

ARTHUR ANDERSEN LLP

JACK MARTIN & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SCHOOL DISTRICT OF THE CITY OF DETROIT

GENERAL PURPOSE FINANCIAL STATEMENTS

AND OTHER FINANCIAL INFORMATION

AS OF JUNE 30, 1998

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

SCHOOL DISTRICT OF THE CITY OF DETROIT

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Independent Auditors' Report

To the Board of Education of the
School District of the City of Detroit, Michigan:

We have audited the accompanying general purpose financial statements of the SCHOOL DISTRICT OF THE CITY OF DETROIT, MICHIGAN ("the District"), as of and for the year ended June 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's Administration. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the District's Administration, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We have not audited the balance sheet of the General Fixed Assets Account Group of the District (see Note 2) and express no opinion thereon.

In our opinion, except for the effects of such adjustments as might have been required had we audited the General Fixed Assets Account Group, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the School District of the City of Detroit, Michigan as of June 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 1998 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements, taken as a whole. The combining and individual fund financial statements, and statistical data listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Arthur Andersen LLP

Jack Martin & Co. P.C.

Detroit, Michigan,
October 9, 1998.

SCHOOL DISTRICT OF THE CITY OF DETROIT

COMBINED BALANCE SHEETS - ALL FUND TYPES AND ACCOUNT GROUPS

AS OF JUNE 30, 1998

	Governmental Fund Types			Fiduciary Fund Type	Account Groups			Totals (Memorandum Only)
	General	Capital Projects			General Long-Term Debt	General Fixed Assets (Unaudited)		
		Debt Retirement	Trust and Agency					
<u>ASSETS</u>								
CASH	\$ 2,241,980	\$ -	\$ -	\$ 171,808	\$ -	\$ -	\$ -	\$ 2,413,788
INVESTMENTS	46,698,558	97,006,258	25,921,487	3,291,897	-	-	-	172,918,200
RECEIVABLES:								
Property taxes-								
Current	1,978,797	-	1,134,638	-	-	-	-	3,113,435
Delinquent	54,180,873	-	17,364,614	-	-	-	-	71,545,487
Due from other governmental units	142,756,599	-	-	-	-	-	-	142,756,599
Other	2,139,521	679,045	62,350	-	-	-	-	2,880,916
DUE (TO) FROM OTHER FUNDS	(13,085,698)	8,185,670	3,945,168	954,860	-	-	-	-
INVENTORY	12,316,341	-	-	-	-	-	-	12,316,341
AMOUNT AVAILABLE IN DEBT RETIREMENT FUND	-	-	-	-	31,063,643	-	-	31,063,643
AMOUNT TO BE PROVIDED FOR RETIREMENT OF GENERAL LONG-TERM DEBT	-	-	-	-	376,436,651	-	-	376,436,651
LAND	-	-	-	-	-	99,833,829	-	99,833,829
BUILDINGS	-	-	-	-	-	775,426,496	-	775,426,496
EQUIPMENT	-	-	-	-	-	172,595,209	-	172,595,209
	\$249,226,971	\$105,870,973	\$48,428,257	\$4,418,565	\$407,500,294	\$1,047,855,534	\$1,863,300,594	\$1,863,300,594

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF THE CITY OF DETROIT

COMBINED BALANCE SHEETS - ALL FUND TYPES AND ACCOUNT GROUPS

AS OF JUNE 30, 1998
(Continued)

	Governmental Fund Types			Fiduciary Fund Type	Account Groups			Totals (Memorandum Only)	
	General	Capital Projects	Debt Retirement		Trust and Agency	General Long-Term Debt	Fixed Assets (Unaudited)		General Fixed Assets (Unaudited)
LIABILITIES AND FUND BALANCES									
LIABILITIES:									
Accounts payable	\$ 37,766,331	\$ 2,609,374	\$ -	\$ 4,110,904	\$ -	\$ -	\$ -	\$ 44,486,609	
Accrued salaries and wages	13,392,255	-	-	-	-	-	-	13,392,255	
Compensated absences payable	3,101,266	-	-	-	48,745,940	-	-	51,847,206	
Workers compensation	2,027,348	-	-	-	31,325,430	-	-	33,352,778	
Pending litigation	717,748	-	-	-	15,232,952	-	-	15,950,700	
WCRESA chargeback liability	-	-	-	-	5,450,450	-	-	5,450,450	
Deferred revenue, unexpended restricted funds	27,531,470	-	-	307,661	-	-	-	27,839,131	
Deferred revenue, delinquent property taxes	54,180,873	-	17,364,614	-	-	-	-	71,545,487	
Notes payable	805,936	-	-	-	5,214,542	-	-	6,020,478	
Bonds payable	-	-	-	-	262,127,600	-	-	262,127,600	
Capital leases	2,138,089	-	-	-	30,409,106	-	-	32,547,195	
Other	14,502,215	663,560	-	-	8,994,274	-	-	24,160,049	
Total liabilities	156,163,531	3,272,934	17,364,614	4,418,565	407,500,294	-	-	588,719,938	
FUND BALANCES:									
Investment in general fixed assets Designated/reserved	93,063,440	102,598,039	31,063,643	-	-	-	1,047,855,534	1,047,855,534	
Total fund balances	\$249,226,971	\$105,870,973	\$48,428,257	\$4,418,565	\$407,500,294	\$1,047,855,534	\$1,047,855,534	\$1,863,300,594	

