DETROIT PUBLIC SCHOOLS

Year Ended
June 30, 2015

Financial
Statements

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INDEPENDENT AUDITORS' REPORT

November 2, 2015

Emergency Manager
Detroit Public Schools
Detroit, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Detroit Public Schools*** (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Detroit Public Schools as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 68

As described in Note 18, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is not modified with respect to this matter.

Funding Uncertainties

The District has suffered recurring operating deficits in the General Fund. Management's plans with regard to these matters are described in note 15.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the schedules for the pension plan, the Schedule of Funding Progress and Schedule of Employer Contributions, and Budgetary Comparison Schedule for the general fund as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements, budgetary comparison schedule for the food service fund, and schedule of bond indebtedness listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements, budgetary comparison schedule for the food service fund, and schedule of bonded indebtedness are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued, under separate cover, our report dated November 2, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Our discussion and analysis of Detroit Public Schools' (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this management discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the transmittal letter, financial statements and notes to the basic financial statements to enhance their understanding.

The District has prepared its annual financial report using a combination of both government-wide financial statements and fund financial statements. The basic financial statements contain three components:

1. Government-wide financial statements including the Statement of Net Position and the Statement of Activities which provide a broad, long-term overview of the District's finances, in a manner similar to a private sector business.

2. Fund financial statements including governmental funds, which focus on near-term inflows and outflows of available resources, as well as on balances of available resources available at the end of each fiscal year, and fiduciary funds, which account for the funds that the District holds in a fiduciary capacity for others. These statements include the Balance Sheets and the Statement of Revenues, Expenditures and Changes in Fund Balances.

3. Notes to the basic financial statements.

This report presents the financial highlights for the last year and contains required and other supplemental information.

About Detroit Public Schools

Detroit Public Schools is an urban public school district located in the City of Detroit. It is a fiscally independent district governed by the Emergency Manager that was appointed by the Governor.

The District has 103 schools, consisting of 7 early childhood schools, 62 elementary schools, 3 middle schools, 18 high schools, 2 alternative education schools, 7 special education schools, and 4 career technical and vocational centers.

Financial Highlights

Key financial highlights for 2015 are as follows:

Government-wide financial statements:

- The District implemented GASB Statement No. 68 in the current year. In addition to expanded disclosure requirements, the District is required to report its proportionate share of the MPSERS net pension liability on the statement of net position. This change has resulted in a negative total net position of governmental activities of $(1,664,735,120).
- Total net deficit increased from $763.7 million in FY 2014 to $1,664.7 million in FY 2015.
- Total revenues increased from $810.9 million in FY 2014 to $820.3 million in FY 2015.
- Total expenses decreased from $888.0 million in FY 2014to $863.0 million in FY 2015.

Fund financial statements:

- The total fund balance deficit for all governmental funds increased from a deficit of $(122.0) million in FY 2014 to a deficit of $(175.9) million in FY 2015.
- The general fund deficit increased from $(169.5) million in FY 2014 to $(215.9) million in FY 2015.

General Fund budgetary comparison schedules:

- Actual revenues were less than final budgeted revenues by $42.6 million, primarily due to the reduction in the District's federal funding associated with current spending levels, reductions in Act 18 revenues received through Wayne RESA, and reductions in State Aid caused by enrollment decreases. In addition, proceeds from sales of capital assets were less than budget.
- Expenditures were less than final budgeted expenditures by $65.3 million, primarily due to the reduction in federal funding and spending.
- The actual fund deficit of $(215.9) million was less than the final budgeted deficit of $(238.2) million by $22.3 million.

Overview of the Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business. The statement of net position and the statement of activities provide information about the activities of the District as a whole, presenting both an aggregate view and a long-term view of the finances. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting. This basis of accounting includes all of the current year's revenue and expenses regardless of when cash is received or paid.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the net balance reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing the change in net position during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities).

Financial Analysis of the District as a Whole

All of the District's services are reported in the government-wide financial statements, including instruction, support services, community services, food services and athletics. Property taxes, state aid, and interest and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

Statement of Net Position. The statement of net position provides the perspective of the District as a whole. The following table provides a summary of the District's net position as of June 30, 2015 and 2014:

	Net Position		
	Governmental Activities		
	2015	2014	Percentage Change
Current and other assets	$ 177,652,012	$ 232,184,660	(23.49)%
Capital assets, net	1,379,453,373	1,455,873,724	(5.25)%
Total assets	1,557,105,385	1,688,058,384	(7.76)%
Deferred outflows	139,984,107	25,625,936	446.26 %
Other liabilities	1,244,387,375	354,913,083	250.62 %
Long-term liabilities	2,020,955,918	2,122,425,129	(4.78)%
Total liabilities	3,265,343,293	2,477,338,212	31.81 %
Deferred inflows	96,481,319	-	100.00 %
Net position:			
Net investment in capital assets	(126,652,164)	(101,890,474)	24.30 %
Restricted	23,546,812	26,280,121	(10.40)%
Unrestricted (deficit)	(1,561,629,768)	(688,043,539)	126.97 %
Total net position	$ (1,664,735,120)	$ (763,653,892)	118.00 %

The District’s net deficit was $1,664.7 million at June 30, 2015, as compared to a net deficit of $763.7 million at June 30, 2014. The unrestricted net position deficit balance highlights a potential inability to meet future operational needs as well as working capital and cash flow requirements. The operating results of the General Fund have a significant impact on the change in unrestricted net position (deficit) from year to year.

Management's Discussion and Analysis

Statement of Activities. The results of operations for the District as a whole are reported in the statement of activities which shows the change in net position for the fiscal years ended June 30, 2015 and 2014:

	Change in Net Position		
	Governmental Activities		
	2015	2014	Percentage Change
Program revenues:			
Charges for services	$ 2,942,123	$ 2,806,704	4.82 %
Operating grants	384,597,111	350,154,648	9.84 %
General revenues:			
Property taxes	156,450,484	177,706,934	(11.96)%
Unrestricted state aid	265,091,387	259,541,573	2.14 %
Interest and investment earnings	36,302	50,582	(28.23)%
Other	11,159,377	20,596,137	(45.82)%
Total revenues	820,276,784	810,856,578	1.16 %
Functions / program expenses:			
Instruction	374,874,427	381,901,033	(1.84)%
Support services	313,548,618	318,332,081	(1.50)%
Community services	3,258,057	4,179,408	(22.05)%
Food services	42,542,212	44,916,670	(5.29)%
Athletics	3,345,514	2,434,401	37.43 %
Interest on long-term debt	106,764,573	113,673,948	(6.08)%
Depreciation (unallocated)	18,679,335	22,536,086	(17.11)%
Total functions / program expenses	863,012,736	887,973,627	(2.81)%
Change in net position	(42,735,952)	(77,117,049)	(44.58)%
Net position:			
Beginning of year	(763,653,892)	(686,536,843)	11.23 %
Restatement for implementation of GASB 68	(858,345,276)	-	100.00 %
End of year	$ (1,664,735,120)	$ (763,653,892)	118.00 %

This decrease in net position was largely due to decreases in property tax revenues of $21.2 million and other general revenues of $9.4 million, as well as the continued burden of legacy costs including interest payments on long-term operating debt of $17.3 million.

The cost of all governmental activities this year was $863.0 million. Certain governmental activities were partially funded from those who benefited from the programs through charges for services of $2.9 million or by the other governments and organizations that subsidized certain programs with grants and contributions of $384.6 million. The remaining “public benefit” portion of the District’s governmental activities was funded primarily by $156.5 million in taxes and $265.1 million in unrestricted federal funds and state aid. The District experienced a decrease in net position of $42.7 million. As a result, the District reduced expenditures in instructional by $6.7 million with a decrease of $18.2 million in non-instructional areas.

As discussed above, the net cost shows the financial burden that was placed on the State and the District’s taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of District operating revenue sources, the Emergency Manager, the Board of Education and administration must annually evaluate the needs of the District and balance those needs with available unrestricted resources. The overall financial position of the District continues to be challenged as enrollment declines.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2015 amounts to $1,379.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, vehicles, furniture and equipment. This amount represents a net decrease (including additions, disposals, impairment and depreciation) of $76.4 million.

	Capital Assets (Net of Depreciation)		
	2015	2014	Percentage Change
Land	55,678,168	56,905,839	(2.16)%
Land improvements	102,443,164	106,689,413	(3.98)%
Buildings and building improvements	1,804,653,250	1,861,454,223	(3.05)%
Machinery and other equipment	207,722,273	207,808,739	(0.04)%
Buses and other vehicles	2,509,961	3,079,925	(18.51)%
Construction in progress	3,169,727	6,098,344	(48.02)%
	2,176,176,543	2,242,036,483	(2.94)%
Less accumulated depreciation	(796,723,170)	(786,162,759)	1.34 %
Total capital assets, net	$ 1,379,453,373	$ 1,455,873,724	(5.25)%

This year's additions of approximately $8.3 million included building renovations, site improvements and equipment. The District issued $290 million and $210.5 million in fiscal year 2010 and 2011 respectively, as provided under Proposal S, that funded the majority of the additions. More detailed information about the District's capital assets is provided in Note 5 to the basic financial statements.

Long-Term Debt. As of June 30, 2015, the District had $1.452 billion in bonds outstanding, plus $74.1 million in unamortized bond premiums, for a total of $1.526 billion. This represents a decrease of 5.13% from the previous year.

	Outstanding Debt		
	2015	2014	Percentage Change
General obligation bonds	$ 1,452,075,000	$ 1,541,209,870	(5.78)%
Unamortized bond premium	74,129,609	67,568,056	9.71 %
Long-term notes payable	259,257,063	298,857,734	(13.25)%
Other long-term liabilities	235,494,246	214,789,469	9.64 %
Total long-term debt	$ 2,020,955,918	$ 2,122,425,129	0.32 %

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the District's boundaries. If the District issues "qualified debt," (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit.

Other obligations include accrued vacation pay, sick leave, employee severance plan, workers' compensation and health insurance claims, and legal claims. More detailed information about the District's long-term liabilities is provided in Note 7 of the notes to the basic financial statements.

Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District maintains separate funds for general operations, food services, debt service, and capital projects. The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of available resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the year.

These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. These statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

As the District ended this year, the governmental funds reported a combined fund deficit for fiscal year 2015 of $175.9 million, which is an increase in the fund deficit of $54.0 million from fiscal year 2014. The primary reasons for the increase in the fund deficit are as follows:

- There was an increase in general fund revenue compared to last year of $18.5 million. $6.9 and $32.8 million was due to the increase in federal and state funds, respectively.

- Total expenditures decreased by $7.2 million, which reflects that the District is making the hard decisions of both reduction of staff and discretionary spending. Based on expenditures exceeding revenue by $53.6 million, the District needs to continue making the difficult decisions in reducing staff and other expenditures in eliminating the deficit.

General Fund

Based on our analysis of the information below, general fund revenue was higher than fiscal year 2014 due to increases in State and Federal sources. Expenditures also decreased from the previous year due to the District's cost saving effort.

