,353)</u></u></b>

## Detroit Public Schools

### Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended June 30, 2020**

	General Fund	Bond Redemption Fund	Total Governmental Funds
<b>Revenue</b>			
Local sources	\$ 66,442,890	\$ 88,434,545	\$ 154,877,435
State sources	4,157,175	-	4,157,175
Federal sources	-	17,013,829	17,013,829
Total revenue	<u>70,600,065</u>	<u>105,448,374</u>	<u>176,048,439</u>
<b>Expenditures</b>			
Current:			
Support services	401,650	-	401,650
Debt service:			
Principal	56,754,166	115,035,000	171,789,166
Interest	8,545,810	80,795,838	89,341,648
Debt issuance costs	-	347,385	347,385
Total expenditures	<u>65,701,626</u>	<u>196,178,223</u>	<u>261,879,849</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	4,898,439	(90,729,849)	(85,831,410)
<b>Other Financing Sources (Uses)</b>			
Face value of debt issued	-	41,150,000	41,150,000
Premium on debt issued	-	9,439,149	9,439,149
School Loan Revolving Fund proceeds	-	89,257,056	89,257,056
Payment to bond refunding escrow agent	-	(50,248,961)	(50,248,961)
Total other financing sources	<u>-</u>	<u>89,597,244</u>	<u>89,597,244</u>
<b>Net Change in Fund Balances</b>	4,898,439	(1,132,605)	3,765,834
<b>Fund Balances - Beginning of year</b>	<u>17,445,233</u>	<u>21,892,160</u>	<u>39,337,393</u>
<b>Fund Balances - End of year</b>	<u><b>\$ 22,343,672</b></u>	<u><b>\$ 20,759,555</b></u>	<u><b>\$ 43,103,227</b></u>

## **Detroit Public Schools**

### Governmental Funds

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

**Year Ended June 30, 2020**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 3,765,834</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Issuing debt, net of premiums, provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(139,846,205)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premiums and outflows related to bond refundings are not expenses in the governmental funds	219,757,977
Interest expense is recognized in the government-wide statements as it accrues	<u>(5,403,855)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 78,273,751</u></u></b>



**Note 1 - Nature of Business**

Effective July 1, 2016, the Michigan Legislature approved a set of bills to restructure Detroit Public Schools (DPS or the "School District"). The bills effectively split the School District into two entities, Detroit Public Schools and Detroit Public Schools Community District (DPSCD). The bills include a funding package totaling \$617 million. DPS will continue 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, at which point the millage will need to be renewed by the voters to continue servicing the debt. The tax revenue from the 18 mills will be used to pay down the certain remaining notes payable (the 2016 Series notes payable), an emergency loan, the outstanding balance due to the state retirement system, and other obligations, 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 restructuring package, control of DPS was returned to a seven-member locally elected school board in January 2017. The administration also reports activity associated with DPS 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 (GASB). 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. Debt service expenditures, 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.

***Fund Accounting***

The School District accounts for its various activities in two 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.

**Note 2 - Significant Accounting Policies (Continued)****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, debt service funds, capital project funds, and permanent funds. The School District reports only two funds, which are both considered major governmental funds:

- The General Fund 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. Since all operations have been transferred from the School District to DPSCD, the primary function of the General Fund is to collect the nonhomestead property taxes and make payments, as scheduled, on the various debt obligations of the General Fund.
- The Bond Redemption Fund is a debt service fund used to record principal and interest payments related to bonds issued by the School District.

**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.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Note 2 - Significant Accounting Policies (Continued)*****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.

***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 external investment pools, which are valued at amortized cost.

**Restricted Assets**

Restricted assets relate to unspent property taxes held in the debt service funds that are required to be set aside for future bond principal and interest payments.

**Due to Other Governmental Units**

In the governmental funds financial statements, the School District has significant amounts recorded as liabilities due to other governmental units. This balance represents amounts due to the various governmental agencies, including Detroit Public Schools Community District and the State of Michigan.

**Long-term Obligations**

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The General Fund and Bond Redemption Fund are generally used to liquidate governmental long-term debt.

**Deferred Outflows of Resources**

In addition to assets, the statement of net position and/or balance sheet 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 prior bond refundings.