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF THE CITY OF DETROIT

COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 1998

	Governmental Fund Types			Totals (Memorandum Only)
	General	Capital Projects	Debt Retirement	
REVENUES:				
General operations-				
Local sources-				
Property taxes	\$ 74,291,346	\$ -	\$44,443,310	\$ 118,734,656
Tuition	327,548	-	-	327,548
Interest from investments	9,121,264	5,611,494	1,864,287	16,597,045
State aid	1,016,706,222	-	-	1,016,706,222
Special education millage	33,851,192	-	-	33,851,192
Revenues from federal and state sources	9,598,689	-	-	9,598,689
Other	2,062,136	676	-	2,062,812
	<u>1,145,958,397</u>	<u>5,612,170</u>	<u>46,307,597</u>	<u>1,197,878,164</u>
Special program operations-				
Education Consolidation and Improvement Act I	94,574,532	-	-	94,574,532
Education Consolidation and Improvement Act II	1,909,469	-	-	1,909,469
Job Training Partnership Act	3,077,710	-	-	3,077,710
At Risk	75,078,955	-	-	75,078,955
Vocational education	4,121,936	-	-	4,121,936
Economic Opportunity and Community Partnership Act of 1974	5,993,973	-	-	5,993,973
Handicapped programs and other special needs	6,535,212	-	-	6,535,212
Other-				
Federal	7,619,522	-	-	7,619,522
State	9,301,244	-	-	9,301,244
Local and private	5,550,084	-	-	5,550,084
	<u>213,762,637</u>	<u>-</u>	<u>-</u>	<u>213,762,637</u>
Auxiliary operations-				
Food services	35,388,956	-	-	35,388,956
Community use of schools and interscholastic athletics	958,901	-	-	958,901
	<u>36,347,857</u>	<u>-</u>	<u>-</u>	<u>36,347,857</u>
Total revenues	<u>1,396,068,891</u>	<u>5,612,170</u>	<u>46,307,597</u>	<u>1,447,988,658</u>

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF THE CITY OF DETROIT

COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 1998
(Continued)

	Governmental Fund Types			Totals (Memorandum Only)
	General	Capital Projects	Debt Retirement	
EXPENDITURES:				
Instruction-				
Elementary schools	\$ 178,109,471	\$ -	\$ -	\$ 178,109,471
Middle schools	73,213,281	-	-	73,213,281
High schools	70,519,482	-	-	70,519,482
Other basic programs	2,213,618	-	-	2,213,618
Special education	97,423,146	-	-	97,423,146
Vocational education	20,267,385	-	-	20,267,385
Adult education	7,451,771	-	-	7,451,771
Other instructional expenses	18,311,713	-	-	18,311,713
	<u>467,509,867</u>	<u>-</u>	<u>-</u>	<u>467,509,867</u>
Special program operations-				
Education Consolidation and Improvement Act I	73,556,793	-	-	73,556,793
Education Consolidation and Improvement Act II	2,222,358	-	-	2,222,358
Job Training Partnership Act	2,420,299	-	-	2,420,299
At Risk	59,515,716	-	-	59,515,716
Vocational education	2,525,568	-	-	2,525,568
Economic Opportunity and Community Partnership Act of 1974	4,497,512	-	-	4,497,512
Handicapped programs and other special needs	6,285,120	-	-	6,285,120
Other-				
Federal	6,419,191	-	-	6,419,191
State	7,502,470	-	-	7,502,470
Local and private	4,550,690	-	-	4,550,690
	<u>169,495,717</u>	<u>-</u>	<u>-</u>	<u>169,495,717</u>
Supporting services-				
Pupil services	30,429,397	-	-	30,429,397
Instructional staff support services	22,524,002	-	-	22,524,002
General administration	6,235,186	-	-	6,235,186
School administration	73,986,048	-	-	73,986,048
Fiscal services	27,234,478	-	-	27,234,478
Operation and maintenance of facilities	139,707,013	-	-	139,707,013
Pupil transportation	43,728,425	-	-	43,728,425
Other support services	30,377,430	-	-	30,377,430
	<u>374,221,979</u>	<u>-</u>	<u>-</u>	<u>374,221,979</u>

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF THE CITY OF DETROIT

COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 1998

(Continued)

	Governmental Fund Types			Totals (Memorandum Only)
	General	Capital Projects	Debt Retirement	
Auxiliary operations-				
Food services	\$ 28,465,858	\$ -	\$ -	\$ 28,465,858
Community use of schools and interscholastic athletics	3,298,832	-	-	3,298,832
	31,764,690	-	-	31,764,690
Other expenditures-				
Employee benefits	260,085,121	-	-	260,085,121
Miscellaneous	718	-	-	718
	260,085,839	-	-	260,085,839
Capital outlay	13,881,097	12,881,050	-	26,762,147
Debt service-				
Principal retirement	-	-	33,315,300	33,315,300
Payment of interest and agent fees	-	-	18,310,560	18,310,560
Total expenditures	1,316,959,189	12,881,050	51,625,860	1,381,466,099
Excess of revenues over (under) expenditures	79,109,702	(7,268,880)	(5,318,263)	66,522,559
OTHER FINANCING SOURCES (USES) - INTERFUND TRANSFERS	(11,543,270)	-	11,543,270	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	67,566,432	(7,268,880)	6,225,007	66,522,559
FUND BALANCES, beginning of year	25,497,008	109,866,919	24,838,636	160,202,563
FUND BALANCES, end of year	\$ 93,063,440	\$102,598,039	\$31,063,643	\$ 226,725,122

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF THE CITY OF DETROIT

GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND

CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
REVENUES:			
General operations-			
Local sources-			
Property taxes	\$ 74,186,277	\$ 74,291,346	\$ 105,069
Tuition	730,000	327,548	(402,452)
Interest from investments	7,500,000	9,121,264	1,621,264
State aid	1,021,203,112	1,016,706,222	(4,496,890)
Special education millage	36,000,000	33,851,192	(2,148,808)
Revenues from federal and state sources	6,050,000	9,598,689	3,548,689
Other	1,390,000	2,062,136	672,136
	<u>1,147,059,389</u>	<u>1,145,958,397</u>	<u>(1,100,992)</u>
Special program operations-			
Education Consolidation and Improvement Act I	107,499,283	94,574,532	(12,924,751)
Education Consolidation and Improvement Act II	3,244,873	1,909,469	(1,335,404)
Job Training Partnership Act	3,277,931	3,077,710	(200,221)
At Risk	89,919,269	75,078,955	(14,840,314)
Vocational education	4,417,317	4,121,936	(295,381)
Economic Opportunity and Community Partnership Act of 1974	6,364,490	5,993,973	(370,517)
Handicapped programs and other special needs	9,537,341	6,535,212	(3,002,129)
Other-			
Federal	10,049,896	7,619,522	(2,430,374)
State	12,132,819	9,301,244	(2,831,575)
Local and private	9,042,917	5,550,084	(3,492,833)
	<u>255,486,136</u>	<u>213,762,637</u>	<u>(41,723,499)</u>
Auxiliary operations-			
Food services	31,631,546	35,388,956	3,757,410
Community use of schools and interscholastic athletic	3,052,777	958,901	(2,093,876)
	<u>34,684,323</u>	<u>36,347,857</u>	<u>1,663,534</u>
Total revenues	<u>1,437,229,848</u>	<u>1,396,068,891</u>	<u>(41,160,957)</u>