	General Fund		
	Year Ended 2015	Year Ended 2014	Percentage Change
Revenues			
Local sources	105,322,614	126,426,524	(16.69)%
State sources	385,812,644	353,056,789	9.28 %
Federal sources	169,259,155	162,383,151	4.23 %
Total revenues	660,394,413	641,866,464	2.89 %
Expenditures			
Current:			
Instruction	335,669,369	346,100,939	(3.01)%
Support services	316,574,183	312,753,894	1.22 %
Community services	3,301,079	4,198,638	(21.38)%
Athletics	1,590,407	1,626,152	(2.20)%
Debt service:			
Principal retirement	39,600,671	37,767,192	4.85 %
Payment of interest	17,294,384	18,706,209	(7.55)%
Capital outlay	-	101,379	(100.00)%
Total expenditures	714,030,093	721,254,403	(1.00)%
Revenues under expenditures	(53,635,680)	(79,387,939)	(32.44)%
Other financing sources (uses)			
Transfers in	1,762,100	2,484,518	(29.08)%
Transfers out	-	(94,602)	(100.00)%
Proceeds from sale of capital assets	5,401,970	1,419,640	280.52 %
Total other financing sources	7,164,070	3,809,556	88.06 %
Net change in fund deficit	(46,471,610)	(75,578,383)	(38.51)%
Fund deficit:			
Beginning of year	(169,460,307)	(93,881,924)	80.50 %
End of year	(215,931,917)	(169,460,307)	27.42 %

Other Governmental Funds

Special Revenue

Food services. In fiscal year 2015, expenditures decreased by $3.6 million with expenditures and other financing uses less than revenues and other financing sources by $1.2 million, increasing the fund balance from $5.0 million in fiscal year 2014 to $6.1 million in fiscal year 2015.

Debt Retirement

Bond redemption. The bond redemption fund balance decreased from $36.0 million in 2014 to $31.8 million in 2015 primarily due to proceeds from the School Bond Loan Fund.

Judgment levy. The judgment levy fund deficit increased from $541,457 in 2014 to $1,279,367 in 2015 primarily due to decreases in property tax revenue and claims payments for past judgments.

Capital Projects

1986 School Building Site Improvement Bonds. The only activity in this fund was accrual of a small amount of interest.

Durant Bond. The primary activity in this fund was capital outlay expenditures of $45,957, which exhausted the remaining fund balance from 2014.

1994 School Building Site Improvement Bonds Series V. The fund balance in Series V decreased from $4.4 million in fiscal year 2014 to $3.1 million in fiscal year 2015 due to capital outlay expenditures of $1.3 million.

2009A, 2009B, 2010A, and 2010B Building Site Improvement Bonds Funds. On December 30, 2009, the District issued the 2009A and 2009B Building Site Improvement Bonds for a total of $290.0 million. These bonds were authorized under Proposal S which was passed by the citizens of Detroit on November 3, 2009. Proposal S authorized the District to issue $500.5 million in long-term bonds for the purpose of constructing eight (8) new schools and renovating ten (10) existing schools. In October 26, 2010, the District issued the remaining $210.5 million authorized under Proposal S as the 2010A and 2010B Building Site Improvement Bonds. These Bonds are supported by the property tax revenues levied by the City of Detroit on behalf of the District. A total of 18 schools will be rebuilt or renovated under the Detroit Public School's School Construction Project. Eight schools will be replaced with new buildings, including three high schools. Ten schools will receive major renovations, four of which are scheduled to be completed by the end of the year. All schools will receive technology upgrades and improved security measures. Federal regulations stipulate that the project's bond funds be spent within three years.

The 2009A Building and Site Bond Funds were fully expended in prior years. For the year ended June 30, 2015, the 2009B and 2010B Building Site Improvement Bond Funds had expenditures of $516,000 and $1.7 million, respectively. Unspent bond proceeds at year end for these funds were $1.1 million and $(.8) million.

General Fund Budgetary Highlights

The District revises its budget over the course of the year, to manage unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations and available revenues and fund balance. The final amendment to the budget was approved in June 2015. A schedule showing the District's original and final budget amounts compared with actual revenues and expenditures is provided in the Required Supplemental Information section of these financial statements. Significant budget variances were as follows:

- The actual revenues of $660.3 million are $45.0 million less than the final budgeted revenue of $705.4, due to a reduction in federal funding and spending.

- The actual support services expenditures of $319.2 million are $25.9 million less than the final budget of $345.0 million. The decrease is primarily due to reduced federal fund spending in the instructional staff support area and reduced expenditures in central support services.

Economic Factors and Next Year's Budget and Rates

On March 3, 2015, the Emergency Manager announced the District's implementation of the 10-Point Management Plan designed to guide the District toward financial stability and educational competitiveness, and ensure that it can achieve long-term sustainability. The goal of this management plan is to provide a strategy for determining and evaluating relevant and specific criteria for assessing and implementing operational and academic change within the organization. The plan identifies 10 critical points and objectives for each that will need to be met based upon the District Cabinet's review of data and other information related to the day-to-day work performed by the staff. Implemented with fidelity, this 10-Point Management Plan will make the District a more efficient and effective node on Detroit's education network, and will position the organization for both sustainability and a return to local control.

The following are the 10 critical areas of focus (five academic and five operational) covered by the plan:

- Academic Competitiveness
- Governance
- Staff Development
- Cash Flow Stability
- Higher Education/Collaboration
- Organizational Development
- Special Education
- Transportation
- Customer Service
- Comprehensive Funding Strategy

Fiscal year 2016 will be a transitional year, in which targeted cost reductions will be made in areas that do not impact the quality of education delivery. In addition to a review of all contracts, policies and procedures, the District is focusing on key areas during the restructuring process: central office administration, special education, curriculum and instruction, grants, and staffing models, as well as non-core programs.

While some aspects of this important work are more long-term, there are a number of immediate next steps that the District will be acting upon which include convening a summit of education service providers, which will consider the Coalition's recommendations (due March 31, 2015), with the goal of achieving the following:

- A moratorium on creating new schools before autumn 2015.

- Establish a working group to identify shared facility opportunities and potential closure of substandard facilities across the District.

- Establish a special education task force to address location of classes, enrollment rules, long-term strategy, and funding formulas.

- Evaluating existing schools and programs in order to determine potential closures, consolidations, or relocations prior to start of 2016-17 school year and in the future. This will be done in conjunction with our existing, comprehensive strategic planning process.

- Consideration of options regarding the potential for restructuring the District's obligation.

Ultimately, the end result is improving the quality of education provided to the children of Detroit.

Due to the critical nature of the District's efforts to stabilize and increase student enrollment, prior to the beginning of the school, the District conducted open houses to encourage the community to enroll their students and provided information on their particular school's curriculum. Other activities included walks, fairs, park events and calling campaigns at local schools. Based on the ongoing campaign, the fiscal year 2016 enrollment projections assume an enrollment decrease in line with the last two years of approximately 2%. Student membership projection for funding purposes is 46,331 (42,384 for general and 3,947 for special education students), with a per foundation allowance of $7,434 per student.

Management's Discussion and Analysis

The District's fiscal year 2016 budget did not include any school closures. District studies revealed that it lost an average of thirty percent (30%) of the students when a school was closed. The District is currently reviewing options for reducing its excess student capacity without suffering high pupil losses resulting from school closures.

For fiscal year 2016, the District continued to require all central office units to participate in a modified Zero Base Budgeting process. Because of the District's declining fiscal health, each central unit was required to present strategies to reduce expenditures by 20-40% in non-personnel costs.

State funding continues to represent the most significant sources of revenue for the District. The most significant component of the District's State funding is the per pupil Foundation Allowance. The blended formula for fiscal year 2016 has changed. The formula is 90% of the October count and 10% of the prior February count. Based on the District incurring a deficit in FY 2010, the District is required to provide the Michigan Department of Education (MDE) a Deficit Elimination Plan (DEP). This plan represents the District's assessment and recommendation concerning the available resources in compliance with the Michigan Uniform Budgeting and Accounting Act. The District's Deficit Elimination Plan was initially approved by the Superintendent of Public Instruction on August 4, 2010. The most recent revision of the DEP was approved on August 19, 2014, which included an extension through June 30, 2019 when the deficit should be eliminated. This plan includes budget reduction and revenue enhancement strategies to address the deficit. Reductions to the general fund include:

- Staff reductions in alignment with declining enrollment
- Reductions in general fund discretionary spending
- School closures
- Increasing revenue thru pupil retention initiatives
- Employee concessions/benefit restructuring

On September 3, 2015, the District received a letter from the Department of Treasury on the Enhanced Deficit Elimination Plan requirements which took in consideration the Financial and Operating plans plus supplemental information that the District provided including budget amendments and the adopted 2016 fiscal year budget. The State accepted the Financial Operating Plan to meet the state requirements pursuant to MCL 380.1220(5) of an enhanced deficit elimination plan.

Contacting the District's Financial Management Team

This financial report is designed to provide the District's citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Detroit Public Schools, Division of Finance, 3011 West Grand Blvd., Detroit, Michigan 48202.

Or visit our website at www.detroitk12.org for a complete copy of this report and other financial information.

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BASIC FINANCIAL STATEMENTS

DETROIT PUBLIC SCHOOLS

Statement of Net Position

June 30, 2015

	Governmental Activities
Assets	
Cash and cash equivalents (Note 3)	$ 44,696,885
Receivables:	
Due from other governmental units (Note 4)	98,600,051
Land contract (Note 4)	2,836,353
Taxes	18,082,585
Other (Note 4)	6,386,199
Prepaids	2,275,464
Restricted assets: (Note 8)	
Cash and cash equivalents (Note 3)	4,774,475
Capital assets not being depreciated (Note 5)	58,847,895
Capital assets being depreciated, net (Note 5)	1,320,605,478
Total assets	1,557,105,385
Deferred outflows	
Deferred charge on refunding	16,758,605
Deferred pension amounts	123,225,502
Total deferred outflows of resources	139,984,107
Liabilities	
Accounts payable	78,839,496
Accrued salaries and benefits	124,319,172
Due to other governmental units	20,336,366
Notes payable	82,800,000
Interest payable	15,703,401
Other	16,792,357
Unearned revenue - unexpended restricted funds	21,436,602
Long-term liabilities (Note 7 & 11):	
Due within one year	117,502,385
Due in more than one year	1,903,453,533
Net other postemployment benefit obligation (Note 13)	11,423,985
Net pension liability	872,735,996
Total liabilities	3,265,343,293
Deferred inflows of resources	
Deferred pension amounts	96,481,319
Net position	
Net investment in capital assets (Note 10)	(126,652,164)
Restricted for debt service	16,497,983
Restricted for state and other programs	925,808
Restricted for food service	6,123,021
Unrestricted (deficit)	(1,561,629,768)
Total net position	$ (1,664,735,120)

The accompanying notes are an integral part of these basic financial statements.

