



SCHOOL DISTRICT OF THE CITY OF DETROIT

**General Purpose Financial Statements
and Other Financial Information**

June 30, 1999

(With Independent Auditors' Report Thereon)

SCHOOL DISTRICT OF THE CITY OF DETROIT

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Independent Auditors' Report

The Chief Executive Officer and the School Reform Board
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, 1999, 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, 1999 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

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 general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 1999 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.





The Year 2000 supplementary information on page 23 is not a required part of the general purpose financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards, because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the School District of the City of Detroit, Michigan is or will become Year 2000 compliant, that the District's Year 2000 remediation efforts will be successful, in whole or in part, or that parties with which the District does business are or will become Year 2000 compliant.

KPMG LLP

November 9, 1999

SCHOOL DISTRICT OF THE CITY OF DETROIT

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 1999

	Governmental fund types			Fiduciary fund type	Account groups			Totals (memorandum only)
	General	Capital Projects	Debt Service		General Long-term Debt	General		
						Fixed Assets (unaudited)		
Assets and Other Debits								
Cash	\$ 4,540,678	—	—	79,613	—	—	—	4,620,291
Investments	222,274,434	331,870,686	21,680,290	4,948,383	—	—	—	580,773,793
Receivables:								
Property taxes:								
Current	1,500,000	—	700,000	—	—	—	—	2,200,000
Delinquent	52,151,070	—	17,252,886	—	—	—	—	69,403,956
Due from other governmental units	244,367,852	—	—	—	—	—	—	244,367,852
Other	2,513,802	2,976,282	20,821	—	—	—	—	5,510,905
Due from other funds	1,964,266	—	4,324,676	934,583	—	—	—	7,223,525
Inventory	10,904,841	—	—	—	—	—	—	10,904,841
Amount available in debt retirement fund	—	—	—	—	24,108,365	—	—	24,108,365
Amount to be provided for retirement of general long-term debt	—	—	—	—	701,264,638	—	—	701,264,638
Land	—	—	—	—	—	99,833,829	—	99,833,829
Buildings	—	—	—	—	—	775,426,496	—	775,426,496
Equipment	—	—	—	—	—	172,595,209	—	172,595,209
Total assets and other debits	\$ 540,216,943	334,846,968	43,978,673	5,962,579	725,373,003	1,047,855,534	—	2,698,233,700

(Continued)

SCHOOL DISTRICT OF THE CITY OF DETROIT

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 1999

	Governmental fund types			Fiduciary fund type	Account groups			Totals (memorandum only)	
	General	Capital Projects	Debt Service		Trust and Agency	General	Fixed Assets		General
						Long-term Debt	(unaudited)		
Liabilities, Fund Balances, and Other Credits									
Liabilities:									
Accounts payable	\$ 56,467,179	10,529,716	—	—	—	—	—	66,996,895	
Accrued salaries and wages	12,772,716	—	—	—	—	—	—	12,772,716	
Compensated absences	4,812,536	—	—	—	—	—	—	157,692,886	
Workers' compensation	1,524,070	—	—	—	152,880,350	—	—	24,165,421	
WCRESA chargeback	—	—	—	—	22,641,351	—	—	1,609,084	
Deferred revenue:									
Unexpended restricted funds	52,113,092	—	—	—	—	—	—	52,113,092	
Delinquent property taxes	52,151,070	—	17,252,886	—	—	—	—	69,403,956	
Due to other funds	5,259,259	2,115	368,252	1,593,899	—	—	—	7,223,525	
Due to governmental units	1,112,972	—	2,249,170	—	—	—	—	3,362,142	
Notes payable	225,733,081	—	—	—	3,950,844	—	—	229,683,925	
Bonds payable	—	—	—	—	510,705,076	—	—	510,705,076	
Capital leases	5,531,250	—	—	—	10,868,724	—	—	10,868,724	
Interest payable	—	—	—	—	—	—	—	5,531,250	
Book cash overdraft	7,780,364	1,911,779	—	4,368,680	—	—	—	1,911,779	
Other	—	—	—	—	22,717,574	—	—	34,866,618	
Total liabilities	425,257,589	12,443,610	19,870,308	5,962,579	725,373,003	—	—	1,188,907,089	
Fund balances and other credits:									
Investment in general fixed assets	—	322,403,358	24,108,365	—	—	1,047,855,534	—	1,047,855,534	
Designated/reserved	114,959,354	—	—	—	—	—	—	461,471,077	
Total fund balances and other credits	114,959,354	322,403,358	24,108,365	—	—	1,047,855,534	—	1,509,326,611	
Total, liabilities, fund balances, and other credits	\$ 540,216,943	334,846,968	43,978,673	5,962,579	725,373,003	1,047,855,534	—	2,698,233,700	

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF THE CITY OF DETROIT

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances – All Governmental Fund Types

Year ended June 30, 1999

	Governmental fund types			Totals (memorandum only)
	General	Capital Projects	Debt Service	
Revenues:				
General operations:				
Local sources:				
Property taxes	\$ 76,616,502	—	39,197,242	115,813,744
Tuition	446,022	—	—	446,022
Investment earnings	7,956,383	11,800,149	1,669,253	21,425,785
State aid	1,034,589,767	—	7,420,112	1,042,009,879
Special education millage	46,233,973	—	—	46,233,973
Revenues from federal and state sources	16,190,964	—	—	16,190,964
Other	3,098,168	—	—	3,098,168
	<u>1,185,131,779</u>	<u>11,800,149</u>	<u>48,286,607</u>	<u>1,245,218,535</u>
Special program operations:				
Education Consolidation and Improvement Act I	92,128,414	—	—	92,128,414
Education Consolidation and Improvement Act II	3,154,705	—	—	3,154,705
Job Training Partnership Act	2,836,963	—	—	2,836,963
At Risk	79,661,241	—	—	79,661,241
Vocational education	4,152,926	—	—	4,152,926
Economic Opportunity and Community Partnership Act of 1974	6,304,588	—	—	6,304,588
Handicapped programs and other special needs	7,648,601	—	—	7,648,601
Other:				
Federal	13,644,179	—	—	13,644,179
State	8,116,294	—	—	8,116,294
Local and private	3,530,989	—	—	3,530,989
	<u>221,178,900</u>	<u>—</u>	<u>—</u>	<u>221,178,900</u>
Auxiliary operations:				
Food services	34,201,171	—	—	34,201,171
Community use of schools and interscholastic athletics	932,873	—	—	932,873
	<u>35,134,044</u>	<u>—</u>	<u>—</u>	<u>35,134,044</u>
Total revenues	<u>1,441,444,723</u>	<u>11,800,149</u>	<u>48,286,607</u>	<u>1,501,531,479</u>