**Net Position**

Net position of the School District is classified in three components. Net investment in capital assets consists the outstanding borrowings used to finance the purchase or construction of capital assets previously held by the School District. 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 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 net position to have been depleted before unrestricted net position is applied.

**Note 2 - Significant Accounting Policies (Continued)**

**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).

**Property Tax Revenue**

Properties are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year. Tax collections are forwarded to the School District as collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to county tax rolls. Any delinquent taxes collected by the county are remitted to the School District by June 30. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

**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.

**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. 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 no significant amendments during the year.

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

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

***Excess of Expenditures Over Appropriations in Budgeted Funds***

The School District did not have significant expenditure budget variances.

**Note 4 - Deposits and Investments**

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

The School District has designated four 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 that investments in the Michigan Liquid Asset Fund - Cash Management Class are required to have a minimum one-day investment period before assets can be withdrawn.

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's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. At year end, the School District had \$47,708,775 of bank deposits 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 investment policy 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 institution, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. At June 30, 2020, 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 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. 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. At June 30, 2020, the School District does not have investments with custodial credit risk.

***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 June 30, 2020, the credit quality ratings of investments are as follows:

Investment	Fair Value	Rating	Rating Organization
MILAF+ Cash Management Class	\$ 2,490,329	AAAm	S&P

***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 investment 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 - Long-term Debt**

Prior to the restructuring, the School District issued bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. As a result of the legislation that created DPSCD, the capital assets acquired by the general obligation bonds were transferred to DPSCD, while the general obligation bonds are retained by the School District. These bonds are obligations that pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. The School District has issued notes payable to refinance short-term state aid anticipation notes into long-term payables. Other long-term obligations include the State's retirement obligation and amounts due to the School Loan Revolving Fund. Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and notes payable - Other debt - School building and site improvement bonds:					
Series 1998C	\$ 31,915,000	\$ -	\$ (4,660,000)	\$ 27,255,000	\$ 4,905,000
Series 2001A	183,695,000	-	-	183,695,000	-
Series 2002A	24,545,000	-	(11,915,000)	12,630,000	12,630,000
Series 2005A	226,800,000	-	-	226,800,000	-
Series 2009A	48,245,000	-	(7,700,000)	40,545,000	7,700,000
Series 2009B	181,050,000	-	(1,900,000)	179,150,000	2,300,000
Series 2010A	113,910,000	-	(7,985,000)	105,925,000	8,095,000
Series 2010B	49,630,000	-	(49,630,000)	-	-
Series 2012A	269,910,000	-	(9,500,000)	260,410,000	9,910,000
Series 2015A	91,825,000	-	(20,625,000)	71,200,000	21,655,000
Series 2017C	242,110,000	-	(50,750,000)	191,360,000	51,885,000
Series 2020A	-	41,150,000	-	41,150,000	-
Total bonds payable	1,463,635,000	41,150,000	(164,665,000)	1,340,120,000	119,080,000
Direct borrowings - Notes payable:					
Series 2016D-1	89,485,000	-	(21,155,000)	68,330,000	21,970,000
Series 2016D-2	46,275,000	-	(10,895,000)	35,380,000	11,320,000
Series 2016 Emergency Loan	150,000,000	-	-	150,000,000	-
Direct borrowings - Other liabilities:					
School Loan Revolving Fund	153,136,835	94,712,199	-	247,849,034	-
Retirement system obligation	102,991,690	-	(24,704,166)	78,287,524	25,380,000
Total direct borrowings	541,888,525	94,712,199	(56,754,166)	579,846,558	58,670,000
Unamortized bond premiums	41,625,888	9,439,149	(6,297,609)	44,767,428	6,132,315
Total governmental activities long-term debt	<u>\$ 2,047,149,413</u>	<u>\$ 145,301,348</u>	<u>\$ (227,716,775)</u>	<u>\$ 1,964,733,986</u>	<u>\$ 183,882,315</u>

June 30, 2020

**Note 5 - Long-term Debt (Continued)**

The School District had deferred outflows of \$13,817,675 related to deferred charges on bond refundings at June 30, 2020.