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF THE CITY OF DETROIT

GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND

CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 1998

(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
EXPENDITURES:			
Instruction-			
Elementary schools	\$ 177,187,175	\$ 178,109,471	\$ 922,296
Middle schools	75,496,619	73,213,281	(2,283,338)
High schools	69,603,129	70,519,482	916,353
Other basic programs	3,021,019	2,213,618	(807,401)
Special education	110,279,630	97,423,146	(12,856,484)
Vocational education	20,958,575	20,267,385	(691,190)
Adult education	8,145,795	7,451,771	(694,024)
Other instructional expenses	18,456,118	18,311,713	(144,405)
	<u>483,148,060</u>	<u>467,509,867</u>	<u>(15,638,193)</u>
Special program operations-			
Education Consolidation and Improvement Act I	85,336,277	73,556,793	(11,779,484)
Education Consolidation and Improvement Act II	2,564,302	2,222,358	(341,944)
Job Training Partnership Act	2,653,018	2,420,299	(232,719)
At Risk	71,298,666	59,515,716	(11,782,950)
Vocational education	2,584,858	2,525,568	(59,290)
Economic Opportunity and Community Partnership Act of 1974	4,813,806	4,497,512	(316,294)
Handicapped programs and other special needs	7,127,641	6,285,120	(842,521)
Other-	8,531,675	6,419,191	(2,112,484)
Federal			
State	9,609,718	7,502,470	(2,107,248)
Local and private	7,390,943	4,550,690	(2,840,253)
	<u>201,910,904</u>	<u>169,495,717</u>	<u>(32,415,187)</u>
Supporting services-			
Pupil services	32,358,320	30,429,397	(1,928,923)
Instructional staff support services	26,425,443	22,524,002	(3,901,441)
General administration	7,995,802	6,235,186	(1,760,616)
School administration	79,832,325	73,986,048	(5,846,277)
Fiscal services	35,140,290	27,234,478	(7,905,812)
Operation and maintenance of facilities	141,658,014	139,707,013	(1,951,001)
Pupil transportation	38,750,106	43,728,425	4,978,319
Other support services	36,709,583	30,377,430	(6,332,153)
	<u>398,869,883</u>	<u>374,221,979</u>	<u>(24,647,904)</u>

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF THE CITY OF DETROIT

GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND

CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 1998
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Auxiliary operations-			
Food services	\$ 25,792,553	\$ 28,465,858	\$ 2,673,305
Community use of schools and interscholastic athletics	2,796,167	3,298,832	502,665
	<u>28,588,720</u>	<u>31,764,690</u>	<u>3,175,970</u>
Other expenditures-			
Employee benefits	280,323,825	260,085,121	(20,238,704)
Miscellaneous	-	718	718
	<u>280,323,825</u>	<u>260,085,839</u>	<u>(20,237,986)</u>
Capital outlay	18,158,955	13,881,097	(4,277,858)
Total expenditures	<u>1,411,000,347</u>	<u>1,316,959,189</u>	<u>94,041,158</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>26,229,501</u>	<u>79,109,702</u>	<u>52,880,201</u>
OTHER FINANCING USES - INTERFUND TRANSFERS	<u>(15,410,000)</u>	<u>(11,543,270)</u>	<u>3,866,730</u>
Excess of revenues over expenditures and other financing uses	<u>\$ 10,819,501</u>	<u>67,566,432</u>	<u>\$ 56,746,931</u>
FUND BALANCE, beginning of year		25,497,008	
FUND BALANCE, end of year		<u>\$ 93,063,440</u>	

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF THE CITY OF DETROIT

DEBT RETIREMENT FUNDS - COMBINED STATEMENT OF REVENUES, EXPENDITURES AND

CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
REVENUES:			
Property taxes	\$38,859,445	\$44,443,310	\$5,583,865
Interest from investments	1,300,000	1,864,287	564,287
Total revenues	40,159,445	46,307,597	6,148,152
EXPENDITURES:			
Principal retirement	33,315,300	33,315,300	-
Payment of interest and agent fees	18,334,925	18,310,560	(24,365)
Total expenditures	51,650,225	51,625,860	(24,365)
Excess of expenditures over revenues	(11,490,780)	(5,318,263)	6,172,517
OTHER FINANCING SOURCES, TRANSFER FROM GENERAL FUND	11,490,780	11,543,270	52,490
Excess of revenues and other financing sources over expenditures	\$ -	6,225,007	\$6,225,007
FUND BALANCE, beginning of year		24,838,636	
FUND BALANCE, end of year		\$31,063,643	

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF THE CITY OF DETROIT

NOTES TO FINANCIAL STATEMENTS

(1) SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of the general purpose financial statements of the School District of the City of Detroit (the "District").

Basis of Accounting

The accounts of the District are maintained using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of current period. The District considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgements which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Reporting Entity

The general purpose financial statements of the District include all funds and operations which are controlled by or dependent upon the District. No other component units were combined to form the reporting entity.

Budgets

Budgets are legally adopted and reported herein for the General Fund and Debt Retirement Funds. Budgets are prepared on the same basis of accounting as the accounting for actual results.

Property Taxes

Property taxes are recorded as revenue when collected. Delinquent taxes collected within sixty days after the fiscal year-end are also recorded as revenue. Taxes levied and not collected within sixty days after the fiscal year-end are recorded as deferred revenue.

Property taxes are assessed as of the preceding December 31. Approximately one-half of such taxes are levied and become a lien on July 1, and the balance is levied and becomes a lien on December 1. These taxes are due on August 15 and January 15, respectively. In its role as tax collection agent for the District, the City of Detroit is responsible for the collection of delinquent taxes.