SCHOOL DISTRICT OF THE CITY OF DETROIT

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances – All Governmental Fund Types

Year ended June 30, 1999

	Governmental fund types			Totals (memorandum only)
	General	Capital Projects	Debt Service	
Expenditures:				
Instruction:				
Elementary schools	\$ 195,780,595	—	—	195,780,595
Middle schools	73,426,496	—	—	73,426,496
High schools	70,818,405	—	—	70,818,405
Other basic programs	2,520,139	—	—	2,520,139
Special education	110,192,548	—	—	110,192,548
Vocational education	22,788,272	—	—	22,788,272
Adult education	9,783,442	—	—	9,783,442
Other instructional expenses	22,870,872	—	—	22,870,872
	<u>508,180,769</u>	<u>—</u>	<u>—</u>	<u>508,180,769</u>
Special program operations:				
Education Consolidation and Improvement Act I	72,573,779	—	—	72,573,779
Education Consolidation and Improvement Act II	2,449,458	—	—	2,449,458
Job Training Partnership Act	2,230,919	—	—	2,230,919
At Risk	62,642,305	—	—	62,642,305
Vocational education	2,606,113	—	—	2,606,113
Economic Opportunity and Community Partnership Act of 1974	5,107,183	—	—	5,107,183
Handicapped programs and other special needs	6,720,408	—	—	6,720,408
Other:				
Federal	10,933,968	—	—	10,933,968
State	6,482,304	—	—	6,482,304
Local and private	2,734,777	—	—	2,734,777
	<u>174,481,214</u>	<u>—</u>	<u>—</u>	<u>174,481,214</u>
Supporting services:				
Pupil services	31,996,545	—	—	31,996,545
Instructional staff support services	19,506,754	—	—	19,506,754
General administration	4,282,426	—	—	4,282,426
School administration	83,966,851	—	—	83,966,851
Fiscal services	33,857,925	—	—	33,857,925
Operation and maintenance of facilities	157,664,192	—	—	157,664,192
Pupil transportation	41,166,908	—	—	41,166,908
Other support services	45,184,179	—	—	45,184,179
	<u>417,625,780</u>	<u>—</u>	<u>—</u>	<u>417,625,780</u>

SCHOOL DISTRICT OF THE CITY OF DETROIT

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances – All Governmental Fund Types

Year ended June 30, 1999

	Governmental fund types			Totals (memorandum only)
	General	Capital Projects	Debt Service	
Expenditures, continued:				
Auxiliary operations:				
Food services	\$ 28,777,566	—	—	28,777,566
Community use of schools and interscholastic athletics	4,459,832	—	—	4,459,832
	<u>33,237,398</u>	<u>—</u>	<u>—</u>	<u>33,237,398</u>
Other expenditures:				
Employee benefits	258,598,651	—	—	258,598,651
Miscellaneous	3,316,666	—	—	3,316,666
	<u>261,915,317</u>	<u>—</u>	<u>—</u>	<u>261,915,317</u>
Capital outlay	17,362,491	83,219,263	—	100,581,754
Debt service:				
Principal retirement	—	—	45,686,957	45,686,957
Payment of interest and agent fees	—	—	21,096,687	21,096,687
	<u>—</u>	<u>—</u>	<u>66,783,644</u>	<u>66,783,644</u>
Total expenditures	<u>1,412,802,969</u>	<u>83,219,263</u>	<u>66,783,644</u>	<u>1,562,805,876</u>
Excess (deficiency) of revenues over (under) expenditures	28,641,754	(71,419,114)	(18,497,037)	(61,274,397)
Other financing sources (uses):				
Operating transfer in	—	—	11,541,759	11,541,759
Operating transfer out	(11,541,759)	—	—	(11,541,759)
Note proceeds	2,182,724	—	—	2,182,724
Capital lease acquisition	2,613,195	—	—	2,613,195
Proceeds from the sale of bonds	—	291,224,433	—	291,224,433
	<u>—</u>	<u>291,224,433</u>	<u>—</u>	<u>291,224,433</u>
Excess of revenues and other financing sources over (under) expenditures and other financing sources	21,895,914	219,805,319	(6,955,278)	234,745,955
Fund balances at July 1, 1998	93,063,440	102,598,039	31,063,643	226,725,122
Fund balances at June 30, 1999	\$ <u>114,959,354</u>	<u>322,403,358</u>	<u>24,108,365</u>	<u>461,471,077</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
Changes in Fund Balances – Budget and Actual