Statement of Activities

For the Year Ended June 30, 2015

		Program Revenues		
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 374,874,427	$ 69,891	$ 203,373,959	$ (171,430,577)
Support services	313,548,618	2,025,918	115,203,801	(196,318,899)
Community services	3,258,057	-	3,001,771	(256,286)
Food service	42,542,212	846,314	44,757,764	3,061,866
Athletics	3,345,514	-	-	(3,345,514)
Interest on long-term debt	106,764,573	-	18,259,816	(88,504,757)
Depreciation (unallocated portion)	18,679,335	-	-	(18,679,335)
Total governmental activities	$ 863,012,736	$ 2,942,123	$ 384,597,111	(475,473,502)

General revenues	
Taxes:	
Property taxes, levied for general purposes	65,981,648
Property taxes, levied for debt services	90,468,836
State aid not restricted to specific purposes	265,091,387
Interest and investment earnings	36,302
Other	11,159,377
Total general revenues	432,737,550
Change in net position	(42,735,952)
Net position, beginning of year, as restated	(1,621,999,168)
Net position, end of year	$ (1,664,735,120)

The accompanying notes are an integral part of these basic financial statements.

DETROIT PUBLIC SCHOOLS

Balance Sheet

Governmental Funds
June 30, 2015

	General Fund	Bond Redemption	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 44,696,265	$ -	$ 620	$ 44,696,885
Receivables (Note 4):				
Due from other governmental units	94,988,283	-	3,611,768	98,600,051
Taxes	8,318,139	9,325,452	438,994	18,082,585
Land contract	2,836,353	-	-	2,836,353
Other	6,369,109	-	17,090	6,386,199
Due from other funds (Note 6)	-	25,613,908	5,660,213	31,274,121
Prepaids	2,252,428	-	23,036	2,275,464
Restricted assets: (Note 8)				
Cash and cash equivalents (Note 3)	17,617	56,583	4,700,275	4,774,475
Total assets	$ 159,478,194	$ 34,995,943	$ 14,451,996	$ 208,926,133
Liabilities				
Accounts payable	$ 74,137,639	$ 2,325	$ 4,699,532	$ 78,839,496
Accrued salaries and benefits	124,319,172	-	-	124,319,172
Compensated absences (Note 7)	277,562	-	-	277,562
Unearned revenue - unexpended restricted funds	21,436,602	-	-	21,436,602
Due to other governmental units	17,001,314	3,198,644	136,408	20,336,366
Due to other funds (Note 6)	30,184,596	-	1,089,525	31,274,121
Notes payable	82,800,000	-	-	82,800,000
Interest payable	406,410	-	-	406,410
Other	16,472,983	-	319,374	16,792,357
Total liabilities	367,036,278	3,200,969	6,244,839	376,482,086
Deferred inflows of resources				
Unavailable revenue - long-term receivables	8,373,833	-	-	8,373,833
Fund balances (deficits) (Note 9)				
Nonspendable	2,252,428	-	23,036	2,275,464
Restricted	925,808	31,794,974	9,509,358	42,230,140
Unassigned	(219,110,153)	-	(1,325,237)	(220,435,390)
Total fund balances (deficits)	(215,931,917)	31,794,974	8,207,157	(175,929,786)
Total liabilities, deferred inflows of resources and fund balances (deficits)	$ 159,478,194	$ 34,995,943	$ 14,451,996	$ 208,926,133

The accompanying notes are an integral part of these basic financial statements.

Reconciliation

Fund Balances (Deficits) of Governmental Funds
to Net Position (Deficit) of Governmental Activities
June 30, 2015

Fund balances (deficits) - total governmental funds	$ (175,929,786)
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported as assets in the funds	1,379,453,373
Other long-term assets are not available to pay current period expenditures and are therefore deferred in the governmental funds	8,373,833
Differences between actuarially determined net other postemployment benefit costs and actual contributions reported in governmental funds are accumulated and reported as net other postemployment obligations	(11,423,985)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:	
Compensated absences and employee severance plan	(17,760,998)
Workers' compensation and health insurance	(18,167,069)
Bonds and notes payable	(1,785,461,672)
Deferred charge on refunding	16,758,605
School bond loan payable	(195,871,743)
Legal and other	(3,416,874)
Accrued interest payable is not included as a liability in governmental funds	(15,296,991)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(872,735,996)
Deferred outflows related to the net pension liability	123,225,502
Deferred inflows related to the net pension liability	(96,481,319)
Net position of governmental activities	$ (1,664,735,120)

The accompanying notes are an integral part of these basic financial statements.

DETROIT PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

Governmental Funds
For the Year Ended June 30, 2015

	General Fund	Bond Redemption	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 105,322,614	$ 88,508,342	$ 2,878,701	$ 196,709,657
State sources	385,812,644	33,129,520	1,653,364	420,595,528
Federal sources	169,259,155	13,352,426	43,044,669	225,656,250
Total revenues	660,394,413	134,990,288	47,576,734	842,961,435
Expenditures				
Current:				
Instruction	335,669,369	-	-	335,669,369
Support services	316,574,183	-	-	316,574,183
Community services	3,301,079	-	-	3,301,079
Food service	-	-	42,667,931	42,667,931
Athletics	1,590,407	-	-	1,590,407
Debt service:				
Principal retirement	39,600,671	71,779,870	-	111,380,541
Payment of interest	17,294,384	95,787,560	-	113,081,944
Issuance costs	-	1,243,540	-	1,243,540
Capital outlay	-	-	3,677,462	3,677,462
Other	-	62,355	2,707,724	2,770,079
Total expenditures	714,030,093	168,873,325	49,053,117	931,956,535
Revenues under expenditures	(53,635,680)	(33,883,037)	(1,476,383)	(88,995,100)
Other financing sources (uses)				
Transfers in	1,762,100	-	-	1,762,100
Transfers out	-	-	(1,762,100)	(1,762,100)
Issuance of long-term debt-School Bond Loan Fund	-	28,384,590	-	28,384,590
Issuance of long-term debt	-	192,580,000	-	192,580,000
Premiums on issuance of long-term debt	-	23,843,976	-	23,843,976
Payment to bond escrow agent	-	(215,180,436)	-	(215,180,436)
Proceeds from sale of capital assets	5,401,970	-	-	5,401,970
Total other financing sources (uses)	7,164,070	29,628,130	(1,762,100)	35,030,100
Net change in fund balances	(46,471,610)	(4,254,907)	(3,238,483)	(53,965,000)
Fund balances (deficits), beginning of year	(169,460,307)	36,049,881	11,445,640	(121,964,786)
Fund balances (deficits), end of year	$ (215,931,917)	$ 31,794,974	$ 8,207,157	$ (175,929,786)

The accompanying notes are an integral part of these basic financial statements.

Reconciliation

Net Changes in Fund Balances (Deficits) of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2015

Net change in fund balances (deficits) - total governmental funds	$ (53,965,000)
Amounts reported for *governmental activities* in the statement of activities are different because:	
Governmental funds report capital outlays not financed by capital leases as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation. Impairment expenses in the statement of activities would have been expended in prior years in the governmental funds. Governmental funds report proceeds from sale of capital assets as increases to financial resources. In the statement of activities, the difference between proceeds and net book value is a gain or loss.	
Depreciation expense	(53,434,467)
Capital outlay	8,349,749
Change in long-term land contacts receivable for sale of capital assets	(142,649)
Proceeds from sale of capital assets	(5,259,321)
Loss on sale of capital assets	(26,076,311)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Issuance of long-term debt-refunding bonds	(192,580,000)
Premium received on issuance of long-term debt	(23,843,976)
Payments to escrow for advance refunding of bonds	215,180,436
Issuance of long-term debt-School Bond Loan Fund	(28,384,590)
Principal payment on long-term liabilities	111,380,541
The receipt of long-term receivables represent revenue in the fund financial statements, but are reported as a reduction of receivables in the statement of activities, conversely new long-term receivables are considered unavailable and not recognized in the fund, but are considered earned and reported as revenue in the statement of activities	
Collections on long-term assets not considered to be available in the governmental funds	(28,222,131)
Increases in long-term assets not considered to be available in the governmental funds	5,537,480
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Change in the net pension liability and related deferred amounts	12,353,463
Change in accrued interest on long-term debt	4,453,610
Amortization of deferred amount of refunding bonds	(1,589,642)
Amortization of bond premiums	4,759,298
Change in the accrual for compensated absences and employee severance plan	6,524,383
Change in the accrual for other postemployment benefit costs	(4,829,809)
Change in the accrual for legal obligations	1,796,941
Change in the accrual for worker's compensation and health insurance losses	5,256,043
Change in net position of governmental activities	$ (42,735,952)

The accompanying notes are an integral part of these basic financial statements.

DETROIT PUBLIC SCHOOLS

Statement of Fiduciary Net Position

Fiduciary Funds
June 30, 2015

	Agency Fund	Private-purpose Trust Fund
	Student Activities	Scholarships
Assets		
Cash and cash equivalents (Note 3)	$ 1,356,801	$ 610,223
Other	40	1,500
Total assets	$ 1,356,841	611,723
Liabilities		
Due to student groups and other	$ 1,356,841	8,142
Net position		
Restricted for scholarships		$ 603,581

The accompanying notes are an integral part of these basic financial statements.

DETROIT PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

	Private-purpose Trust Fund
	Scholarships
Additions	
Private donations	$ 108,024
Interest	219
Total additions	108,243
Deductions	
Scholarships/Professional development and other purchased services	85,857
Change in net position	22,386
Net position, beginning of year	581,195
Net position, end of year	$ 603,581

The accompanying notes are an integral part of these basic financial statements.

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DETROIT PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Detroit Public Schools (the "District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the District.

Reporting Entity

The School District is a statutory public body created by the State of Michigan and functions under the provision of Act 451. The School District holds all power of a school board under Act 451 as well as those additional powers and limitations of a school board for a first class school district. Detroit Public Schools is the only first class school district in Michigan with an 11 Member Board.

On May 16, 2011, Governor Rick Snyder appointed Roy S. Roberts to serve as EM for the District, pursuant to Act 4 for an initial term to expire on May 16, 2012. On March 7, 2012, Mr. Roberts was reappointment by Governor Snyder for an additional one-year term. Subsequently, the validity of Act 4 was challenged in a public referendum process that resulted in suspending Act 4 and reinstating Act 72 in early August 2012, pending the outcome of the referendum election in November 2012. At the start of the suspension period, the Governor appointed Mr. Roberts as Emergency Financial Manager for the District pursuant to the reinstated Act 72. The statewide election on November 6, 2012 invalidated Act 4, with Act 72 continuing in effect until March 28, 2013. On that date, the new Act 436 became effective and Mr. Roberts was appointed Emergency Manager for the District under Act 436. He served as such until July 15, 2013. On July 15, 2013, the Governor appointed Jack Martin to serve as the District's Emergency Manager.