SCHOOL DISTRICT OF THE CITY OF DETROIT

NOTES TO FINANCIAL STATEMENTS

(Continued)

As a result of the passage of a constitutional amendment by the voters of the State of Michigan on March 15, 1994, the School District's financing structure was reorganized effective for the fiscal year ended June 30, 1995. The reorganization of school financing shifted a portion of the District's revenue sources from locally levied and collected property taxes to the State of Michigan, received in the form of a foundation allowance. The foundation allowance is derived from the difference between an amount guaranteed by the State (\$6,046 per pupil in 1998) and the per pupil tax revenue generated from an 18 mill levy on all non-homestead property. To meet the District's per pupil guarantee, the State levies 6 mills on all taxable property on a statewide basis.

Tax Exempt Status

The District is a tax-exempt organization as described in Section 115 of the Internal Revenue Code.

Inventory

Inventory is valued at the lower of weighted average cost or market. Inventory consists primarily of textbooks, other instructional materials, equipment and maintenance supplies. Expenditures are recorded when the related inventory items are used in school operations.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in the accounting system in order to reserve the portion of the applicable appropriation, is employed in the Governmental Fund Types. Encumbrances which have not been liquidated are reported as reservations of fund balance since they do not constitute expenditures or liabilities. District policy requires that such amounts be reappropriated in the following fiscal year.

Special Program Operations

The District receives grants from various government agencies for use in operating programs specified by the granting agencies. Special program revenues are recognized when the related expenditures are incurred. Total revenues and total expenditures recognized in the accompanying combined statements of revenues, expenditures and changes in fund balance do not offset each other due to the classification of employee benefits and capital outlay related to special program operations in one aggregate line item for all programs. Estimated reimbursable portions of special program expenditures not collected at year-end are recorded as accounts receivable. Funds received, which have not been fully expended by year-end, are included under liabilities as deferred revenue, unexpended restricted funds in the combined balance sheet.

SCHOOL DISTRICT OF THE CITY OF DETROIT

NOTES TO FINANCIAL STATEMENTS

(Continued)

The District generally follows the practice of budgeting special program operations revenue and expenditures based on its fiscal year which ends June 30. This practice provides for budgeting the complete amount of a grant/award in the year that the majority of the grant/award funds will be expended. In some cases, these grants/awards cover a period other than the District's fiscal year and as such, results in a carryover of funds from one fiscal year to another. This practice generates actual over (under) budget balances that reflect planned budget carryovers as well as actual budget variances.

Amounts received or receivable from grant agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Total Columns (Memorandum Only)

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in those columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(2) FUND ACCOUNTING

The financial activities of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped in the general purpose financial statements into generic fund types and broad fund categories as follows:

SCHOOL DISTRICT OF THE CITY OF DETROIT

NOTES TO FINANCIAL STATEMENTS

(Continued)

Governmental Funds

General Fund - The General Fund is used to account for the general operations of the District and activities not accounted for in the District's other funds. Its revenues are derived primarily from state and federal distributions, property taxes, grants and other intergovernmental revenues.

Capital Projects Fund - The Capital Projects Fund accounts for proceeds from bond issues, grants or other funds specifically designated for capital projects associated with the improvement and maintenance of District facilities.

Debt Retirement Funds - The Debt Retirement Funds account for revenues and expenditures for debt service of school building and site bonds and deficit funding bonds.

Fiduciary Funds

Trust and Agency Funds - The District maintains Trust and Agency Funds to account for assets over which it has a custodial function. Scholarship activities and payroll deductions are recorded in this category.

Account Groups

General Long-Term Debt - This account group presents the long-term debt related to the various bond issues and other long-term obligations of the District.

General Fixed Assets (Unaudited) - The General Fixed Assets Account Group is used to account for the fixed assets of the District.

(3) CASH AND INVESTMENTS

The District's cash and investment policies are governed by state statutes. These statutes generally provide that the District is authorized to invest in obligations of the U.S. Treasury or its agencies and instrumentalities and repurchase agreements thereof, certificates of deposit issued by financial institutions located in Michigan, commercial paper rated prime, bankers' acceptances issued by FDIC member banks and mutual funds or investment pools that invest in any of the above authorized investments.

At June 30, 1998, the carrying amount of the District's cash accounts was \$2,413,788, and the bank balance was \$1,765,227. Of the bank balance, \$400,000 was covered by federal depository insurance.

SCHOOL DISTRICT OF THE CITY OF DETROIT

NOTES TO FINANCIAL STATEMENTS

(Continued)

The District's investments at June 30, 1998, included shares in investment pools which are value at amortized cost, which approximates market value. The District's investments in U.S. Treasury Obligations are uninsured and unregistered and are held in safekeeping, by the dealer's trust department or agent, in the District's name. The District's repurchase agreements and commercial paper are uninsured and unregistered and held in safekeeping by the dealer's trust department or agent, but not in the District's name. As the shares in the investment pool are not securities, they are not subject to risk categorization.

A summary of cash and investments at June 30, 1998 is as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Date of Maturity</u>	<u>Carrying Amount</u>
GENERAL FUND:			
Checking Accounts	N/A	N/A	\$ 2,241,980
Commercial Paper	5.69-5.75%	7/98	42,010,470
Repurchase Agreement	5.72%	7/98	3,659,327
Certificate of Deposit	5.70%	Open	1,028,761

			48,940,538

CAPITAL PROJECTS FUND:			
Commercial Paper	5.51-5.75%	7/98	31,394,283
Repurchase Agreement	5.50-5.72%	7/98	31,997,764
Pooled Investment Accounts	Various	Open	223,211
U.S. Treasury Obligations	5.05-6.16%	Various	33,391,000

			97,006,258

DEBT RETIREMENT FUNDS:			
Commercial Paper	5.53-5.74%	Various	24,280,709
Repurchase Agreements	5.72%	7/98	1,640,778

			25,921,487

TRUST AND AGENCY FUNDS:			
Checking Accounts	N/A	N/A	171,808
Pooled Investment Account	Various	Open	261,897
Certificates of Deposit	5.10%	7/98	2,980,000
Repurchase Agreements	5.10%	7/98	50,000

			3,463,705

			\$175,331,988
			=====

SCHOOL DISTRICT OF THE CITY OF DETROIT

NOTES TO FINANCIAL STATEMENTS
(Continued)

(4) COMPENSATED ABSENCES

Substantially all of the District's employees are awarded sick days based on union contract terms and job position. Such sick days may be accumulated up to 200 days. At retirement, compensation is paid for the first 35 days accumulated by non-teachers. Teachers are compensated for 1/2 of the first 70 days and 1/5 of the days accumulated thereafter up to a maximum of 64 compensated days. No compensation is paid for unused sick days accumulated if termination of employment occurs prior to retirement.