Year ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Actual over (under) budget</u>
Revenues:			
General operations:			
Local sources:			
Property taxes	\$ 76,411,865	76,616,502	204,637
Tuition	655,771	446,022	(209,749)
Investment earnings	8,000,000	7,956,383	(43,617)
State aid	1,029,821,834	1,034,589,767	4,767,933
Special education millage	46,233,973	46,233,973	—
Revenues from federal and state sources	29,350,443	16,190,964	(13,159,479)
Other	1,895,000	3,098,168	1,203,168
	<u>1,192,368,886</u>	<u>1,185,131,779</u>	<u>(7,237,107)</u>
Special program operations:			
Education Consolidation and Improvement Act I	107,019,530	92,128,414	(14,891,116)
Education Consolidation and Improvement Act II	3,346,386	3,154,705	(191,681)
Job Training Partnership Act	3,195,265	2,836,963	(358,302)
At Risk	90,211,332	79,661,241	(10,550,091)
Vocational education	4,088,085	4,152,926	64,841
Economic Opportunity and Community Partnership Act of 1974	7,272,520	6,304,588	(967,932)
Handicapped programs and other special needs	10,688,064	7,648,601	(3,039,463)
Other:			
Federal	15,057,510	13,644,179	(1,413,331)
State	10,471,957	8,116,294	(2,355,663)
Local and private	3,836,733	3,530,989	(305,744)
	<u>255,187,382</u>	<u>221,178,900</u>	<u>(34,008,482)</u>
Auxiliary operations:			
Food services	36,653,599	34,201,171	(2,452,428)
Community use of schools and interscholastic athletics	6,668,789	932,873	(5,735,916)
	<u>43,322,388</u>	<u>35,134,044</u>	<u>(8,188,344)</u>
Total revenues	<u>1,490,878,656</u>	<u>1,441,444,723</u>	<u>(49,433,933)</u>

SCHOOL DISTRICT OF THE CITY OF DETROIT

General Fund

Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual

Year ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Actual over (under) budget</u>
Expenditures:			
Instruction:			
Elementary schools	\$ 191,787,142	195,780,595	3,993,453
Middle schools	72,345,557	73,426,496	1,080,939
High schools	64,820,765	70,818,405	5,997,640
Other basic programs	3,201,203	2,520,139	(681,064)
Special education	119,195,980	110,192,548	(9,003,432)
Vocational education	22,659,072	22,788,272	129,200
Adult education	11,831,772	9,783,442	(2,048,330)
Other instructional expenses	25,049,567	22,870,872	(2,178,695)
	<u>510,891,058</u>	<u>508,180,769</u>	<u>(2,710,289)</u>
Special program operations:			
Education Consolidation and Improvement Act I	86,144,655	72,573,779	(13,570,876)
Education Consolidation and Improvement Act II	2,628,564	2,449,458	(179,106)
Job Training Partnership Act	2,546,854	2,230,919	(315,935)
At Risk	70,062,311	62,642,305	(7,420,006)
Vocational education	2,441,403	2,606,113	164,710
Economic Opportunity and Community Partnership Act of 1974	5,258,771	5,107,183	(151,588)
Handicapped programs and other special needs	8,525,424	6,720,408	(1,805,016)
Other:			
Federal	11,506,530	10,933,968	(572,562)
State	7,943,219	6,482,304	(1,460,915)
Local and private	3,032,264	2,734,777	(297,487)
	<u>200,089,995</u>	<u>174,481,214</u>	<u>(25,608,781)</u>
Supporting services:			
Pupil services	33,769,579	31,996,545	(1,773,034)
Instructional staff support services	26,819,869	19,506,754	(7,313,115)
General administration	5,673,604	4,282,426	(1,391,178)
School administration	92,099,014	83,966,851	(8,132,163)
Fiscal services	34,858,132	33,857,925	(1,000,207)
Operation and maintenance of facilities	153,526,437	157,664,192	4,137,755
Pupil transportation	37,289,337	41,166,908	3,877,571
Other support services	45,510,926	45,184,179	(326,747)
	<u>429,546,898</u>	<u>417,625,780</u>	<u>(11,921,118)</u>

SCHOOL DISTRICT OF THE CITY OF DETROIT

General Fund

Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual

Year ended June 30, 1999

	Budget	Actual	Actual over (under) budget
Expenditures, continued:			
Auxiliary operations:			
Food services	\$ 31,214,606	28,777,566	(2,437,040)
Community use of schools and interscholastic athletics	7,895,176	4,459,832	(3,435,344)
	39,109,782	33,237,398	(5,872,384)
Other expenditures:			
Employee benefits	269,843,939	258,598,651	(11,245,288)
Miscellaneous	3,928,198	3,316,666	(611,532)
	273,772,137	261,915,317	(11,856,820)
Capital outlay	21,968,786	17,362,491	(4,606,295)
Total expenditures	1,475,378,656	1,412,802,969	(62,575,687)
Excess (deficiency) of revenues over (under) expenditures	15,500,000	28,641,754	13,141,754
Other financing sources:			
Operating transfers out	(15,500,000)	(11,541,759)	3,958,241
Operating transfers in	—	—	—
Note proceeds	—	2,182,724	2,182,724
Capital lease acquisition	—	2,613,195	2,613,195
Excess of revenues and other financing sources over (under) expenditures and other financing sources	\$ —	21,895,914	21,895,914
Fund balances at July 1, 1998		93,063,440	
Fund balances at June 30, 1999		\$ 114,959,354	

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF THE CITY OF DETROIT

Debt Service Funds

Combined Statement of Revenues, Expenditures,
and Change in Fund Balance – Budget and Actual

Year ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	Actual over (under) budget
Revenues:			
Property taxes	\$ 30,178,036	39,197,242	9,019,206
Revenues from state and federal sources	—	7,420,112	7,420,112
Investment earnings	<u>1,640,000</u>	<u>1,669,253</u>	<u>29,253</u>
Total revenues	<u>31,818,036</u>	<u>48,286,607</u>	<u>16,468,571</u>
Expenditures:			
Principal retirement	37,643,100	45,686,957	8,043,857
Payment of interest and agent fees	<u>22,889,199</u>	<u>21,096,687</u>	<u>(1,792,512)</u>
Total expenditures	<u>60,532,299</u>	<u>66,783,644</u>	<u>6,251,345</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,714,263)</u>	<u>(18,497,037)</u>	<u>10,217,226</u>
Other financing sources – transfer from General Fund	<u>28,714,263</u>	<u>11,541,759</u>	<u>(17,172,504)</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ —</u>	<u>(6,955,278)</u>	<u>(6,955,278)</u>
Fund balances at July 1, 1998		<u>31,063,643</u>	
Fund balances at June 30, 1999		<u>\$ 24,108,365</u>	

SCHOOL DISTRICT OF THE CITY OF DETROIT

Notes to the Financial Statements

June 30, 1999

(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").