Effective January 13, 2015, the Governor appointed Darnell Earley to serve as the District's new Emergency Manager. Mr. Earley serves at the pleasure of the Governor and the Governor has the authority to remove the EM with or without cause at any time. The EM may also be removed by a 2/3 vote of the local governmental unit's governing body if the emergency manager has served at least 18 months after appointment by the Governor or by impeachment and conviction by the State Legislature.

Act 436 grants an emergency manager powers and authority similar to those previously granted to an emergency financial manager under Act 72, while providing additional powers to an EM to operate all aspects of the school district or other local governmental unit for which he or she has been appointed. Under Act 436, a school district emergency manager does not have the unilateral power to initiate a Chapter 9 bankruptcy filing on behalf of the school district, and needs the Governor's written approval for such filing.

In addition, the EM powers include, but are not limited to, the authority to:

> Amend, revise, approve, or disapprove the budget of the local government, and limit the total amount appropriated or expended; receive and disburse on behalf of the local government all federal, state, and local funds earmarked for the local government. These funds may include, but are not limited to, funds for specific programs and the retirement of debt; require and approve or disapprove, or amend or revise a plan for paying all outstanding obligations of the local government; make, approve, or disapprove any appropriation, contract, expenditure, or loan; the creation of any new position, or the filling of any vacancy in a position by any appointing authority; act as sole agent of the local government in collective bargaining with employees or representatives and approve any contract or agreement; employ or contract for, at the expense of the local government and with the approval of the state financial authority, auditors and other technical personnel considered necessary to implement this act; remove, replace, appoint, or confirm the appointments to any office, board, commission, authority, or other entity which is within or is a component unit of the local government.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from the accompanying statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State Aid.

Fund financial statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments (such as self-insurance, contingencies), are recorded only when payment is due.

Property taxes, unrestricted State Aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the District.

The District receives shared revenues from the Wayne County Regional Education Services Agency (Wayne RESA) which are used to partially fund its center based Special Education Program. The District records recipient revenue from such nonexchange transactions when all eligibility requirements have been met and in the same period the provider expenditures are recorded by Wayne RESA. Amounts initially received by the District are subject to adjustment in future periods, and may decrease. Management does not believe that the amount of future adjustments is reasonably estimable.

Fiduciary fund statements are also reported using the accrual basis of accounting. The District maintains a Student Activities Fund to record funds received and expended for student activities. It also maintains a private purpose trust fund, the Scholarship Fund, to record private donations and scholarships awarded from these donations. The private purpose trust fund uses the economic resources measurement focus.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for or reported in another fund. The District maintains separate subfunds within the general fund for federal activities, adult education and special education.

The *bond redemption fund* is a debt service fund used to record principal and interest payments related to bonds issued by the District.

In addition, the District reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District's special revenue fund is the food service fund. Any operating deficit generated by this fund is the responsibility of the general fund.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The District's nonmajor debt service fund is the judgment levy fund.

Capital projects funds are used to record bond proceeds or other revenue and the disbursement specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created is accomplished. The District's nonmajor capital projects funds include the 1986 School Building Site Improvement Bonds; the 1994 School Building Site Improvement Bonds Series V; the 2009B and 2010B Building Site Improvement Bonds; and the Durant Bond funds.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. The District presents and maintains an agency fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

The *private-purpose trust fund* is used to account for resources legally held in trust, including contributions received by the District to be awarded in the form of scholarships.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and investments. Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and payables. In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31st and the related property taxes become a lien on December 1st of the following year. These taxes are billed on July 1st for approximately 50% of the taxes and on December 1st for the remainder of the property taxes. Taxes are considered delinquent on March 1st of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Prepaids. Prepaid expenditures of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as other assets in both the district-wide and fund financial statements. Reported prepaid items are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

Capital assets. Capital assets, which include land, buildings, equipment, and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives (in years):

Building and building improvement	20-50
Buses and other vehicles	5-10
Furniture and other equipment	5-20

Deferred outflows of resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflow for the loss on bond refundings. This amount represents the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date. More detailed information on pension-related deferred outflows of resources can be found in Note 12.

Compensated absences. The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation and sick leave balances. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term obligations. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net postion.

Bond premiums and discounts costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Deferred inflows of resources. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also reports deferred inflows related to its pension plan. More detailed information on pension related deferred inflows of resources is presented in Note 12.

Fund equity. Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Emergency Manager. An Executive Order of the Emergency Manager is required to establish, modify or rescind a fund balance commitment. The District reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the General Fund.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Capital projects fund compliance. The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For current year activity of the 1994 Building Site Improvement Bonds Series V, 2009 Series A Building Site Improvement Bonds Fund, 2009 Series B Building Site Improvement Bonds Fund, and the 2010 Series A and B Building Site Improvement Bonds Funds, the District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Deficit equity. For the year ended June 30, 2015, the District had a deficit unassigned fund balances in the General Fund, Judgment Levy nonmajor debt service fund, and Durant Bond nonmajor capital projects fund of $219,110,153, $1,279,367, and $45,870, respectively, which is a violation of State law. This condition is further discussed in note 15.

Excess of expenditures over appropriations. For the year ended June 30, 2015, expenditures exceeded appropriations at the legal level of budgetary control as follows:

	Budget	Actual	Variance
General Fund			
General administration	$ 6,462,078	$ 7,583,101	$ 1,121,023
School administration	33,091,117	35,378,176	2,287,059
Business office	10,824,368	16,031,649	5,207,281
Transportation	29,169,431	32,840,089	3,670,658
Other support service	166,539	433,088	266,549
Athletics	953,390	1,590,407	637,017
Debt service	56,001,079	56,895,055	893,976

3. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position and Statement of Fiduciary Net Position is as follows:

Statement of Net Position	
Cash and cash equivalents	$ 44,696,885
Restricted cash and cash equivalents	4,774,475
Statement of Fiduciary Net Position	
Student activities - cash and cash equivalents	1,356,801
Scholarships - cash and cash equivalents	610,223
Total	$ 51,438,384
Deposits and investments	
Bank deposits (checking and savings accounts)	$ 2,813,324
Investments:	
Money market accounts	48,625,060
Total	$ 51,438,384

Michigan law authorizes the District to deposit and invest in:

Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.

Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State. In addition, the District is allowed to invest funds in certificate of deposits with financial institutions that participate in the Certificate of Deposit Account Registry Service (CDARS) Program.

Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

Mutual funds composed entirely of investment vehicles that are legal for direct investment by a district.

Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a district.

The District's investment policy allows for the following types of investments:

Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

Certificates of deposit insured by a State or national bank, organized and authorized to operate in this State or certificates of deposits issued by a State or Federal savings and loan association, organized and authorized to operate in this State.

Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

Surplus funds investment pool under P.A. 1982, No. 367.

The District has designated three banks and one credit union for the deposit of its funds.

The investment policy adopted by the District has authorized investments as listed in the State statutory authority as listed above.

The District's cash and investments are subject to several types of risks, which are explained in more detail below:

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the District's deposits for custodial credit risk. At year end, the District's deposit bank balance of $4,119,911 had $3,312,567 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by State law, and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business using the criteria established in the investment policy. At year end, the District did not hold any investments that were subject to custodial credit risk.

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

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy does not further limit its investment choices. At year end, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Maturities	Rating	Rating Organization
JP Morgan US Treasury Plus Money Market Fund Institutional Class	$ 48,199,108	N/A	AAAm/Aaa-mf	S&P/Moody's
MILAF+ Cash Management Class	5,225	N/A	AAAm/NR	S&P/Moody's
MILAF+ Max Class	420,727	N/A	AAAm/NR	S&P/Moody's
Total investments	$ 48,625,060			

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

Foreign Currency Risk. Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of a change in foreign currency exchange rates. State law and the District's policy prohibit investment in foreign currency.

4. RECEIVABLES

Receivables as of year end for the District's individual major funds and the nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Bond Redemption	Nonmajor Governmental Funds	Total Governmental Activities
Receivables:				
Due from other governmental units	$ 94,988,283	$ -	$ 3,611,768	$ 98,600,051
Land contract	2,836,353	-	-	2,836,353
Taxes	8,318,139	9,325,452	438,994	18,082,585
Other	6,369,109	-	17,090	6,386,199
	$ 112,511,884	$ 9,325,452	$ 4,067,852	$ 125,905,188

Of the receivables listed above, $2,480,030 of the land contract receivable is not expected to be collected within one year.

5. CAPITAL ASSETS

Capital asset activity of the District's governmental activities is as follows:

	Beginning Balance	Transfers	Additions	Disposals and Adjustments	Ending Balance
Capital assets, not being depreciated:					
Land	$ 56,905,839	$ -	$ -	$ (1,227,671)	$ 55,678,168
Construction in progress	6,098,344	(2,938,782)	4,246,914	(4,236,749)	3,169,727
	63,004,183	(2,938,782)	4,246,914	(5,464,420)	58,847,895
Capital assets, being depreciated:					
Buildings and building improvements	1,861,454,223	1,009,330	3,719,407	(61,529,710)	1,804,653,250
Land improvements	106,689,413	1,322,354	72,033	(5,640,636)	102,443,164
Vehicles	3,079,925	-	40,912	(610,876)	2,509,961
Machinery and other equipment	207,808,739	607,098	270,482	(964,046)	207,722,273
	2,179,032,300	2,938,782	4,102,834	(68,745,268)	2,117,328,648
Less accumulated depreciation for:					
Buildings and building improvements	558,225,297	-	43,644,075	(38,513,954)	563,355,418
Land improvements	54,590,210	-	4,820,482	(3,146,579)	56,264,113
Vehicles	2,539,525	-	145,909	(610,877)	2,074,557
Machinery and other equipment	170,807,727	-	4,824,001	(602,646)	175,029,082
	786,162,759	-	53,434,467	(42,874,056)	796,723,170
Total capital assets being depreciated, net	1,392,869,541	2,938,782	(49,331,633)	(25,871,212)	1,320,605,478
Total capital assets, net	$ 1,455,873,724	$ -	$ (45,084,719)	$ (31,335,632)	$ 1,379,453,373

Depreciation expense was charged to activities of the District as follows:

Function	Depreciation Expense
Instruction	$ 28,842,723
Support services	3,473,225
Community service	29,391
Food service	879,669
Athletics	1,530,124
Unallocated	18,679,335
	$ 53,434,467

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

Asset impairment

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value. The fair values of District buildings identified for closure were estimated, and the book values were adjusted if the fair value was lower than the net book value. Assets with a carrying value of approximately $13 million are considered to be idle at year end.

Construction commitments

The District has active construction projects at year end. At year end, the District's commitments with contractors are as follows in the listed bond issues:

Bond issue	Spent to Date	Remaining Commitment
2003B Series V	$ 416,452,951	$ 767,176
2010B	49,945,350	737
	$ 466,398,301	$ 767,913

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

	Fund Due To		
Fund Due From	Bond Redemption	Nonmajor Governmental Funds	Total
General Fund	$ 24,849,555	$ 5,335,041	$ 30,184,596
Nonmajor governmental funds	764,353	325,172	1,089,525
	$ 25,613,908	$ 5,660,213	$ 31,274,121

Interfund receivables and payables occur in the course of ordinary operations and reflect short-term transactions between funds.