In addition, substantially all of the District's employees are awarded vacation days based on union contract terms and job position. Vacation days may be accumulated up to one year in arrears. Compensation is paid for unused vacation days upon retirement or termination.

The District records its liability for accumulated sick days expected to be paid to District employees upon retirement and accumulated vacation time in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 16. At June 30, 1998, the District's estimated liability for accumulated sick days and vacation time was \$51,847,206 of which \$3,101,266 is recorded in the General Fund and \$48,745,940 is recorded in the General Long-Term Account Group.

(5) RISK MANAGEMENT

The District is exposed to various claims and judgments as a result of lawsuits and claims; workers' compensation; and theft of, damage to and destruction of assets by individuals or natural disasters.

Lawsuits and Claims

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

Litigation is subject to many uncertainties, the ultimate outcome of which is not predictable; however, the District's management believes the resulting liabilities from outstanding legal actions, proceedings and claims will not have a material adverse effect upon the District's financial position or results of operations. At June 30, 1998, the District has recorded an estimated liability for pending litigation aggregating \$15,950,700 of which \$717,748 is recorded in the General Fund and \$15,232,952 is recorded in the General Long-Term Debt Account Group.

SCHOOL DISTRICT OF THE CITY OF DETROIT

NOTES TO FINANCIAL STATEMENTS

(Continued)

Changes in the liability in fiscal year 1998 was:

<u>Balance at July 1, 1997</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at June 30, 1998</u>
\$17,265,500	\$764,211	\$(2,079,011)	\$15,950,700

Workers' Compensation

Due to the costs of available coverage, the District is self-insured for workers' compensation and certain medical benefits. The total estimated liability of \$33,352,778 is reflected as \$2,027,348 in the General Fund and \$31,325,430 in the General Long-Term Debt Account Group. The liability for claims and judgements is reported in the general long-term account group to the extent that liability is not expected to be liquidated with expendable available financial resources. The liability includes an estimate of incurred but not reported claims as of June 30, 1998.

Changes in the liability in fiscal year 1998 were:

<u>Balance at July 1, 1997</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at June 30, 1998</u>
\$35,246,000	\$8,449,906	\$(10,343,128)	\$33,352,778

Property

Currently, the District has purchased general liability insurance for the motor vehicle fleet, special events, data processing equipment and the Central Distribution Center property and warehouse.

SCHOOL DISTRICT OF THE CITY OF DETROIT

NOTES TO FINANCIAL STATEMENTS
(Continued)

(6) WAYNE COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY ("WCRESA") CHARGEBACK LIABILITY

The operations of WCRESA generated a cumulative deficit of \$45,000,000 in fiscal years 1992 through 1995. The District, along with other Wayne County school districts in the program, is obligated to pay a chargeback to WCRESA, which provides funds to the program. The District's chargeback was determined by comparing the District's special education enrollment to total special education enrollment for all programs in Wayne County.

The District's chargeback liability at June 30, 1998 was \$5,450,450, which will be offset against future special education funding to be received from WCRESA, according to the following summary schedule approved by WCRESA:

<u>Fiscal Year</u>	<u>Amount</u>
1999	\$3,841,366
2000	1,609,084

	\$5,450,450
	=====

(7) DEBT SERVICE PRINCIPAL REQUIREMENTS

The following represents the debt service principal requirements of the school bus purchase notes and special purpose, deficit funding and school building and site bonds of the District recorded in the General Long-Term Debt Account Group:

	<u>School Bus Purchase Notes</u>	<u>Deficit Funding Bonds</u>	<u>School Building and Site Bonds</u>
1999	\$2,094,422	\$20,423,100	\$ 12,120,000
2000	1,515,000	15,079,500	9,510,000
2001	1,605,120	-	10,170,000
2002	-	-	10,680,000
2003	-	-	11,325,000
Thereafter	-	-	172,820,000
	-----	-----	-----
	\$5,214,542	\$35,502,600	\$226,625,000
	=====	=====	=====

SCHOOL DISTRICT OF THE CITY OF DETROIT

NOTES TO FINANCIAL STATEMENTS

(Continued)

In prior years, the District defeased various bond issues by creating a separate irrevocable trust fund. New debt was issued and a portion of the proceeds were used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial statement purposes, the debt has been considered defeased, and therefore, removed as a liability from the District's General Long-Term Debt Account Group. As of June 30, 1998, the amount of defeased debt outstanding but removed from the General Long-Term Debt Account Group amounted to \$31,180,000.

(8) BUILDING AND SITE BONDS

The 1986 Bond Capital Improvement Program (the "Program") was made the subject of a limited review by an independent accounting firm retained by the Michigan Department of Treasury. The bonds for this Program were issued by the District in the years 1987 through 1993 in the aggregate principal amount of \$162 million as authorized by the electors of the District on November 4, 1986. Such bonds were qualified for participation in the Michigan School Bond Loan Fund pursuant to Section 16 of Article 9 of the Constitution of the State of Michigan of 1963, as amended, and Act 108, Public Acts of Michigan, 1961, as amended. As of June 30, 1998, management has not been made aware of any findings or issues.

In addition, the District retained another independent accounting firm to perform a more comprehensive review of the Program's financial activities. While all of the findings resulting from these reviews have not been resolved, the District's management believes that these findings will not have a material adverse effect upon the District's financial position or results of operations.