(a) 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 the 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. Unmatured interest on general long-term debt is recognized when due. Certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

(b) Reporting Entity

The District is a statutory public body created by the State of Michigan and functions under the provisions of the Michigan School Code. The general purpose financial statements include all of the funds and account groups of the District and all activities considered to be part of or controlled by the District.

During the fiscal year, the Michigan Legislature enacted Public Act 10 of 1999 (the "Act"), which went into effect on March 26, 1999. The Act suspended the powers and duties of the District's elected board and required the Mayor of the City of Detroit to appoint six members of a seven-member reform board within 30 days of the date that the Act took effect. The Act specifies that the seventh member of the reform board is the State Superintendent of Public Instruction of the State of Michigan. The Act further transferred substantially all powers and duties of the elected board to the Chief Executive Officer appointed by the reform board.

(c) Budgets

Budgets are legally adopted on an annual basis for the General Fund and Debt Service Funds. Budgets are prepared on the same basis of accounting as the accounting for actual results. Prior to March 26, 1999, the Committee on Fiscal Integrity approved budget amendments. As a result of the change in structure, budget amendments are approved by the Chief Executive Officer.

(d) Property Taxes

Property taxes are recorded as revenue when received, including collection within 60 days after the fiscal year end. Taxes levied and not collected within 60 days after the fiscal year end are recorded as deferred revenue.

SCHOOL DISTRICT OF THE CITY OF DETROIT

Notes to the Financial Statements

June 30, 1999

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.

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 basic "foundation allowance" provided by the State is derived from the difference between an amount guaranteed by the State (\$6,092 per pupil in 1999) and the per-pupil tax revenue generated from an 18-mill levy on all non-homestead property. The foundation allowance for special education pupils is determined without regard to per-pupil tax revenue. To meet the District's per-pupil guarantee, the State levies 6 mills on all taxable property on a statewide basis. The amounts due from the State related to these revenues represent the majority of due from other governments.

(e) Tax-exempt Status

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

(f) 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.

(g) 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 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.

(h) 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 fact that employee benefits and capital outlay related to special program operations are reported in aggregate line items for all programs. Estimated reimbursable portions of special program expenditures not collected at the period end are recorded as accounts receivable. Funds received which have not been fully expended by period 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 the Financial Statements

June 30, 1999

(i) Total Columns (Memorandum Only)

Total columns 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 are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

(j) 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:

(a) 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 Service Funds – The Debt Service Funds account for revenues and expenditures for debt service of Special Purpose Bonds and Notes, School Building and Site Improvement Bonds, and Deficit Funding Bonds.

(b) 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.

SCHOOL DISTRICT OF THE CITY OF DETROIT

Notes to the Financial Statements

June 30, 1999

(c) *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, 1999, the carrying amount of the District's cash accounts was \$4,620,291 and the bank balance was \$1,994,907. Of the bank balance, \$1,191,577 was covered by federal depository insurance.

The amount of certificates of deposit included in the investment account balances at year end was \$5,700,156. The District's investments at June 30, 1999 also included shares in investment pools with an aggregate estimated market value of \$2,347,903. The District also invested in commercial paper and U.S. Treasury obligations during the year. The balance of repurchase agreements, U.S. Treasury obligations, U.S. Government agencies, and commercial paper included in investments at June 30, 1999 aggregated \$139,763,960, \$45,926,483, \$8,262,798, and \$378,772,493, respectively. The 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 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.

SCHOOL DISTRICT OF THE CITY OF DETROIT

Notes to the Financial Statements

June 30, 1999

A summary of cash and investments at June 30, 1999 is as follows:

Description	Interest rates	Date of maturity	Carrying amount
General Fund:			
Checking accounts	N/A	N/A	\$ 4,540,678
Commercial paper	5.70% - 5.75%	7/99	133,306,054
Repurchase agreements	Various	Various	86,103,043
Pooled investment accounts	Various	Various	1,779,181
Certificates of deposit	5.15%	12/99	<u>1,086,156</u>
			226,815,112
Capital Projects Fund:			
Commercial paper	Various	7/99	230,393,286
Repurchase agreements	Various	Open	47,053,781
Pooled investment accounts	Various	Open	234,339
U.S. Government Agency	4.82%	8/99	8,262,798
U.S. Treasury obligations	4.25% - 5.25%	Various	<u>45,926,482</u>
			331,870,686
Debt Service Funds:			
Commercial paper	5.15% - 5.17%	7/99	15,073,155
Repurchase agreement	Various	Open	<u>6,607,135</u>
			21,680,290
Trust and Agency Funds:			
Checking accounts	N/A	N/A	79,613
Pooled investment account	Various	Open	334,383
Certificates of deposit	4.40%	7/99	<u>4,614,000</u>
			<u>5,027,996</u>
			<u>\$ 585,394,084</u>

(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 at one-half for the first 70 days, one-fifth for the next 71-140 days, and one-fourth for 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. Compensation approximating \$3,600,000 relating to unused sick days was paid to retirees during the year ended June 30, 1999.

SCHOOL DISTRICT OF THE CITY OF DETROIT

Notes to the Financial Statements

June 30, 1999

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, 1999, the District's estimated liability for accumulated sick days and vacation time was \$157,692,886, of which \$4,812,536 is recorded in the General Fund and \$152,880,350 is recorded in the General Long-term Debt Account Group.

(5) Risk Management

The District is exposed to various claims and judgments as a result of risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

(a) 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.