At fiscal year end, interfund transfers consisted of a $1,762,100 transfer from the nonmajor food service fund to the general fund for administrative costs.

7. LONG-TERM DEBT

The District issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The District has issued notes payable to refinance short-term State Aid Anticipation notes into long-term payables. Other long-term obligations include compensated absences, termination benefits, claims and judgments, and certain risk liabilities. In prior years, the General Fund has typically been used to liquidate nonbonded debt related long-term liabilities. The current portion of compensated absences reported in the General Fund, $277,562 relates to the unpaid balance for terminated employees as of June 30, 2015, which is expected to be paid using current available resources.

Long term obligation activity is summarized as follows:

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Bonds payable					
School building & site improvement:					
Series 1998C	$ 51,965,000	$ -	$ (3,610,000)	$ 48,355,000	$ 3,800,000
Series 2001A	183,695,000	-	-	183,695,000	-
Series 2002A	35,785,000	-	-	35,785,000	-
Series 2005A	470,735,000	-	(243,935,000)	226,800,000	-
Series 2009A	79,967,400	-	(5,047,400)	74,920,000	5,595,000
Series 2009B	192,800,000	-	(1,400,000)	191,400,000	5,250,000
Series 2010A	145,665,000	-	(1,575,000)	144,090,000	7,755,000
Series 2010B	49,630,000	-	-	49,630,000	-
Series 2012A	312,595,000	-	(7,775,000)	304,820,000	8,490,000
Series 2015A	-	192,580,000	-	192,580,000	22,605,000
Series 1998 (Durant)	18,372,470	-	(18,372,470)	-	-
Total school building & site improvement	1,541,209,870	192,580,000	(281,714,870)	1,452,075,000	53,495,000
Unamortized bond premium	67,568,056	23,843,976	(17,282,423)	74,129,609	9,260,258
Total bonds payable	1,608,777,926	216,423,976	(298,997,293)	1,526,204,609	62,755,258
Notes payable					
Series 2011	188,352,734	-	(23,310,671)	165,042,063	24,415,928
Series 2012	110,505,000	-	(16,290,000)	94,215,000	17,105,000
Total notes payable	298,857,734	-	(39,600,671)	259,257,063	41,520,928
Total installment debt	1,907,635,660	216,423,976	(338,597,964)	1,785,461,672	104,276,186
Other liabilities					
Compensated absences payable	2,622,609	583,684	(42,728)	3,163,565	583,684
Employee severance plan	21,809,183	8,451,743	(15,385,931)	14,874,995	8,451,743
Workers' compensation and health insurance claims	23,423,112	44,926,076	(50,182,119)	18,167,069	773,898
Legal and other	5,213,815	3,416,874	(5,213,815)	3,416,874	3,416,874
School Loan Revolving Fund	161,720,750	34,150,993	-	195,871,743	-
Total other liabilities	214,789,469	91,529,370	(70,824,593)	235,494,246	13,226,199
Total long-term obligations	$ 2,122,425,129	$ 307,953,346	$ (409,422,557)	$ 2,020,955,918	$ 117,502,385

The effective issue dates, year of maturity, serial interest rate, and original amount of issue for the bonds outstanding at June 30, 2015 is as follows:

Description	Effective Date of Issue	Year of Maturity	Serial Interest Rates of Debt	Amount of Original Issue
Bonds payable				
Series 1998C	11/01/1998	2025	3.50% - 5.25%	$ 84,855,000
Series 2001A	10/30/2001	2031	3.00% - 6.00%	438,365,000
Series 2002A	10/29/2002	2032	3.00% - 6.00%	388,995,000
Series 2005A	08/17/2005	2032	5.00% - 5.25%	500,000,000
Series 2009A*	12/30/2009	2025	3.19%	90,000,000
Series 2009B	12/30/2009	2039	5.06%	200,000,000
Series 2010A*	10/06/2010	2029	6.65%	160,910,000
Series 2010B	10/06/2010	2040	6.85%	49,630,000
Series 2012A	03/13/2012	2033	3.00% - 5.00%	337,735,000
Series 2015A	02/11/2015	2025	3.00% - 5.00%	192,580,000

* - Annual payments are paid to a trustee that holds the proceeds in trust for payment of the full amount of the bonds at maturity. The bonds are considered to be defeased at the time payments are made to the trustee.

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

	School Building and Site Improvement Bonds			Notes Payable		
Year Ended June 30,	Principal	Interest	Total	Principal	Interest	Total
2016	$ 53,495,000	$ 84,801,816	$ 138,296,816	$ 41,520,928	$ 11,481,166	$ 53,002,094
2017	56,535,000	81,964,226	138,499,226	43,537,684	9,471,291	53,008,975
2018	58,995,000	79,772,394	138,767,394	45,653,774	7,355,298	53,009,072
2019	61,525,000	77,538,335	139,063,335	47,864,278	5,141,291	53,005,569
2020	64,285,000	75,080,275	139,365,275	49,886,482	3,117,218	53,003,700
2021-2025	369,675,000	333,275,988	702,950,988	30,793,917	1,462,711	32,256,628
2026-2030	460,780,000	219,078,969	679,858,969	-	-	-
2031-2035	229,715,000	69,700,806	299,415,806	-	-	-
2036-2040	97,070,000	19,064,222	116,134,222	-	-	-
	$ 1,452,075,000	$ 1,040,277,031	$ 2,492,352,031	$ 259,257,063	$ 38,028,975	$ 297,286,038

Notes Payable

The effective issue dates, year of maturity, serial interest rate, and original amount of issue for the notes outstanding at June 30, 2015 is as follows:

Description	Effective Date of Issue	Year of Maturity	Serial Interest Rates of Debt	Amount of Original Issue
Notes payable				
Series 2011	10/13/2011	2021	4.75%	$ 244,910,407
Series 2012	05/17/2012	2020	1.260% - 5.018%	141,095,000

On October 13, 2011, the District issued long-term notes to refinance $231 million of short-term state aid anticipation notes. On May 17, 2012, the District entered into an amended and restated multi-year repayment agreement with the Michigan Finance Authority to redeem bonds issued in 2005. Those bonds were originally issued in April 2005 to refinance $210 million in short-term state aid anticipation notes.

School Loan Revolving Fund

The school loan revolving fund payable represents notes payable to the State of Michigan for loans made to the District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. The interest rate charged to the District for the year was 3.4% through June 30, 2015. Repayment is required when the millage rate necessary to cover the annual bonded debt service requirements falls below 7.0 mills. As of June 30, 2015, the District did not have a current balance due as a result of this requirement. The District is required to levy mills and repay the State any excess of the amount levied over the bonded debt service requirement. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the District, no provision for repayment has been included in the above amortization schedule. Changes in principal and interest were as follows:

	Principal	Interest	Total
Beginning balance	$ 152,916,577	$ 8,804,173	$ 161,720,750
Additions	28,384,590	5,766,403	34,150,993
Ending balance	$ 181,301,167	$ 14,570,576	$ 195,871,743

Advance refundings

On March 12, 2015, the District issued $192,580,000 School Building and Site Improvement Refunding Bonds with an interest rate of 3.00%-5.00% to refund $209,935,000 of outstanding 2005A Series Bonds with an average coupon rate of 5.00%. This refunding resulted in a savings of $27,336,925 and an economic gain of $24,890,098. The net proceeds of the 2015 bonds were used to purchase direct United States Treasury securities. These securities were deposited in an irrevocable escrow fund to be used to pay, when due, the principal, and interest on the refunded bonds. The refunded 2005A Series were called for redemption on May 1, 2015, and were paid from the escrow fund.

Compensated absences

On August 19, 2011 the District’s Emergency Manager signed an Amended Order Relating to Wage, Compensation and Benefits Structure For District Employees (“Amended Order”). Wage and compensation restructuring provisions of the Amended Order became effective July 29, 2011. The Amended Order, among other wage and compensation restructuring provisions, suspended payment by the District of any sick days remaining unused at the time of an employee’s resignation or retirement.

During Fiscal Year 2013, union contracts were negotiated suspending payment of unused sick leave days throughout the duration of the agreements. This suspension is applicable to all Detroit Public Schools unions with the exception of the Detroit Federation of Teachers. As part of the union contract, these benefits were negotiated at a reduced rate each year with a maximum of 200 days paid to retirees. The District has agreed to provide restoration and payment of unused sick days at retirement for employees who retire effectively July 1 and August 1 and whose irrevocable separation-from-service form is submitted no later than May 1 of each year until 2016. It is the District's intent to periodically review this and other provisions in the Amended Order to determine if any should be modified.

Termination Benefits - Employee Severance Plans

The Employee Severence Plan ("ESP") was available to actively working employees with Detroit Public Schools ("the District") represented by the Detroit Federation of Teachers ("DFT") excluding hourly and substitutes, who, (1) had ten or more years of service with the District as of June 30, 2013; or (2) were earning a minimum of $60,000 and had a minimum of 5 years of service with the District as of June 30, 2013. The Plan was also available to employees represented by AFSCME, Local 345, OSAS, OSAS Related, DAEOE, DAEOE Related, Police Officers Association of Michigan (POAM), POAM Related, Police Officers Labor Council, NISP, Paraprofessionals and non represented employees including Principals, Assistant Principals, and Executive staff who had ten or more years of service with the District as of June 30, 2013. However, the Plan was not available to any District employee who notified the District in writing on or before May 1, 2013 that he/she would be resigning or retiring from DPS for the 2012-2013 school year, was a substitute, temporary or contracted employee, was laid off or terminated, or who had previously retired and returned to the District. A similar plan was also made available to employees represented by DFT meeting the same requirements as of June 30, 2014 and 2015.

The District is paying a severance incentive payment to an eligible employee who participates in the Plan, provided that the employee has fulfilled his/her contractual obligations through his/her exit date. Eligible employees electing the Plan were required to select a separation of service date of June 30, 2013, or a separation date of June 30, 2014 or July 31, 2014 (for qualified DFT emembers assigned to summer school or extended year programs) for the plan offered in 2014. The District reserves the right to change the separation date of a participant to an alternate date based on operational neds as determined solely by the District; however, the alternate date shall not be later than June 30, 2015 or July 31, 2015. If the District exercises this right, the alternate date selected by the District became the separation of service date of the Employee. An employee retained through an alternate date selected by the District receives the same Plan benefit dollar amount he/she would have received had the District not changed the exit date, but the Plan benefit payments started not later than four months following his/her actual exit date. Failure to fulfill contractual obligations through the employee's exit date will result in forfeiture of the Plan benefits. Death or disability is not considered a lack of fulfillment of contractual obligations, and does not preclude the Employee from receiving Plan benefits.

Following separation from service with the District the employee is free to accept full or part-time employment with another employer, or perform substitute services, or other employment with the District at the District's sole discretion.