SCHOOL DISTRICT OF THE CITY OF DETROIT

NOTES TO FINANCIAL STATEMENTS

(Continued)

(9) LEASE OBLIGATIONS

The District has leases with Honeywell Inc. and IBM for certain equipment. As of June 30, 1998, the future minimum lease payments under non-cancelable capital leases are as follows:

	<u>Capital Leases</u>
1999	\$ 8,787,183
2000	6,779,561
2001	6,779,561
2002	3,770,800
2003	3,770,800
Thereafter	9,264,346

Total minimum lease payments	39,152,251
Less- Amount representing interest	6,605,056

Capital lease obligations	\$32,547,195
	=====

(10) RESERVED AND DESIGNATED FUND BALANCES

The General Fund balance of \$93,063,440 has been designated as a result of encumbrances as of year end for purchased services, inventories and supplies. The Capital Projects Fund balance of \$102,598,039 represents funds restricted for capital projects associated with the improvement and maintenance of District facilities and for specific programs. The Debt Retirement Fund balance of \$31,063,643 has been reserved as a result of contractual arrangements or agreements with third parties.

(11) INTERFUND TRANSFER

During 1998, the District transferred \$11,543,270 of revenues from matching state school aid related to a 1.5 mill special operating debt retirement tax levy from the General Fund to the Debt Retirement Fund for debt service as required by the Deficit Funding Bond agreement.

SCHOOL DISTRICT OF THE CITY OF DETROIT

NOTES TO FINANCIAL STATEMENTS

(Continued)

(12) PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Substantially all District employees participate in the Michigan Public School Employees' Retirement System ("MPSERS"), under which employees are entitled to certain defined benefits established by state statute. School districts are required by state statute to contribute a certain percent of eligible wages (15.17 percent July 1, 1997 through September 30, 1997 and 11.12 percent October 1, 1997 through June 30, 1998) to the plan, which for the District totaled \$97,063,795 for the year ended June 30, 1998.

A Basic Plan member may retire at age 55 with 30 or more years of credited service, or at age 60 with 10 or more years of credited service. A Member Investment Plan participant may retire at any age with 30 years of service, or at age 60 with 5 years of credited service provided the member has worked through his/her 60th birthday and has credited service in each of the 5 school fiscal years immediately preceding the retirement allowance effective date. There is no mandatory retirement age.

A year of credited service is granted if a member works a minimum of 170 days at not less than 6 hours per day in a school fiscal year. Proportionate credit is granted for less than full-time employment. Credit is calculated to the nearest one-tenth year on the basis of 1,020 hours.

Benefit provisions provided to MPSERS' members vary among six options available to all members. These options permit retirees to choose specified levels of post-retirement benefits and post-death benefits paid to designated beneficiaries. The election of an option is made at the time of retirement and, once made, is irrevocable. Specific provisions of these options are explained in greater detail in the MPSERS Annual Report for the year ended September 30, 1997.

MPSERS does not make separate measurements of assets and the pension benefit obligation for individual employers. The pension benefit obligation for MPSERS as a whole at September 30, 1997 (the date of the most recent actuarial valuation) is approximately \$30.05 billion, and the net assets available for benefits at that date were approximately \$30.1 billion. The District's contributions were nearly 17.98 percent of total employer contributions of approximately \$100 million to MPSERS for the year ended September 30, 1997. Based on this measurement, the system is 100 percent funded.

SCHOOL DISTRICT OF THE CITY OF DETROIT

NOTES TO FINANCIAL STATEMENTS
(Continued)

Ten-year historical trend information showing the MPSERS progress in accumulating sufficient assets to pay benefits when due is presented in the MPSERS September 30, 1997 component unit financial statements.

In addition to the pension benefits described above, the District provides postemployment benefits to its retirees, which include hospitalization and dental care. The costs of benefits are financed on a pay-as-you-go basis.

During fiscal year 1998, the Detroit Board of Education approved an early retirement plan for certain employees. The District's management offered this option to those employees who were eligible under the plan. Under the plan, the District will pay \$2,227,401 each year for fiscal years 1999 through 2002 and \$84,670 in 2003, for the 284 employees who opted to retire under the plan, for a total expenditure of \$8,994,274.

(13) OTHER CONTINGENCIES

The Wage Arbitration Hearing for the 1998-99 School Year states that in the event that the audited financial statements of the District show an unencumbered General Fund-General Purpose Fund Balance as of June 30, 1998 of \$36 million or more, then the District is liable to pay a one-time bonus, which shall be equal to 1% of the Detroit Federation of Teachers ("DFT") member's 1998-99 salary. This one-time bonus is payable on August 1, 1999 to all DFT members employed by the District on September 1, 1998, and remaining employed through the last day of the 1998-99 school calendar. As the final payable is not determinable as of June 30, 1998, no liability was accrued, however management does not believe that this liability will have a material impact to the District's overall financial position or results of operations.

(14) YEAR 2000

The District is aware of the issues associated with the programming code in existing computer systems as the millennium (Year 2000) approaches. The "Year 2000" problem is pervasive and complex as virtually every computer operation will be affected in some way by the rollover of the two digit year value to 00. The issue is whether computer systems will properly recognize date sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail.

SCHOOL DISTRICT OF THE CITY OF DETROIT

NOTES TO FINANCIAL STATEMENTS
(Continued)

The District is utilizing both internal and external resources to identify, correct or reprogram, and test systems for the Year 2000 compliance. It is anticipated that all reprogramming efforts will be completed by June 30, 1999, allowing adequate time for testing. To date, the District is in the process of contacting its primary vendors regarding their plans to address the processing of transactions in the Year 2000.

The District estimates its total cost to address the Year 2000 issue to range from \$16.5 million to \$21 million. Maintenance or modification costs will be expensed as incurred.

The District expects its Year 2000 plan to be completed on a timely basis, however, failure to accomplish this on the part of the District or its vendors could have a material impact on the operations of the District. The District also recognizes that a contingency plan must be developed in the event the District's systems cannot be made Year 2000 compliant on a timely basis. The District expects to complete the development of this contingency plan by April 1, 1999.