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, 1999, the District has recorded an estimated liability for pending litigation aggregating approximately \$16,380,000, of which \$429,000 is recorded in the General Fund and the remainder is recorded in the General Long-term Debt Account Group.

Changes in the liability for the year ended June 30, 1999 were:

Balance at July 1, 1998	Current year claims and changes in estimates	Claim payments	Balance at June 30, 1999
\$ 15,950,700	3,933,033	(3,503,736)	16,379,997

(b) Workers' Compensation

The District is self-insured for workers' compensation and certain medical benefits. The total estimated liability of \$24,165,000 includes \$1,524,000 in the General Fund and \$22,641,000 in the General Long-term Debt Account Group. The liability for claims and judgments is reported in the General Long-term Debt 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, 1999.

SCHOOL DISTRICT OF THE CITY OF DETROIT

Notes to the Financial Statements

June 30, 1999

Changes in the liability for the year ended June 30, 1999 were:

	<u>Balance at July 1, 1998</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>Balance at June 30, 1999</u>
\$	<u>33,352,778</u>	<u>1,014,827</u>	<u>(10,202,184)</u>	<u>24,165,421</u>

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

**(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, 1999 was \$1,609,084, and will be offset against future special education funding to be received from WCRESA, and is expected to be paid in full by January 31, 2000.

(7) Debt Service Principal Requirements

The following represents the changes in general long-term debt for the year ended June 30, 1999:

SCHOOL DISTRICT OF THE CITY OF DETROIT

Notes to the Financial Statements

June 30, 1999

Description	Effective date of issue	Year of maturity	Serial interest rates of debt outstanding	Amount of original issue	Balance 6/30/98	Additions (retirements)	Balance 6/30/99
School Building and Site Improvement Bonds:							
Series XXI	8/6/87	2007	7.00%-7.75%	26,600,000	18,800,000	(1,500,000)	17,300,000
Series XXII	9/29/88	2009	9.350%-9.375%	20,000,000	15,900,000	(875,000)	15,025,000
Series XXIII	10/1/90	2010	7.10%-7.75%	14,000,000	1,285,000	(620,000)	665,000
Series 1991	6/1/91	2011	6.30%-7.15%	30,280,000	4,000,000	(1,255,000)	2,745,000
Series 1992	7/1/92	2012	4.80%-6.25%	33,000,000	27,320,000	(21,285,000)	6,035,000
Series 1993	10/1/93	2013	4.55%-5.125%	79,730,000	72,090,000	(5,170,000)	66,920,000
Series 1996A	3/1/96	2025	3.70%-6.50%	89,000,000	87,230,000	(62,805,000)	24,425,000
Series 1998A	11/1/98	2007	4.0%-4.30%	940,000	—	940,000	940,000
Series 1998B	11/1/98	2028	3.5%-3.75%	209,770,000	—	202,760,000	202,760,000
Series 1998C	11/1/98	2025	3.5%-5.25%	84,855,000	—	84,800,000	84,800,000
Series 1998 (Durant)	11/24/98	2013	4.76%	59,304,433	—	53,225,576	53,225,576
				647,479,433	226,625,000	248,215,576	474,840,576
Deficit Funding Bonds:							
Series 1989	11/13/89	1999	7.20%	103,170,000	14,695,000	(14,695,000)	—
Series 1990-B	4/4/90	2000	7.04%-7.05%	56,404,900	20,807,600	(5,728,100)	15,079,500
				159,574,900	35,502,600	(20,423,100)	15,079,500
Energy Conservation Bonds							
Total bonds payable	3/10/99	2007	2.90%-4.25%	21,210,000	—	20,785,000	20,785,000
				\$ 828,264,333	262,127,600	248,577,476	510,705,076
School bus purchase notes - 1994							
School bus purchase notes - 1995	2/15/94	1998	4.88%	3,030,422	664,422	(664,422)	—
First Municipal Note	12/15/95	2001	5.80%	7,180,120	4,550,120	(1,430,000)	3,120,120
	8/12/98	2001	5.25%	830,724	—	830,724	830,724
Total notes payable				\$ 11,041,266	5,214,542	(1,263,698)	3,950,844
Other liabilities:							
Compensated absences payable				\$	48,745,940	104,134,410	152,880,350
Workers' compensation				\$	33,352,778	(10,711,427)	22,641,351
WCRESA chargeback liability				\$	5,450,450	(3,841,366)	1,609,084
Capital leases payable and other				\$	54,636,332	(21,050,034)	33,586,298

(Continued)

SCHOOL DISTRICT OF THE CITY OF DETROIT

Notes to the Financial Statements

June 30, 1999

The following represents the debt service principal requirements of the Special Purpose Bonds and Notes, Deficit Funding Bonds, and School Building and Site Improvement Bonds of the District recorded in the General Long-term Debt Account Group:

	<u>Special Purpose Bonds and Notes</u>	<u>Deficit Funding Bonds</u>	<u>School Building and Site Improvement Bonds</u>
2000	\$ 4,730,892	15,079,500	14,669,064
2001	4,935,312	—	15,568,932
2002	3,449,640	—	16,329,937
2003	3,280,000	—	19,780,361
2004	3,030,000	—	17,749,921
Thereafter	5,310,000	—	390,742,361
	<u>\$ 24,735,844</u>	<u>15,079,500</u>	<u>474,840,576</u>

On November 15, 1998, the Michigan Supreme Court issued an opinion in a case known as *Durant v. State of Michigan*, whereby 46 Michigan school districts alleged the underfunding of special education programs within the districts during 1991, 1992, and 1993. As a result, the District received a settlement for \$118,608,866. The District will receive half of its settlement in ten annual cash payments totaling \$59,304,433, the first of which was made on November 15, 1998. For the remainder, the District issued \$59,304,433 in School Improvement Bonds, Series 1998, dated November 24, 1998, due May 15, 2013. The State of Michigan is the only revenue source for making the annual debt service payments on these bonds.