For the 2013 plan, employees who elected to participate in the ESP will receive a severence incentive payment in an amount equal to sixty-five percent (65%) of his/her 2012-2013 post-concession base annual salary. Employees elected to participate in the Plan from May 13, 2013 through June 28, 2013. In fiscal year 2013, the Plan had 184 participants. For the plan offered in 2014, employees who elect to participate in the ESP will receive a severence incentive payment in an amount equal to sixty percent (60%) of his/her 2013-2014 base annual salary, plus applicable sick leave pay and Termination Incentive Pay ("TIP").

Participants receive payment of the total Plan benefit over a period of five years, divided into 60 equal monthly payments paid to an annuity contract or custodial account that is designed to meet the tax-qualification requiremnets of Internal Revenue Code Section 403(b).

8. RESTRICTED ASSETS

The unspent bond proceeds and related interest of the capital projects funds are required to be set aside for construction. The unspent program income earned by the food service fund is required to be set aside for food services. The unspent receipts for adult education is required to be set aside for adult education. In addition, the unspent property taxes levied in the debt service fund are required to be set aside for future bond principal and interest payments. These amounts have been classified as restricted assets.

The balances of the restricted asset accounts are as follows:

	Governmental Activities
Unspent bond proceeds and related interest	$ 4,053,653
Unspent property taxes levied for debt service	56,966
Unspent food services fund proceeds	646,239
Unspent adult education funds	17,617
	$ 4,774,475

9. FUND BALANCES (DEFICITS)

	General Fund	Bond Redemption	Nonmajor Governmental Funds	Total
Fund balances				
Nonspendable:				
Prepaids	$ 2,252,428	$ -	$ 23,036	$ 2,275,464
Restricted for:				
State and other programs	925,808	-	-	925,808
Food service	-	-	6,123,021	6,123,021
Debt service	-	31,794,974	-	31,794,974
Capital projects	-	-	3,386,337	3,386,337
Total restricted	925,808	31,794,974	9,509,358	42,230,140
Unassigned (deficits)	(219,110,153)	-	(1,325,237)	(220,435,390)
Total fund balances (deficits)	$(215,931,917)	$ 31,794,974	$ 8,207,157	$(175,929,786)

10. NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2015, net investment in capital assets was comprised of the following:

Capital assets:	
Capital assets not being depreciated	$ 58,847,895
Capital assets being depreciated, net	1,320,605,478
	1,379,453,373
Related debt:	
Bonds payable	1,526,204,609
Deferred charge on refunding	(16,758,605)
Unspent bond proceeds	(3,340,467)
	1,506,105,537
Net investment in capital assets	$(126,652,164)

11. RISK MANAGEMENT

The District is self-insured for workers' compensation, certain health benefits and other claims, litigation, and assessments. Accruals for claims, litigation, and assessments are recorded in the government-wide financial statements. These accruals are recorded in the fund financial statements, within the governmental funds, when the amounts are due and payable at year-end. There were no significant reductions in coverage from the prior year.

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

A reconciliation of the District's self-insured claims liability at June 30, 2015 is as follows:

Claims liability, June 30, 2013	$ 28,044,656
Claims incurred during fiscal year 2014, including changes in estimate	59,807,309
Payments on claims	(64,428,853)
Claims liability, June 30, 2014	23,423,112
Claims incurred during fiscal year 2015, including changes in estimate	44,926,076
Payments on claims	(50,182,119)
Claims liability, June 30, 2015	$ 18,167,069

The liability for workers' compensation claims includes an estimate of loss and allocated loss adjustment (ALAE). The estimate of loss is based on historical loss runs for the workers' compensation program through June 30, 2015. ALAE represents the cost of legal fees, expert testimony, medical examination, etc, that are associated with the defense and settlement of particular claims. Unallocated loss adjustment expenses are not included in the estimate.

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

Litigation is subject to many uncertainties, the ultimate outcome of which is not predictable; however, the 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 postion or results of operations. At June 30, 2015, the District has recorded an estimated liability of approximately $3.4 million for pending litigation as a long-term obligation.

12. RETIREMENT PLAN

General Information about the Pension Plan

Plan Description. The District contributes to the Michigan Public School Employees Retirement System ("MPSERS"), a cost-sharing multiple-employer pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Services with oversight from a 12-member board. Benefit provisions are established and may be amended by state statute. The Office of Retirement Services issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report can be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

The Member Investment Plan (MIP) includes additional subgroups based on hire date. The MIP Fixed plan includes members hired prior to January 1, 1990. The *MIP Graded* plan includes members first hired from January 1, 1990 through June 30, 2008. The *MIP Plus* plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the MIP plan and made a voluntary election to contribute a higher rate are participants in the *MIP 7 %* plan.

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the *Pension Plus* plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Member contributions to the savings component are match at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in MIP were provided the option to convert to a defined contribution plan (Basic 4%). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

A member first enrolling in MPSERS on or after September 4, 2012 may elect to enroll in the *defined contribution* plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the Pension Plus plan as described above.

Benefits Provided. MPSERS provides retirement, death, disability and postemployment benefits to eligible participants. Retirement benefits are calculated as a percentage of the employee's final average compensation times the employee's years of service. All participants qualify for a benefit multiplier of 1.5% for the first 30 years of service. Certain benefit groups receive a reduced rate of 1.25% for service above 30 years. Disability benefits are calculated the same as regular service retirement. Participants are eligible to receive full retirement benefits upon reaching the age and years of service requirements below. Most plans offer additional options for early retirement if certain stipulations have been met. Voluntary contributions vest immediately.

Plan	Eligibility Based on Years of Service	Vesting
Member Investment Plan (MIP)	Age 46 with 30 years or age 60 with 10 years	10 years
Basic	Age 55 with 30 years or Age 60 with 10 years	10 years
Pension Plus	Age 60 with 10 years	4 years
Defined Contribution	Age 46 with 30 years or age 60 with 10 years	4 years

Contributions. Employer contributions to the plans are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Member contributions are determined based on date of hire and the plan selected. In addition, the District is invoiced monthly an amount that approximates 7.63% of covered payroll for "MPSERS UAAL Stabilization." This additional contribution is offset by monthly State aid payments equal to the amounts actually billed by the Office of Retirement Services. For the plan year ended September 30, 2015, an additional 1.13% MPSERS liability prepayment was invoiced as a one-time cost. Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization and one-time prepayment rates, range from 27.52% to 31.83% of covered payroll. Plan member contributions range from 0.0% to 7.0% of covered payroll.

The District's contribution to MPSERS under all pension plans for the year ended June 30, 2015, inclusive of the MPSERS UAAL Stabilization and one-time prepayment, was $98,482,599.

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

At June 30, 2015, the District reported a liability of $872,735,996 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At September 30, 2014, the District’s proportion (as calculated by MPSERS) was 3.96221%.

For the year ended June 30, 2015, the District recognized pension expense of $70,752,360. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	$ 32,202,091	$ -	$ 32,202,091
Changes in proportion and differences between District contributions and proportionate share of contributions	224,197	-	224,197
Net difference between projected and actual earnings on pension plan investments	-	96,481,319	(96,481,319)
	32,426,288	96,481,319	(64,055,031)
District contributions subsequent to the measurement date	90,799,214	-	90,799,214
Total	$ 123,225,502	$ 96,481,319	$ 26,744,183

The amount of deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as pension-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	$ (15,688,500)
2017	(15,688,500)
2018	(15,688,500)
2019	(16,989,531)
Total	$ (64,055,031)

Actuarial Assumptions. The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.5%
Salary increases	3.5% to 12.3%, including wage inflation at 3.5%
Investment rate of return	8.0% (7.0% for the Pension Plus plan)
Cost of living adjustments	3.0% annual, non-compounded for MIP members
Healthcare cost trend rate	8.5% year 1 graded to 3.5% year 12

The mortality table used in this valuation was the RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	4.80%	1.34%
Alternative investment pools	18.00%	8.50%	1.53%
International equity	16.00%	6.10%	0.98%
Fixed income pools	10.50%	1.50%	0.16%
Real estate and infrastructure pools	10.00%	5.30%	0.53%
Absolute return pools	15.50%	6.30%	0.98%
Short-term investment pools	2.00%	-0.20%	-0.02%
	100.00%		5.50%
Inflation			2.50%
Investment rate of return			8.00%

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that District contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the District, calculated using the discount rate of 8.0%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.00%)
District's proportionate share of the net pensic liability	$1,150,626,415	$ 872,735,996	$ 638,609,215

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan. At June 30, 2015, the District reported a payable of $76,164,997 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2015. This amount included approximately seven months of contractually required contributions which the District has not yet remitted to the Plan due to cash flow difficulties.

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.20% to 2.71% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the *Personal Healthcare Fund*. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax-deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2014, these members are no longer required to make the 3% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2014 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

The District's contributions to MPSERS for other postemployment benefits amounted to $9,905,566 for the year ended June 30, 2015.

13. POSTEMPLOYMENT BENEFITS – TERMINATION INCENTIVE PLAN (TIP)

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

Funding Policy. The contribution requirements of Plan members and the District are established and may be amended by the District's Emergency Manager. The District is required to contribute the annual required contribution of the employer (ARC) at an actuarially determined rate as required by the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liability (or funding excess) over a period not to exceed 30 years.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost was $7,113,089. The required contribution was determined as part of the June 30, 2015 actuarial valuation, using the unprojected unit credit actuarial cost method. Significant actuarial assumptions include a 2.5% investment rate of return (net of administrative expenses). The District's unfunded actuarial accrued liability is being amortized using the level dollar method on a closed basis. The remaining amortization period at June 30, 2015 is 3 years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Annual required contribution	$ 9,228,694
Interest on net OPEB obligation	164,854
Adjustment to annual required contribution	(2,280,459)
Net OPEB cost (expense)	7,113,089
Contributions made	(2,283,280)
Increase in net OPEB obligation	4,829,809
Net OPEB obligation, beginning of year	6,594,176
Net OPEB obligation, end of year	$ 11,423,985

Three-Year Trend Information			
Year Ended	Net OPEB Cost	Percentage of Net OPEB Cost Contributed	Net OPEB Obligation
06/30/2013	$ 7,292,832	82.2%	$ 3,108,825
06/30/2014	6,917,077	49.6%	6,594,176
06/30/2015	7,113,089	32.1%	11,423,985

Funded Status. As of June 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $16,617,931, all of which was unfunded.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

14. STATE AID ANTICIPATION NOTES

The proceeds from the sale of these notes provide the District with funds to meet its cash flow requirements for the current fiscal year. The District's State Aid revenue is pledged to repay this obligation, and amounts are set-aside from State Aid revenues due the District sufficient to retire this obligation at maturity.

Note	Date of Issuance	Maturity Date	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance
2013C	08/27/13	08/20/14	4.375%	$ 92,000,000	$ -	$ (92,000,000)	$ -
2014E	08/29/14	08/20/15	2.850%	-	107,800,000	(107,800,000)	-
2015B	05/19/15	06/01/16	4.750%	-	82,800,000	-	82,800,000
				$ 92,000,000	$ 190,600,000	$ (199,800,000)	$ 82,800,000

On May 19, 2015, the District issued $82,800,000 to refinance $78,550,000 of the 2014E State Aid Anticipation notes. These proceeds of these notes, along with set aside payments of $29,250,000, were used to purchase direct United States Treasury securities. These securities were deposited in an irrevocable escrow fund to be used to pay, when due, the principal, and interest on the refinanced notes. As a result, the refinanced notes are considered to be defeased and the liability for notes notes has been removed from the financial statements.