SCHOOL DISTRICT OF THE CITY OF DETROIT

DEBT RETIREMENT FUNDS

COMBINING BALANCE SHEET

AS OF JUNE 30, 1998

<u>ASSETS</u>	<u>School Building and Site Bonds</u>	<u>Deficit Funding Bonds</u>	<u>Total</u>
CASH	\$ -	\$ -	\$ -
INVESTMENTS	10,922,183	14,999,304	25,921,487
INTEREST RECEIVABLE	37,006	25,344	62,350
PROPERTY TAXES RECEIVABLE:			
Current	746,500	388,138	1,134,638
Delinquent	12,857,551	4,507,063	17,364,614
DUE FROM OTHER FUNDS	28,419	3,916,749	3,945,168
	-----	-----	-----
	\$24,591,659	\$23,836,598	\$48,428,257
	=====	=====	=====

LIABILITIES AND FUND BALANCES

LIABILITIES -			
Deferred revenue, delinquent property taxes	\$12,857,550	\$ 4,507,064	\$17,364,614
	-----	-----	-----
FUND BALANCES, RESERVED FOR DEBT SERVICE	11,734,109	19,329,534	31,063,643
	-----	-----	-----
	\$24,591,659	\$23,836,598	\$48,428,257
	=====	=====	=====

SCHOOL DISTRICT OF THE CITY OF DETROIT

DEBT RETIREMENT FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 1998

	<u>School Building and Site Bonds</u>	<u>Deficit Funding Bonds</u>	<u>Total</u>
REVENUES:			
Property taxes	\$32,427,106	\$12,016,204	\$44,443,310
Interest from investments	1,023,770	840,517	1,864,287
	-----	-----	-----
Total revenues	33,450,876	12,856,721	46,307,597
	-----	-----	-----
EXPENDITURES:			
Principal retirement	14,270,000	19,045,300	33,315,300
Payment of interest and agent fees	14,599,711	3,710,849	18,310,560
	-----	-----	-----
Total expenditures	28,869,711	22,756,149	51,625,860
	-----	-----	-----
Excess of revenues over (under) expenditures	4,581,165	(9,899,428)	(5,318,263)
	-----	-----	-----
OTHER FINANCING SOURCES, TRANSFER FROM GENERAL FUND			
	-	11,543,270	11,543,270
	-----	-----	-----
Excess of revenues and other financing sources over expenditures	4,581,165	1,643,842	6,225,007
	-----	-----	-----
FUND BALANCES, beginning of year	7,152,944	17,685,692	24,838,636
	-----	-----	-----
FUND BALANCES, end of year	\$11,734,109	\$19,329,534	\$31,063,643
	=====	=====	=====

SCHOOL DISTRICT OF THE CITY OF DETROIT

SCHOOL BUILDING AND SITE BONDS DEBT RETIREMENT FUND - STATEMENT OF
REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 1998

	Budget	Actual	Actual Over (Under) Budget
REVENUES:			
Property taxes	\$28,234,576	\$32,427,106	\$4,192,530
Interest from investments	650,000	1,023,770	373,770
Total revenues	28,884,576	33,450,876	4,566,300
EXPENDITURES:			
Principal retirement	14,270,000	14,270,000	-
Payment of interest and agent fees	14,614,576	14,599,711	(14,865)
Total expenditures	28,884,576	28,869,711	(14,865)
Excess of revenues over (under) expenditures	-	4,581,165	4,581,165
OTHER FINANCING SOURCES, TRANSFER FROM GENERAL FUND	-	-	-
Excess of revenues and other financing sources over expenditures	\$ -	4,581,165	\$4,581,165
FUND BALANCE, beginning of year		7,152,944	
FUND BALANCE, end of year		\$11,734,109	

SCHOOL DISTRICT OF THE CITY OF DETROIT

DEFICIT FUNDING BONDS DEBT RETIREMENT FUND - STATEMENT OF REVENUES,

EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
REVENUES:			
Property taxes	\$ 10,624,869	\$12,016,204	\$1,391,335
Interest from investments	650,000	840,517	190,517
	-----	-----	-----
Total revenues	11,274,869	12,856,721	1,581,852
	-----	-----	-----
EXPENDITURES:			
Principal retirement	19,045,300	19,045,300	-
Payment of interest and agent fees	3,720,349	3,710,849	(9,500)
	-----	-----	-----
Total expenditures	22,765,649	22,756,149	(9,500)
	-----	-----	-----
Excess of expenditures over revenues	(11,490,780)	(9,899,428)	1,591,352
	-----	-----	-----
OTHER FINANCING SOURCES, TRANSFER FROM GENERAL FUND			
	11,490,780	11,543,270	52,490
	-----	-----	-----
Excess of revenues and other financing sources over expenditures	\$ -	1,643,842	\$1,643,842
	=====	-----	=====
FUND BALANCE, beginning of year		17,685,692	

FUND BALANCE, end of year		\$19,329,534	
		=====	

SCHOOL DISTRICT OF THE CITY OF DETROIT

TRUST AND AGENCY FUNDS

COMBINING BALANCE SHEET

AS OF JUNE 30, 1998

<u>ASSETS</u>	<u>Agency Funds ----- Payroll Deductions</u>	<u>Trust Fund ----- Scholarships</u>	<u>Total</u>
CASH	\$ 171,687	\$ 121	\$ 171,808
INVESTMENTS	3,030,000	261,897	3,291,897
DUE FROM OTHER FUNDS	881,743	73,117	954,860
	-----	-----	-----
	\$4,083,430	\$335,135	\$4,418,565
	=====	=====	=====
<u>LIABILITIES</u>			
ACCOUNTS PAYABLE	\$4,083,430	\$ 27,474	\$4,110,904
DEFERRED REVENUE, UNEXPENDED RESTRICTED FUNDS	-	307,661	307,661
	-----	-----	-----
	\$4,083,430	\$335,135	\$4,418,565
	=====	=====	=====