Annual debt service requirements to maturity for long-term debt are as follows:

Years Ending June 30	Other Debt - School Building and Site Improvement Bonds					Direct Borrowings - Notes Payable			Direct Borrowings - ORS Obligation		
	Principal	Interest	Interest Subsidy	Net Interest	Total - Net	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 119,080,000	\$ 76,519,010	\$ (13,089,284)	\$ 63,429,727	\$ 182,509,727	\$ 33,290,000	\$ 5,893,076	\$ 39,183,076	\$ 25,380,000	\$ -	\$ 25,380,000
2022	123,305,000	72,414,588	(13,031,036)	59,383,552	182,688,552	34,550,000	4,541,294	39,091,294	25,950,000	-	25,950,000
2023	127,710,000	67,949,800	(12,970,257)	54,979,543	182,689,543	43,870,000	3,078,907	46,948,907	18,630,000	-	18,630,000
2024	108,600,000	63,369,348	(12,906,944)	50,462,404	159,062,404	8,000,000	1,807,800	9,807,800	8,327,524	38,097,195	46,424,719
2025	82,340,000	59,216,076	(13,676,226)	45,539,850	127,879,850	14,000,000	1,663,700	15,663,700	-	-	-
2026-2030	460,070,000	212,380,606	(55,490,074)	156,890,532	616,960,532	120,000,000	1,703,000	121,703,000	-	-	-
2031-2035	226,000,000	64,793,332	(16,093,812)	48,699,520	274,699,520	-	-	-	-	-	-
2036-2040	93,015,000	17,198,538	(5,050,076)	12,148,462	105,163,462	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,340,120,000</b>	<b>\$ 633,841,298</b>	<b>\$ (142,307,709)</b>	<b>\$ 491,533,590</b>	<b>\$ 1,831,653,590</b>	<b>\$ 253,710,000</b>	<b>\$ 18,687,777</b>	<b>\$ 272,397,777</b>	<b>\$ 78,287,524</b>	<b>\$ 38,097,195</b>	<b>\$ 116,384,719</b>

**General Obligation Bonds**

General obligations outstanding at June 30, 2020 are as follows:

Description	Remaining Annual Installments	Interest Rate(s)	Maturing May 1	Outstanding
\$84,855,000 - 1998 Series C Refunding Bonds	\$4,905,000 to \$6,025,000	5.25%	2025	\$ 27,255,000
	\$14,320,000 to			
\$438,365,000 - 2001 Series A Building & Site Bonds	\$43,310,000	6.00%	2029	183,695,000
\$388,995,000 - 2002 Series A Building & Site Bonds	\$12,360,000	6.00%	2021	12,630,000
	\$16,145,000 to			
\$500,000,000 - 2005 Series A Refunding Bonds	\$69,165,000	5.25%	2032	226,800,000
\$90,000,000 - 2009 Series A Qualified School Construction Bonds	\$7,700,000 to \$9,745,000	3.19%	2025	40,545,000
	\$2,300,000 to			
\$200,000,000 - 2009 Series B Build America Bonds*	\$18,625,000	7.74%	2039	179,150,000
\$160,910,000 - 2010 Series A Qualified School Construction Bonds	\$8,095,000 to \$16,850,000	6.65%	2029	105,925,000
	\$9,910,000 to			
\$337,735,000 - 2012 Series A Refunding Bonds	\$27,450,000	5.00%	2033	260,410,000
	\$11,520,000 to			
\$192,580,000 - 2015 Series A Refunding Bonds	\$21,655,000	5.00%	2025	71,200,000
	\$31,945,000 to			
\$291,755,000 - 2017 Series C Refunding Bonds	\$54,360,000	2.91%	2024	191,360,000
\$41,150,000 - 2020 Series A Refunding Bonds	\$3,670,000 to \$3,800,000	5.00%	2040	41,150,000
<b>Total bonded debt</b>				<b>\$ 1,340,120,000</b>

\*With federal interest subsidy of 28.40 percent of annual interest due.



**Note 5 - Long-term Debt (Continued)**

The 2009 Series A and 2010 Series A bonds require that annual payments be paid to a trustee, which holds the proceeds in trust for full payment of the full amount of the bonds at maturity. The bonds are considered defeased at the time the payments are made to the trust.