15. FUNDING UNCERTAINTIES

The District receives over 55 percent of its funding for regular operations from the State of Michigan through its “foundation allowance” and other school district funding. The foundation allowance for the current fiscal year was determined by the State and paid on the basis of the number of students attending the District on count day in October 2014 and in February 2015. The District has experienced declines in enrollment which resulted in reductions in State and Federal revenues. These declines in revenue have challenged the District to reduce operating expenditures including facilities, staffing, health care, pension and other costs.

As required by State law, a public school district that incurs a deficit must submit a deficit elimination plan to the Michigan Department of Education (MDE) for review and approval. The District’s latest plan was approved by the State Superintendent of Public Instruction in August 2014.

The Deficit Elimination Plan addresses the deficit through development of plans for reductions in general fund spending, and enhancement of revenues including:

- Central administration reorganization and restructuring
- Implementation of new ERP system to enhance operational efficiencies
- Staff reductions to align staffing with pupil enrollment
- Reductions in general fund discretionary spending
- School closures
- Union concessions
- Increasing revenue through pupil gain and retention initiatives
- Employees Severance Plan
- Sale of surplus real estate and other property
- Employees benefits restructuring

The District was also required to provide to the Department of Treasury an Enhanced Deficit Elimination Plan which was accepted by the State Treasurer's office on September 3, 2015. This year's deficit is less than budget amendment five which projected a deficit of $238 million. The actual deficit for fiscal year 2015 is $216 million. There still remains a significant deficit which must be dealt with in Fiscal year 2016 and beyond. Therefore in order to reorganize the District, Detroit Public Schools is undertaking a major transformation and reorganizing the Central Office and streamlining support to direct more resources to the schools which will provide them with more authority at the school level.

The continuing decline in enrollment for fiscal year 2015 provided the District with challenges maintaining a balanced budget throughout the year. To mitigate the District's traditional enrollment decline, it has developed a comprehensive pupil retention and gain program that was implemented in FY 2014 and continued through fiscal year 2015. The loss of enrollment in the Fall 2015 suggests that the measures are beginning to show results.

The District's ability to stabilize its financial condition has a direct correlation to its ability to increase pupil enrollment, stabilize and enhance its revenues, and complete a comprehensive restructuring of its operations.

With the implementation of innovative revenue producing initiatives and the reduction or elimination of many expenditures, the District is committed to the elimination of the legacy deficit and right-sizing Detroit Public Schools so that it provides a quality education to the children of Detroit.

The fiscal year 2016 budget reflects a $50 million shortfall in cash in the early spring which requires support from the State. Without this support, it is very difficult for the District to continue operations. After 2016, the District will continue to require assistance from the State. Therefore, the District must reform from the current structure.

In order to reform the District, various initiatives have taken place.

In December 2014, a diverse cross-section of leaders representing Detroit's education, civic, philanthropic, business, religious, and community sectors led by the Skillman Foundation formed a Coalition for the Future of Detroit Schoolchildren (the "Coalition"). The Coalition's work focused on the City's charter schools, the District and the Education Achievement Authority ("EAA"), a school district created in 2011 to operate the State's lowest achieving schools, and how the City's fragmented school systems impact student outcomes and efficiency in operations. On March 30, 2015, the Coalition fulfilled its stated charge to create a list of suggested education changes and present them to public officials and lawmakers, including the Governor and the City's Mayor. The Coalition's recommendations included the creation of a Detroit city commission to implement and administer a unified system for transportation and other support services for all public and charter schools located in the City, the return of all EAA schools to the District and a proposed assumption of all District outstanding obligations supported by a pledge of the District's State Aid.

On October 19, 2015, Governor Snyder presented a legislative package for Detroit Public Schools that is focused on a financially sound system and provide families with more quality educational options. The Governor's recommendations were primarily based on the work of the Coalition. He announced that creating a debt-free school district will cost the state up to $715 million over 10 years. This is due to the operating debt expecting to increase to $515 million by June 30, 2016 and the new district requiring $200 million for related start-up costs for capital improvements and additional debt expected in the first few years. Under this proposal, the Old DPS would repay the debt using an existing 18-mill non-homestead property tax millage which expires in 2022, which currently makes up the local portion of the school operating funds. In addition, the proposal calls for the New DPS to collect all of the State Aid payments allocable to the district to fund its operations.

The proposed legislative package includes:

- Creating a new, traditional public school district – the Detroit Community School District which would educate the students (New DPS), with the current Detroit Public Schools existing to address the debt (Old DPS). The students, employees, contracts, employee benefits, and assets would move to the new district. The Governor's proposal includes DPS as well as the EAA and the charter schools. The new district would be governed by a seven-member board initially appointed by the Governor and the mayor of Detroit which would transition to an elected board in 2021.

- A Detroit Education Commission would be created, appointed by the governor and mayor, to engage with the community in hiring a Chief Education Officer. This Officer would hold the low-performing schools accountable and reward and increase the number of high-performing schools.

- The Chief Education Officer would operate a common enrollment system with common forms, enrollment periods and notification dates that will assist parents in identifying and evaluating their options in order to choose school's that is best for their children's needs.

- This restructuring plan calls for the New DPS and Old DPS to be overseen by a Financial Review Commission until the District's debt is repaid in full.

Since the announcement of the Governor's proposal, other legislative propositions have been suggested to restructure education in the city of Detroit. The outcome of any reform initiated by the Governor on the District, or any legislation proposed to restructure the District and its operations is still being reviewed. It is expected that legislation will be introduced in the very near future.

The District currently is in the midst of restructuring its support services by reducing 100 central office positions by January 1, 2016. In addition, it is taking other austerity measures such as offering even more cost effective health plans, continuing the prior 10% pay reductions, selling excess properties, and restructuring existing vendor contracts.

16. POLLUTION REMEDIATION ACTIVITIES

Under federal and state asbestos and lead abatement laws and guidelines, the District is required to perform asbestos and lead abatement in school facilities. The District's Office of Environmental Health and Safety hires consultants to evaluate the nature and extent of contamination and to design and conduct remediation plans to address these environmental issues. As required by law, 6-month surveillance and 3-year re-inspections are performed. There is no liability for pollution remediation costs recorded as of June 30, 2015.

17. JOINTLY GOVERNED ORGANIZATION

Education Achievement Authority

Creation and purpose. The Education Achievement Authority (EAA), a Michigan public body corporate and special authority was created effective June 24, 2012. The Michigan Legislature implemented Section 5 of Article III of the State Constitution of 1963 and Section 28 of Article VII of the State Constitution of 1963 by enacting the Urban Cooperation Act of 1967, 1967 (Ex Sese) PA7, MCL124.501 to 124.512 ("Act"). Under the act, a public agency may jointly exercise with any other public agency any power, privilege, or authority that the agencies share in common and that each might exercise separately. An agreement between one or more public agencies under the act may provide for a separate legal or administrative entity, which must be a public body corporate or politic, to administer or execute the agreement.

It is the intent of Eastern Michigan University (University) and the District, at the request of the Governor of the State of Michigan, to utilize existing constitutional and statutory law to establish a mechanism for providing improved public educational services. The University and the District intend to achieve their goal by creating a separate legal entity named the Education Achievement Authority (Authority). Effective June 24, 2012, the District entered into an "Interlocal Agreement" with the Board of Regents of Eastern Michigan University.

The District agreed that the Authority would administer or execute the joint powers, duties, functions, responsibilities, and authority possessed by the District and the University as necessary to provide innovative, flexible, transparent, safe, efficient, and effective public educational services.

Authority Governance. The governing body of the District appoints 2 residents of the State as members of the Authority Board. The governing body of the University appoints 2 residents of the State as members of the Authority Board. The Governor of the State appoints 7 residents of the State as members of the Authority Board. The Governor designates an Authority Board member to serve as Chairperson of the Authority Board.

The Executive Committee of the Authority consists of 5 members of the Authority Board and exercises the powers of the Authority unless otherwise provided in the Agreement.

At the time of the formation of the Authority, the Emergency Manager of the District serviced on the Board of the Authority, as well as the Chairman of the Executive Committee.

Authority Operations. The Authority began organizing during FY 2012-2013 and began actual operation of schools effective July 1, 2013. To facilitate the Authority's operations, the District and Authority staff engaged in certain transition activities and tasks. These activities and tasks resulted in the Authority and the District entering into several agreements effective July 1, 2013:

1. Master Service Agreement - This agreement covers any services that the District may provide to the Authority and the related compensation the District is to receive for those services. Subsequent to June 30, 2013 and continuing through the current fiscal year, the District agreed to provide the following services to the Authority at cost:

   · Network operations services
   · Security services
   · Pupil food services
   · High school athletic services
   · Assistance with Medicaid billing
   · Joint grant management

   The cost reimbursement for these services is approximately $500,000 for fiscal year ended June 30, 2015.

2. Various Lease, Asset Transfers and Pre-K Agreements – Effective July 1, 2013, the District leased 15 of its schools to the Authority. The initial terms of the leases are for a three (3) year period. The base rent for each of the 15 schools is $1.00 per year. In addition, the Authority agreed to pay the District no later than August 24, 2014, the sum equal to the number of Detroit Resident Students attending school at the premises multiplied by $910. Similar payments are to continue, under the leases, until all the District operating debt resulting from deficit financing, outstanding as of June 30, 2013 and each June 30th, thereafter has been retired. The District also agreed to provide limited pre-kindergarten services in certain leased schools.

The Authority is responsible for all costs of operating the various schools. The District will reimburse the Authority for costs required to mitigate facility code violations up to a maximum of twenty percent of the annual rental payments. Generally, all fixtures, equipment and furnishings paid for by the District, remain the property of the District.

Outstanding receivables from the EAA as of June 30, 2015 were approximately $5.5 million.

18. RESTATEMENTS

The District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result of this change, beginning net position of governmental activities was decreased by $858,345,276.

19. SUBSEQUENT EVENT

State Aid Revenue Notes

On September 16, 2015, the Michigan Finance Authority issued $121,200,000 in State Aid Revenue Notes, Series 2015E, School District of the City of Detroit, maturing on August 22, 2016 in the amount of $121.2 million. The notes carry an interest rate of 5.75 percent. The proceeds from the sale of these notes will provide the District with funds to meet its cash flow requirements in fiscal year 2016. The District's State Aid revenue is pledged to repay this obligation, and amounts are set-aside from State Aid revenues due the School District sufficient to retire this obligation at maturity.