SCHOOL DISTRICT OF THE CITY OF DETROIT

PAYROLL DEDUCTIONS FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 1998

<u>ASSETS</u>	Balance July 1, 1997	Increase	Decrease	Balance June 30, 1998
CASH	\$ 121,733	\$ 49,954	\$ -	\$ 171,687
INVESTMENTS	2,250,000	780,000	-	3,030,000
DUE (TO) FROM OTHER FUNDS	931,599	-	49,856	881,743
	-----	-----	-----	-----
	\$3,303,332	\$ 829,954	\$ 49,856	\$4,083,430
	=====	=====	=====	=====
<u>LIABILITIES</u>				
ACCOUNTS PAYABLE	\$3,011,804	\$1,071,626	\$ -	\$4,083,430
OTHER LIABILITIES	291,528	-	291,528	-
	-----	-----	-----	-----
	\$3,303,332	\$1,071,626	\$291,528	\$4,083,430
	=====	=====	=====	=====

SCHOOL DISTRICT OF THE CITY OF DETROIT

SCHOLARSHIPS FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 1998

	<u>Balance</u> <u>July 1, 1997</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 1998</u>
<u>ASSETS</u>				
CASH	\$ 121	\$ -	\$ -	\$ 121
INVESTMENTS	291,934	-	30,037	261,897
DUE (TO) FROM OTHER FUNDS	-	73,117	-	73,117
	-----	-----	-----	-----
	\$292,055	\$73,117	\$30,037	\$335,135
	=====	=====	=====	=====
<u>LIABILITIES</u>				
ACCOUNTS PAYABLE	\$ 36,947	\$ -	\$ 9,473	\$ 27,474
DEFERRED REVENUE, UNEXPENDED RESTRICTED FUNDS	255,108	52,553	-	307,661
	-----	-----	-----	-----
	\$292,055	\$52,553	\$ 9,473	\$335,135
	=====	=====	=====	=====

SCHOOL DISTRICT OF THE CITY OF DETROIT

PROPERTY TAX DATA

AS OF JUNE 30, 1998
(Continued)

<u>Fiscal Year</u>	<u>Mills Levied</u>	<u>Original Levy</u>	<u>Collections and Adjustments Amount</u>	<u>Percent Collected To Date</u>	<u>Receivable Balance June 30, 1998</u>
Property taxes receivable, current					\$ 171,342
Penalty and interest on current property taxes receivable					162,931
Property taxes collected by the City of Detroit and not remitted to the District at year-end					412,227
Property taxes receivable, current					<u>\$ 746,500</u>
DEFICIT FUNDING BONDS FUND:					
Property taxes levied-					
1993 and prior					\$ 673,910
1994	1.00	5,815,412	5,620,821	96.65	194,591
1995	2.04	12,027,384	11,429,580	95.03	597,804
1996	2.04	12,010,140	11,323,377	94.28	686,763
1997	2.20	13,524,759	12,552,589	92.81	972,170
1998	2.05	13,223,681	11,841,856	89.55	1,381,825
Property taxes receivable, delinquent					<u>\$ 4,507,063</u>
Property taxes receivable, current					\$ 173,586
Penalty and interest on current property taxes receivable					59,842
Property taxes collected by the City of Detroit and not remitted to the District at year-end					154,710
Property taxes receivable, current					<u>\$ 388,138</u>

SCHOOL DISTRICT OF THE CITY OF DETROIT

CHANGES IN GENERAL LONG-TERM DEBT

FOR THE YEAR ENDED JUNE 30, 1998

Description	Effective Date of Issue	Years of Maturity	Serial Interest Rates of Debt Outstanding	Amount of Original Issue	Balance July 1, 1997	Net Additions (Retirements)	Balance June 30, 1998
SCHOOL BUILDING AND SITE BONDS:							
Series XX-A (refunding bonds)	8/1/87	1998	7.15%	\$ 16,610,000	\$ 3,025,000	\$ (3,025,000)	\$ -
Series XX-B (refunding bonds)	8/1/87	1999	7.15%-7.30%	15,000,000	2,735,000	(2,735,000)	-
Series XXI	8/6/87	2007	7.00%-7.75%	26,600,000	20,200,000	(1,400,000)	18,800,000
Series XXII	9/29/88	2009	9.350%-9.375%	20,000,000	16,700,000	(800,000)	15,900,000
Series XXIII	10/1/90	2010	7.00%-7.75%	14,000,000	1,865,000	(580,000)	1,285,000
Series 1991	6/1/91	2011	6.10%-7.15%	30,280,000	5,175,000	(1,175,000)	4,000,000
Series 1992	7/1/92	2012	5.00%-6.25%	33,000,000	28,575,000	(1,255,000)	27,320,000
Series 1993	10/1/93	2013	4.55%-5.125%	79,730,000	74,065,000	(1,975,000)	72,090,000
Series 1996 A	3/1/96	2025	3.70%-6.50%	89,000,000	88,555,000	(1,325,000)	87,230,000
				324,220,000	240,895,000	(14,270,000)	226,625,000
DEFICIT FUNDING BONDS:							
Series 1989	11/13/89	1999	7.20%	103,170,000	28,410,000	(13,715,000)	14,695,000
Series 1990-B	4/4/90	2000	7.04%-7.05%	56,404,900	26,137,900	(5,330,300)	20,807,600
Total bonds payable				159,574,900	54,547,900	(19,045,300)	35,502,600
				\$483,794,900	\$295,442,900	\$ (33,315,300)	\$262,127,600
SCHOOL BUS PURCHASE NOTES - 1994	2/15/94	1998	4.875%	\$ 3,030,422	\$ 1,298,422	\$ (634,000)	\$ 664,422
SCHOOL BUS PURCHASE NOTES - 1995	12/15/95	2001	5.80%	7,180,120	5,900,120	(1,350,000)	4,550,120
Total notes payable				\$ 10,210,542	\$ 7,198,542	\$ (1,984,000)	\$ 5,214,542
OTHER LIABILITIES:							
Compensated absences payable				\$ 64,772,891	\$ 64,772,891	\$ (16,026,951)	\$ 48,745,940
Workers compensation and pending litigation				\$ 50,727,185	\$ 50,727,185	\$ (4,168,803)	\$ 46,558,382
WCRESA chargeback liability				\$ 9,291,816	\$ 9,291,816	\$ (3,841,366)	\$ 5,450,450
Capital leases payable and other				\$ 29,918,472	\$ 29,918,472	\$ 9,484,908	\$ 39,403,380