Notes payable consist of the amounts in the following table at June 30, 2020. The 2016 Emergency Note contains a provision where, in the event of any nonpayment of scheduled principal or interest the State of Michigan has the right to declare all amounts under the note to be immediately due and payable without notice or demand.

Description	Original Amount	Due Date	Interest Rate	Remaining Interest	Remaining Principal
Series 2016D-1	\$ 149,240,000	03/31/2023	3.90%	\$ 4,869,751	\$ 68,330,000
Series 2016D-2	77,140,000	03/31/2023	3.55%	2,800,927	35,380,000
Series 2016 Emergency Note	<u>150,000,000</u>	09/01/2026	1.31%	<u>11,017,100</u>	<u>150,000,000</u>
Total	<u>\$ 376,380,000</u>			<u>\$ 18,687,778</u>	<u>\$ 253,710,000</u>

**School Loan Revolving Fund**

The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005 (the "Act"), as amended. The School Loan Revolving Fund is accessible to school districts for borrowings that initiated after July 19, 2005. Interest during the year ended June 30, 2020 ranged from 3.07 percent to 3.44 percent. Repayment is required when the millage rate necessary to cover the annual bonded debt service requirements falls below 13.0 mills. The predetermined mandatory final loan repayment date is May 1, 2046. If the School District fails to levy the appropriate debt mills in accordance with the agreement or defaults in loan repayment, the School District shall increase its debt levy in the next succeeding year, and a default late charge of 3 percent will apply. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the School District, no provision for repayment has been included in the above debt maturity schedule. If the School District is in default of the loan agreement, the State of Michigan will have to make arrangements with the School District, as it has no other sources of funding. Changes in principal and interest were as follows:

	Principal	Interest	Total
Beginning balance	\$ 150,229,181	\$ 2,907,654	\$ 153,136,835
Additions	<u>89,257,056</u>	<u>5,455,143</u>	<u>94,712,199</u>
Ending balance	<u>\$ 239,486,237</u>	<u>\$ 8,362,797</u>	<u>\$ 247,849,034</u>

**Current Bond Refunding**

During the year, the School District issued \$41,150,000 in general obligation bonds with an interest rate of 5.00 percent. The proceeds of these bonds were used to refund \$49,630,000 of outstanding 2010 Series B - Building and Site Improvement bonds with an interest rate of 6.85 percent. The net proceeds of \$50,248,961 (after payment of \$340,188 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent until the call date of the refunded bonds has occurred, which is not to exceed 90 days from the refunding. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from long-term debt. The refunding reduced total debt service payments over the next 20 years by approximately \$8,500,000, which also approximates the present value of the savings.

**Note 5 - Long-term Debt (Continued)**

Subsequent to year end, the School District issued \$248,555,000 in general obligation bonds with an average interest rate of 2.22 percent. The proceeds of these bonds were used to refund \$247,971,000 of outstanding School Loan Revolving Fund with an average interest rate of 3.26 percent. The net proceeds of \$247,971,000 (after payment of \$584,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were used to immediately repay the School Loan Revolving Fund balance. The refunding reduced total debt service payments over the next 28 years by approximately \$50,300,000, which represents an economic gain of approximately \$37,350,000.

***Office of Retirement System Obligation (ORS)***

The outstanding obligation payable to the Office of Retirement System (ORS) is payable in annual principal payments, with the final payment of principal and accrued interest expected to be made in fiscal year 2024. The note payable accrues simple interest at a rate of 8.00 percent, which accrues daily.

**Note 6 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors, and omissions. The School District has purchased commercial insurance for these exposures. Since all employees were transferred to DPSCD as a result of the separation agreement, DPS is no longer responsible for employee benefits.

**Note 7 - Michigan Public School Employees' Retirement System**

As a result of the restructuring that occurred in 2017, the School District no longer has any employees and, as a result, no longer participates in the Michigan Public School Employees' Retirement System (MPERS or the "System"), which is the statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of Michigan school districts.

Therefore, the School District did not have any required contributions for the years ended June 30, 2020 and 2019, other than those required under the payment agreement, as noted in the long-term debt disclosure. At the time of the restructuring, the School District had a significant obligation payable to MPERS as a result of being financially unable to make required employer contributions. As discussed in Note 5, this amount is being repaid through 2024.