On November 1, 1998, the District issued \$84,855,000 in School Building and Site Improvement Refunding Bonds (Unlimited Tax General Obligation), Series 1998C, with an average interest rate of 5.20%, to advance-refund \$19,965,000 of School Building and Site Improvement Bonds (Unlimited Tax General Obligation), Series 1992, with an average interest rate of 6.19%, and \$61,425,000 of School Building and Site Improvement Bonds (Unlimited Tax General Obligation), Series 1996A, with an average interest rate of 5.73%. The net proceeds of \$84,665,000 (after payment of \$200,000 in issuance costs) were placed in an irrevocable trust with an escrow agent for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for the refunded bonds has been removed from the General Long-term Debt Account Group of the District.

The District advance-refunded the bonds to reduce its total debt service payments over the next 25 years by approximately \$4,168,702 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$2,739,639.

SCHOOL DISTRICT OF THE CITY OF DETROIT

Notes to the Financial Statements

June 30, 1999

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 was 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, 1999, the amount of defeased debt outstanding but removed from the General Long-term Debt Account Group amounted to \$112,570,000.

(8) Lease Obligations

The District has leases with IBM for certain equipment. The capital lease obligation associated with these leases is recorded in capital lease payable and other liabilities in the General Long-term Debt Account Group. As of June 30, 1999, the future minimum lease payments under noncancelable capital leases are as follows:

			<u>Capital leases</u>
2000	\$		5,141,830
2001			4,244,011
2002			1,235,253
2003			276,302
2004			276,304
Thereafter			<u>967,062</u>
Total minimum lease payments			12,140,762
Less – amount representing interest			<u>1,272,038</u>
Capital lease obligations	\$		<u>10,868,724</u>

(9) Other Contingent Liabilities

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.

SCHOOL DISTRICT OF THE CITY OF DETROIT

Notes to the Financial Statements

June 30, 1999

(10) Reserved and Designated Fund Balances

The General Fund balance of \$114,959,354 has been reported as designated/reserved, resulting from encumbrances at June 30, 1999 for purchased services, reserves for inventories and supplies, and requirements of the budget stabilization reserve. On December 15, 1998, the Board of Education approved the establishment of a reserve in the initial amount of \$46.5 million, which represented approximately one-half of the General Fund fund balance at June 30, 1998. The purpose of the reserve is to provide for budgetary and financial uncertainties and to create a more stabilized financial operation. The resolution approved by the Board provided that 25% of the operating surplus in each subsequent fiscal year would be appropriated to the reserve. In addition, reserve amounts may be appropriated by a two-thirds vote of the members of the Board.

The Capital Projects Fund balance of \$322,403,358 represents funds restricted for capital projects associated with the improvement and maintenance of District facilities and for specific programs. The Debt Service Fund balance of \$24,108,365 has been reserved as a result of contractual arrangements or agreements with third parties.

(11) Interfund Transfer

During 1999, the District transferred \$11,541,759 from matching state school aid related to a 1.5 mill special operating debt service tax levy from the General Fund to the Debt Service Fund for debt service as required by the Deficit Funding Bond agreement.

(12) Pension Plan and Postemployment Benefits

Substantially all District employees participate in the Michigan Public School Employees' Retirement System ("MPERS"), 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 (11.12% July 1, 1998 through September 30, 1998 and 10.77% October 1, 1998 through June 30, 1999) to the plan. The District's eligible wages for the year ended June 30, 1999 totaled \$862,420,973.

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 MPERS's members vary among six options available to all members. These options permit retirees to choose specified levels of postretirement 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 MPERS Annual Report for the year ended September 30, 1998.

SCHOOL DISTRICT OF THE CITY OF DETROIT

Notes to the Financial Statements

June 30, 1999

MPERS does not make separate measurements of assets and the pension benefit obligation for individual employers. The pension benefit obligation for MPERS as a whole at September 30, 1998 (the date of the most recent actuarial valuation) was approximately \$31.9 billion, and the net assets available for benefits at that date (valued at amortized cost) were approximately \$31.9 billion. The District's contributions were nearly 15% of total employer contributions of approximately \$551.4 million to MPERS for the year ended September 30, 1998. Based on this measurement, the system is 100% funded.

Ten-year historical trend information showing the MPERS's progress in accumulating sufficient assets to pay benefits when due is presented in the MPERS September 30, 1998 component unit financial statements.

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 a final expenditure of \$84,670 in 2003 for the 284 employees who opted to retire under the incentive plan, for a total expenditure of \$8,994,274.

In addition to the pension benefits described above, the State of Michigan has contracted to provide comprehensive group medical, hearing, dental, and vision coverage for retirees and beneficiaries. The only requirements for health benefits are that the retiree or beneficiary make application and is in receipt of a monthly pension.

All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPERS, with the balance deducted from the monthly pension. The District's contributions are financed on a pay-as-you-go basis and retirees are not obligated to contribute. The District's total number of eligible participants is 10,865; however, total expenditures for the year ended June 30, 1999 cannot be reasonably estimated.

(13) Year 2000 – Required Supplementary Information (Unaudited)

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the District as early as fiscal year 1999.