**Note 8 - Tax Abatements**

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) and brownfield redevelopment agreements granted by cities, villages, and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2020, the School District's property tax revenue was reduced by approximately \$35.3 million, affecting both the General and Bond Redemption funds. Of this amount, the School District has, or will receive, reimbursement of approximately \$10.6 million, through renaissance zone allocations and property tax reimbursements. Remaining amounts are not reimbursed to the School District.

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## Required Supplemental Information

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**Detroit Public Schools**

Required Supplemental Information  
Budgetary Comparison Schedule  
General Fund

**Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	Over Final (Under) Budget
<b>Revenue</b>				
Local sources	\$ 65,145,930	\$ 69,050,171	\$ 66,442,890	\$ (2,607,281)
State sources	4,330,730	4,077,871	4,157,175	79,304
Total revenue	69,476,660	73,128,042	70,600,065	(2,527,977)
<b>Expenditures</b>				
Current - Support services - Business office	100,000	90,000	401,650	311,650
Debt service	47,916,182	64,559,771	65,299,976	740,205
Total expenditures	48,016,182	64,649,771	65,701,626	1,051,855
<b>Excess of Revenue Over Expenditures</b>	21,460,478	8,478,271	4,898,439	(3,579,832)
<b>Other Financing Uses - Transfers out</b>	(6,900,000)	-	-	-
<b>Net Change in Fund Balance</b>	14,560,478	8,478,271	4,898,439	(3,579,832)
<b>Fund Balance - Beginning of year</b>	17,445,233	17,445,233	17,445,233	-
<b>Fund Balance - End of year</b>	<b>\$ 32,005,711</b>	<b>\$ 25,923,504</b>	<b>\$ 22,343,672</b>	<b>\$ (3,579,832)</b>

## Detroit Public Schools

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

#### Last Six Plan Years Plan Years Ended September 30

	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	- %	- %	- %	- %	3.53370 %	3.96221 %
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ 863,027,538	\$ 872,735,996
School District's covered payroll	\$ -	\$ -	\$ -	\$ -	\$ 294,814,730	\$ 330,958,130
School District's proportionate share of the net pension liability as a percentage of its covered payroll	- %	- %	- %	- %	292.74 %	263.70 %
Plan fiduciary net position as a percentage of total pension liability	- %	- %	- %	- %	62.92 %	66.20 %

**Detroit Public Schools**

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

**Last Six Fiscal Years  
Years Ended June 30**

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ -	\$ -	\$ -	\$ -	\$ 81,042,568	\$ 98,482,599
Contributions in relation to the statutorily required contribution	-	-	-	-	-	98,482,599
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (81,042,568)</b>	<b>\$ -</b>
<b>School District's Covered Payroll</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 288,380,872</b>	<b>\$ 314,790,059</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>31.29 %</b>

Effective July 1, 2016, legislative changes transferred all of the School District's employees to DPSCD. As a result, the net pension liability was transferred to DPSCD, and the School District no longer reports a liability for its proportionate share of the net pension liability, as this liability is now reported on DPSCD's financial statements. In addition, the School District did not have any required contributions to the plan for the year ended June 30, 2020.

***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.

***Contributions in Relation to the Statutorily Required Contribution***

The School District was previously delinquent in its required contribution payments. During the year ended June 30, 2017, the School District entered into a long-term payment arrangement with the Office of Retirement Services, which allows the outstanding balance to be paid over a period not to exceed 12 years. During 2020, the School District made a total of approximately \$24,700,000 in principal payments. There were no statutorily required contributions in 2020 given that there are no longer any employees, and the principal payment is not considered a statutorily required contribution for the purpose of these disclosures. Subsequent to the transfer of the net pension liability to DPSCD, all future statutorily required contributions are the responsibility of DPSCD.

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## Other Supplemental Information

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# Detroit Public Schools

## Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2020

Years Ending June 30	Series 1998C	Series 2001A	Series 2002A	Series 2005A	Series 2009A	Series 2009B
	Principal	Principal	Principal	Principal	Principal	Principal
2021	\$ 4,905,000	\$ -	\$ 12,630,000	\$ -	\$ 7,700,000	\$ 2,300,000
2022	5,165,000	14,320,000	-	-	7,700,000	2,400,000
2023	5,440,000	15,180,000	-	-	7,700,000	2,500,000
2024	5,720,000	16,095,000	-	-	7,700,000	2,600,000
2025	6,025,000	17,055,000	-	-	9,745,000	2,700,000
2026	-	24,420,000	-	16,145,000	-	3,150,000
2027	-	25,885,000	-	16,990,000	-	6,275,000
2028	-	27,430,000	-	17,890,000	-	6,525,000
2029	-	43,310,000	-	18,825,000	-	6,625,000
2030	-	-	-	65,715,000	-	6,925,000
2031	-	-	-	69,165,000	-	6,925,000
2032	-	-	-	22,070,000	-	8,925,000
2033	-	-	-	-	-	9,550,000
2034	-	-	-	-	-	18,625,000
2035	-	-	-	-	-	18,625,000
2036	-	-	-	-	-	18,625,000
2037	-	-	-	-	-	18,625,000
2038	-	-	-	-	-	18,625,000
2039	-	-	-	-	-	18,625,000
2040	-	-	-	-	-	-
Total remaining payments	<b>\$ 27,255,000</b>	<b>\$ 183,695,000</b>	<b>\$ 12,630,000</b>	<b>\$ 226,800,000</b>	<b>\$ 40,545,000</b>	<b>\$ 179,150,000</b>
Interest rate	5.25%	6.00%	6.00%	5.25%	3.19%	7.74%
Original issue	<b>\$ 84,855,000</b>	<b>\$ 438,365,000</b>	<b>\$ 388,995,000</b>	<b>\$ 500,000,000</b>	<b>\$ 90,000,000</b>	<b>\$ 200,000,000</b>

  

Years Ending June 30	Series 2010A	Series 2012A	Series 2015A	Series 2017C	Series 2020A	Total
	Principal	Principal	Principal	Principal	Principal	
2021	\$ 8,095,000	\$ 9,910,000	\$ 21,655,000	\$ 51,885,000	\$ -	\$ 119,080,000
2022	8,525,000	20,505,000	11,520,000	53,170,000	-	123,305,000
2023	8,960,000	21,465,000	12,105,000	54,360,000	-	127,710,000
2024	9,415,000	22,480,000	12,645,000	31,945,000	-	108,600,000
2025	9,885,000	23,655,000	13,275,000	-	-	82,340,000
2026	16,850,000	24,905,000	-	-	-	85,470,000
2027	14,265,000	26,145,000	-	-	-	89,560,000
2028	14,650,000	27,450,000	-	-	-	93,945,000
2029	15,280,000	14,520,000	-	-	-	98,560,000
2030	-	16,095,000	-	-	3,800,000	92,535,000
2031	-	16,900,000	-	-	3,790,000	96,780,000
2032	-	17,745,000	-	-	3,780,000	52,520,000
2033	-	18,635,000	-	-	3,770,000	31,955,000
2034	-	-	-	-	3,755,000	22,380,000
2035	-	-	-	-	3,740,000	22,365,000
2036	-	-	-	-	3,730,000	22,355,000
2037	-	-	-	-	3,720,000	22,345,000
2038	-	-	-	-	3,705,000	22,330,000
2039	-	-	-	-	3,690,000	22,315,000
2040	-	-	-	-	3,670,000	3,670,000
Total remaining payments	<b>\$ 105,925,000</b>	<b>\$ 260,410,000</b>	<b>\$ 71,200,000</b>	<b>\$ 191,360,000</b>	<b>\$ 41,150,000</b>	<b>\$ 1,340,120,000</b>
Interest rate	6.65%	5.00%	5.00%	2.91%	5.00%	
Original issue	<b>\$ 160,910,000</b>	<b>\$ 337,735,000</b>	<b>\$ 192,580,000</b>	<b>\$ 291,755,000</b>	<b>\$ 41,150,000</b>	

Principal payments for the bond issues are due on May 1 of each year.  
Interest payments for the bond issues are due on May 1 and November 1 of each year.