The District has completed an inventory of computer systems and other electronic equipment that would be affected by the Year 2000 issue. Systems were categorized as mission critical and non-mission critical. All of the mission-critical systems were Year 2000 compliant by July 1, 1999. The mission-critical systems include Student Information, Financial Management, Human Resources (Payroll), and all IBM AS/400. The non-mission critical systems are planned to be Year 2000 compliant by November 1999.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

SCHOOL DISTRICT OF THE CITY OF DETROIT

Debt Service Funds

Combining Balance Sheet

June 30, 1999

Assets	<u>School Building and Site Improvement Bonds</u>	<u>Deficit Funding Bonds</u>	<u>Total</u>
Cash	\$ —	—	—
Investments	6,607,134	15,073,156	21,680,290
Interest receivable	20,821	—	20,821
Property taxes receivable:			
Current	500,000	200,000	700,000
Delinquent	12,905,084	4,347,802	17,252,886
Due from governmental units	—	—	—
Due from other funds	192,341	4,132,335	4,324,676
Total assets	\$ 20,225,380	23,753,293	43,978,673
 Liabilities and Fund Balances			
Liabilities:			
Deferred revenue, delinquent property taxes	\$ 12,905,085	4,347,801	17,252,886
Due to other governments	1,238,750	1,010,420	2,249,170
Due to other funds	326,252	42,000	368,252
Total liabilities	14,470,087	5,400,221	19,870,308
Fund balances, reserved for debt service	5,755,293	18,353,072	24,108,365
Total liabilities and fund balances	\$ 20,225,380	23,753,293	43,978,673

SCHOOL DISTRICT OF THE CITY OF DETROIT

Debt Service Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 1999

	<u>School Building and Site Improvement Bonds</u>	<u>Deficit Funding Bonds</u>	<u>Total</u>
Revenues:			
Property taxes	\$ 29,722,212	9,475,030	39,197,242
Revenues from state and federal sources	7,420,112	—	7,420,112
Investment earnings	905,844	763,409	1,669,253
	<u>38,048,168</u>	<u>10,238,439</u>	<u>48,286,607</u>
Total revenues			
Expenditures:			
Principal retirement	25,263,857	20,423,100	45,686,957
Payment of interest and agent fees	18,763,127	2,333,560	21,096,687
	<u>44,026,984</u>	<u>22,756,660</u>	<u>66,783,644</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(5,978,816)</u>	<u>(12,518,221)</u>	<u>(18,497,037)</u>
Other financing sources – transfer from General Fund	<u>—</u>	<u>11,541,759</u>	<u>11,541,759</u>
Excess of revenues and other financing sources over (under) expenditures	<u>(5,978,816)</u>	<u>(976,462)</u>	<u>(6,955,278)</u>
Fund balances at July 1, 1998	<u>11,734,109</u>	<u>19,329,534</u>	<u>31,063,643</u>
Fund balances at June 30, 1999	\$ <u>5,755,293</u>	<u>18,353,072</u>	<u>24,108,365</u>

SCHOOL DISTRICT OF THE CITY OF DETROIT

School Building and Site Improvement Bonds Debt Service Fund

Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual

Year ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Actual over (under) budget</u>
Revenues:			
Property taxes	\$ 22,132,225	29,722,212	7,589,987
Revenues from state and federal sources	—	7,420,112	7,420,112
Investment earnings	900,000	905,844	5,844
Total revenues	<u>23,032,225</u>	<u>38,048,168</u>	<u>15,015,943</u>
Expenditures:			
Principal retirement	17,220,000	25,263,857	8,043,857
Payment of interest and agent fees	20,546,139	18,763,127	(1,783,012)
Total expenditures	<u>37,766,139</u>	<u>44,026,984</u>	<u>6,260,845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,733,914)</u>	<u>(5,978,816)</u>	<u>8,755,098</u>
Other financing sources – transfer from General Fund	<u>14,733,914</u>	<u>—</u>	<u>(14,733,914)</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ —</u>	<u>(5,978,816)</u>	<u>(5,978,816)</u>
Fund balances at July 1, 1998		<u>11,734,109</u>	
Fund balances at June 30, 1999		<u>\$ 5,755,293</u>	

SCHOOL DISTRICT OF THE CITY OF DETROIT

Deficit Funding Bonds Debt Service Fund

Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual

Year ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Actual over (under) budget</u>
Revenues:			
Property taxes	\$ 8,045,811	9,475,030	1,429,219
Revenues from state and federal sources	—	—	—
Investment earnings	<u>740,000</u>	<u>763,409</u>	<u>23,409</u>
Total revenues	<u>8,785,811</u>	<u>10,238,439</u>	<u>1,452,628</u>
Expenditures:			
Principal retirement	20,423,100	20,423,100	—
Payment of interest and agent fees	<u>2,343,060</u>	<u>2,333,560</u>	<u>(9,500)</u>
Total expenditures	<u>22,766,160</u>	<u>22,756,660</u>	<u>(9,500)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,980,349)</u>	<u>(12,518,221)</u>	<u>1,462,128</u>
Other financing sources – transfer from General Fund	<u>13,980,349</u>	<u>11,541,759</u>	<u>(2,438,590)</u>
Excess of revenues and other financing sources over (under) expenditures	\$ <u>—</u>	<u>(976,462)</u>	<u>(976,462)</u>
Fund balances at July 1, 1998		<u>19,329,534</u>	
Fund balances at June 30, 1999		\$ <u><u>18,353,072</u></u>	

SCHOOL DISTRICT OF THE CITY OF DETROIT

Trust and Agency Funds

Combining Balance Sheet

June 30, 1999

Assets	Agency funds	Trust fund	
	<u>Payroll deductions</u>	<u>Scholarships</u>	<u>Total</u>
Cash	\$ 79,492	121	79,613
Investments	4,614,000	334,383	4,948,383
Due from other funds	<u>934,583</u>	—	<u>934,583</u>
Total assets	<u>\$ 5,628,075</u>	<u>334,504</u>	<u>5,962,579</u>
Liabilities			
Accounts payable	\$ —	—	—
Other liabilities	4,034,176	334,504	4,368,680
Due to other funds	1,593,899	—	1,593,899
Deferred revenue, unexpended restricted funds	—	—	—
Total liabilities	<u>\$ 5,628,075</u>	<u>334,504</u>	<u>5,962,579</u>

SCHOOL DISTRICT OF THE CITY OF DETROIT

Payroll Deductions Fund

Statement of Changes in Assets and Liabilities

June 30, 1999

Assets	Balance July 1, 1998	Increase	Decrease	Balance June 30, 1999
Cash	\$ 171,687	—	92,195	79,492
Investments	3,030,000	1,584,000	—	4,614,000
Due from other funds	881,743	52,840	—	934,583
Total assets	\$ 4,083,430	1,636,840	92,195	5,628,075
 Liabilities				
Accounts payable	\$ 4,083,430	—	4,083,430	—
Other liabilities	—	4,034,176	—	4,034,176
Due to other funds	—	1,593,899	—	1,593,899
Total liabilities	\$ 4,083,430	5,628,075	4,083,430	5,628,075

SCHOOL DISTRICT OF THE CITY OF DETROIT

Scholarships Fund

Statement of Changes in Assets and Liabilities

June 30, 1999

Assets	Balance July 1, 1998	Increase	Decrease	Balance June 30, 1999
Cash	\$ 121	—	—	121
Investments	261,897	72,486	—	334,383
Due from other funds	73,117	—	73,117	—
Total assets	\$ 335,135	72,486	73,117	334,504
Liabilities				
Accounts payable	\$ 27,474	—	27,474	—
Other liabilities	—	334,504	—	334,504
Deferred revenue, unexpended restricted funds	307,661	—	307,661	—
Total liabilities	\$ 335,135	334,504	335,135	334,504

SCHOOL DISTRICT OF THE CITY OF DETROIT

Debt Service Requirements

June 30, 1999

The following represents the detailed debt service requirements as of June 30, 1999:

Year	Special Purpose Bonds and Notes		Deficit Funding Bonds		School Building and Site Improvement Bonds	
	Total	Principal	Interest	Total	Principal	Interest
2000	\$ 5,660,297	4,730,892	929,405	15,611,052	39,794,030	25,124,966
2001	5,670,721	4,935,312	735,409	—	39,854,619	24,285,687
2002	4,016,983	3,449,640	567,343	—	39,727,168	23,397,231
2003	3,712,875	3,280,000	432,875	—	42,265,449	22,485,088
2004	3,334,500	3,030,000	304,500	—	39,174,955	21,425,034
2005	2,362,145	2,170,000	192,145	—	40,677,148	20,426,849
2006	1,482,036	1,365,000	117,036	—	40,691,420	19,280,865
2007	1,485,104	1,425,000	60,104	—	40,699,776	18,068,242
2008	357,438	350,000	7,438	—	38,036,940	16,746,493
2009	—	—	—	—	38,008,591	15,563,107
2010	—	—	—	—	35,637,750	14,310,279
2011	—	—	—	—	34,129,704	13,202,552
2012	—	—	—	—	30,892,381	12,082,979
2013	—	—	—	—	27,931,942	11,101,925
2014	—	—	—	—	20,560,019	10,225,019
2015	—	—	—	—	20,563,800	9,673,800
2016	—	—	—	—	12,892,975	9,092,975
2017	—	—	—	—	28,618,475	8,893,475
2018	—	—	—	—	7,897,225	7,897,225
2019	—	—	—	—	7,897,225	7,897,225
2020	—	—	—	—	7,897,225	7,897,225
2021	—	—	—	—	44,347,225	7,897,225
2022	—	—	—	—	6,074,725	6,074,725
2023	—	—	—	—	6,074,725	6,074,725
2024	—	—	—	—	6,074,725	6,074,725
2025	—	—	—	—	6,074,725	6,074,725
2026	—	—	—	—	46,629,725	6,074,725
2027	—	—	—	—	3,945,588	3,945,588
2028	—	—	—	—	3,945,588	3,945,588
					87,010,588	3,945,588
	\$ 28,082,099	24,735,844	3,346,255	15,611,052	837,951,706	363,111,130
					474,840,576	

SCHOOL DISTRICT OF THE CITY OF DETROIT

Property Tax Data

As of June 30, 1999

Fiscal year	<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, 1999</u>
General Fund:					
Property taxes levied:					
1994 and prior	—	\$ —	—	— %	\$ 27,659,180
1995	18.00	67,860,260	64,808,277	95.50	3,051,983
1996	18.00	66,729,828	63,845,615	95.68	2,884,213
1997	18.00	70,220,814	66,524,603	94.74	3,696,211
1998	18.00	75,039,414	69,651,607	92.82	5,387,807
1999	18.00	83,359,074	73,887,398	88.64	<u>9,471,676</u>
Property taxes receivable, delinquent					\$ <u>52,151,070</u>
Property taxes receivable, current					\$ <u>1,500,000</u>
Property taxes receivable, current					\$ <u>1,500,000</u>
School Building and Site Bonds Fund:					
Property taxes levied:					
1994 and prior	—	\$ —	—	— %	\$ 3,533,114
1995	2.62	15,446,934	14,752,215	95.50	694,719
1996	5.00	29,436,618	28,164,302	95.68	1,272,316
1997	5.30	32,582,375	30,867,337	94.74	1,715,038
1998	5.54	35,736,192	33,170,344	92.82	2,565,848
1999	4.96	27,494,377	24,367,328	88.63	<u>3,127,049</u>
Property taxes receivable, delinquent					\$ <u>12,908,084</u>
Property taxes receivable, current					\$ <u>500,000</u>
Property taxes receivable, current					\$ <u>500,000</u>
Deficit Funding Bonds Fund:					
Property taxes levied:					
1994 and prior	—	\$ —	—	— %	\$ 687,938
1995	2.04	12,027,384	11,486,458	95.50	540,926
1996	2.04	12,010,140	11,491,035	95.68	519,105
1997	2.20	13,524,759	12,812,856	94.74	711,903
1998	2.05	13,223,681	12,274,225	92.82	949,456
1999	1.49	8,259,399	7,320,925	88.64	<u>938,474</u>
Property taxes receivable, delinquent					\$ <u>4,347,802</u>
Property taxes receivable, current					\$ <u>200,000</u>
Property taxes receivable, current					\$ <u>200,000</u>

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