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DPS

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REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30, 2015
District's proportion of the net pension liability	3.96221%
District's proportionate share of the net pension liability	$ 872,735,996
District's covered-employee payroll	330,958,130
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	263.70%
Plan fiduciary net position as a percentage of the total pension liability	66.20%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of District Contributions

	Year Ended June 30, 2015
Contractually required contributions	$ 98,482,599
Contributions in relation to the contractually required contribution	(98,482,599)
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 314,790,059
Contributions as a percentage of covered-employee payroll	31.29%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Required Supplementary Information
For the Year Ended June 30, 2015

Schedule of Funding Progress
Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)
06/30/2011	$ -	$ 32,180,704	$ 32,180,704	0.0%
06/30/2013	-	25,627,103	25,627,103	0.0%
06/30/2015	-	16,617,931	16,617,931	0.0%

Schedule of Employer Contributions
Other Postemployment Benefits Plan

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2011	$ 8,074,988	90.7%
2012	10,261,492	87.9%
2013	7,632,963	78.5%
2014	7,655,578	44.8%
2015	9,228,694	24.7%

Required Supplementary Information

Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local sources				
Special education millage	$ 42,689,166	$ 41,011,077	$ 30,085,680	$ (10,925,397)
Other	108,662,496	89,006,608	75,236,934	(13,769,674)
Total local sources	151,351,662	130,017,685	105,322,614	(24,695,071)
State sources	361,548,947	384,986,851	385,812,644	825,793
Federal sources	156,156,530	187,969,665	169,259,155	(18,710,510)
Total revenues	669,057,139	702,974,201	660,394,413	(42,579,788)
Expenditures				
Instruction	319,109,387	371,584,480	335,669,369	(35,915,111)
Support services				
Pupil services	60,122,328	67,463,416	52,375,223	(15,088,193)
Instructional staff support	58,548,474	78,792,830	62,830,196	(15,962,634)
General administration	6,830,748	6,462,078	7,583,101	1,121,023
School administration	35,279,744	33,091,117	35,378,176	2,287,059
Business office	9,324,934	10,824,368	16,031,649	5,207,281
Operations & maintenance	78,049,928	88,903,080	79,307,554	(9,595,526)
Transportation	26,910,502	29,169,431	32,840,089	3,670,658
Central support service	26,474,558	30,195,677	29,780,386	(415,291)
Other support service	104,795	166,539	433,088	266,549
Total support services	301,646,011	345,068,536	316,559,462	(28,509,074)
Community services	3,709,231	5,294,392	3,301,079	(1,993,313)
Food service	13,037	-	-	-
Athletics	863,300	953,390	1,590,407	637,017
Facilities acquisitions and improvement	-	455,346	14,721	(440,625)
Debt service	56,509,586	56,001,079	56,895,055	893,976
Total expenditures	681,850,552	779,357,223	714,030,093	(65,327,130)
Revenues under expenditures	(12,793,413)	(76,383,022)	(53,635,680)	22,747,342
Other financing sources (uses)				
Transfers in	2,400,000	2,400,000	1,762,100	(637,900)
Proceeds from sale of capital assets	11,700,000	5,204,321	5,401,970	197,649
Total other financing sources (uses)	14,100,000	7,604,321	7,164,070	(440,251)
Net change in fund balances	1,306,587	(68,778,701)	(46,471,610)	$ 22,307,091
Fund balances (deficit), beginning of year	(169,460,307)	(169,460,307)	(169,460,307)	
Fund balances (deficit), end of year	$ (168,153,720)	$ (238,239,008)	$ (215,931,917)	

See notes to required supplementary information.

Notes to Required Supplementary Information

1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States and State law for the general fund and all special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is at the functional level. State law requires the District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year as appropriate.

2. BUDGETARY ACCOUNTING BASIS DIFFERENCES

The budget has been presented in accordance with accounting principles generally accepted in the United States of America.

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OTHER SUPPLEMENTAL INFORMATION

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue Fund	Debt Service Fund		
	Food Service	Judgment Levy	1986 School Building Site Improvement Bonds	1994 School Building Site Improvement Bonds Series V
Assets				
Cash and cash equivalents	$ 429	$ -	$ -	$ -
Receivables:				
Due from other governmental units	3,611,768	-	-	-
Taxes	-	438,994	-	-
Other	17,090	-	-	-
Due from other funds	5,335,041	-	-	-
Prepaids	23,036	-	-	-
Restricted assets:				
Cash and cash equivalents	646,239	383	28	3,628,552
Total assets	$ 9,633,603	$ 439,377	$ 28	$ 3,628,552
Liabilities				
Accounts payable	$ 3,168,172	$ 985,627	$ -	$ 545,521
Due to other governmental units	-	136,408	-	-
Due to other funds	-	596,709	-	21,682
Other liabilities	319,374	-	-	-
Total liabilities	3,487,546	1,718,744	-	567,203
Fund balances (deficit)				
Nonspendable	23,036	-	-	-
Restricted	6,123,021	-	28	3,061,349
Unassigned	-	(1,279,367)	-	-
Total fund balances (deficit)	6,146,057	(1,279,367)	28	3,061,349
Total liabilities and fund balances (deficit)	$ 9,633,603	$ 439,377	$ 28	$ 3,628,552

Capital Projects Funds			
2009B Building Site Improvement Bonds Fund	2010B Building Site Improvement Bonds Fund	Durant Bond	Total
$ -	$ -	$ 191	$ 620
-	-	-	3,611,768
-	-	-	438,994
-	-	-	17,090
325,172	-	-	5,660,213
-	-	-	23,036
-	425,073	-	4,700,275
$ 325,172	$ 425,073	$ 191	$ 14,451,996
$ 212	$ -	$ -	$ 4,699,532
-	-	-	136,408
-	425,073	46,061	1,089,525
-	-	-	319,374
212	425,073	46,061	6,244,839
-	-	-	23,036
324,960	-	-	9,509,358
-	-	(45,870)	(1,325,237)
324,960	-	(45,870)	8,207,157
$ 325,172	$ 425,073	$ 191	$ 14,451,996

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue Fund	Debt Service Fund		
	Food Service	Judgment Levy	1986 School Building Site Improvement Bonds	1994 School Building Site Improvement Bonds Series V
Revenues				
Local sources	$ 906,280	$ 1,969,814	$ 20	$ 2,094
State sources	1,653,364	-	-	-
Federal sources	43,044,669	-	-	-
Total revenues	45,604,313	1,969,814	20	2,094
Expenditures				
Current:				
Food service	42,667,931	-	-	-
Capital outlay	-	-	48,245	1,332,728
Other	-	2,707,724	-	-
Total expenditures	42,667,931	2,707,724	48,245	1,332,728
Revenues over (under) expenditures	2,936,382	(737,910)	(48,225)	(1,330,634)
Other financing uses				
Transfers out	(1,762,100)	-	-	-
Net change in fund balances	1,174,282	(737,910)	(48,225)	(1,330,634)
Fund balances, beginning of year	4,971,775	(541,457)	48,253	4,391,983
Fund balances (deficit), end of year	$ 6,146,057	$ (1,279,367)	$ 28	$ 3,061,349

Capital Projects Funds			
2009B Building Site Improvement Bonds Fund	2010B Building Site Improvement Bonds Fund	Durant Bond	Total
$ 197	$ 209	$ 87	$ 2,878,701
-	-	-	1,653,364
-	-	-	43,044,669
197	209	87	47,576,734
-	-	-	42,667,931
1,301,643	948,889	45,957	3,677,462
-	-	-	2,707,724
1,301,643	948,889	45,957	49,053,117
(1,301,446)	(948,680)	(45,870)	(1,476,383)
-	-	-	(1,762,100)
(1,301,446)	(948,680)	(45,870)	(3,238,483)
1,626,406	948,680	-	11,445,640
$ 324,960	$ -	$ (45,870)	$ 8,207,157

Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2015

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Assets				
Cash	$ 1,317,151	$ 3,396,123	$ 3,356,473	$ 1,356,801
Other	40	-	-	40
Total assets	$ 1,317,191	$ 3,396,123	$ 3,356,473	$ 1,356,841
Liabilities				
Due to student groups and other	$ 1,317,191	$ 3,396,123	$ 3,356,473	$ 1,356,841

Budgetary Comparison Schedule

Food Service Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local sources				
Other	$ 1,629,350	$ 1,639,351	$ 906,045	$ (733,306)
Earnings on investments	9,500	9,500	235	(9,265)
State sources	1,016,641	1,084,989	1,653,364	568,375
Federal sources	44,484,145	44,581,262	43,044,669	(1,536,593)
Total revenues	47,139,636	47,315,102	45,604,313	(1,710,789)
Expenditures				
Food service:				
Salaries	11,711,767	9,943,754	9,412,948	(530,806)
Benefits	5,680,964	4,809,078	4,116,866	(692,212)
Purchased services	2,179,886	2,458,336	1,066,366	(1,391,970)
Supplies	24,486,358	25,028,520	24,424,489	(604,031)
Other	190,000	194,155	1,848,597	1,654,442
Capital outlay	490,661	2,481,259	1,798,665	(682,594)
Total expenditures	44,739,636	44,915,102	42,667,931	(2,247,171)
Revenues over expenditures	2,400,000	2,400,000	2,936,382	536,382
Other financing uses				
Transfers out	(2,400,000)	(2,400,000)	(1,762,100)	637,900
Net change in fund balances	-	-	1,174,282	$ 1,174,282
Fund balances, beginning of year	4,971,775	4,971,775	4,971,775	
Fund balances, end of year	$ 4,971,775	$ 4,971,775	$ 6,146,057	

DETROIT PUBLIC SCHOOLS

Schedule of Bonded Indebtedness

For the Year Ended June 30, 2015

Description	Maturity Date	Interest Rate (Percent)	Maturing per Period	Bonds Outstanding July 1, 2014	Issued	Retired	Bonds Outstanding June 30, 2015	Current Portion
Series 1998C								
Amount of issue - $84,855,000								
	Due May 1:							
	2015	5.250	$ 3,610,000	$ 3,610,000	$ -	$ (3,610,000)	$ -	$ 3,800,000
	2016	5.250	3,800,000	3,800,000	-	-	3,800,000	-
	2017	5.250	4,000,000	4,000,000	-	-	4,000,000	-
	2025	5.250	40,555,000	40,555,000	-	-	40,555,000	-
Total Series 1998C issue				51,965,000	-	(3,610,000)	48,355,000	3,800,000

The Bonds were issued for the purposes of (i) defraying the cost of advance refunding a portion of the District's School Building and Site Bonds (Unlimited Tax General Obligation), Series 1992, dated July 1, 1992, in the original principal amount of $33,000,000 and its School Building and Site Improvement Bonds (Unlimited Tax General Obligation), Series 1996A, dated March 1, 1996, in the original principal amount of $89,000,000 and (ii) paying costs of issuance of the Bonds.

Description	Maturity Date	Interest Rate (Percent)	Maturing per Period	Bonds Outstanding July 1, 2014	Issued	Retired	Bonds Outstanding June 30, 2015	Current Portion
Series 2001A								
Amount of issue - $438,365,000								
	Due May 1:							
	2022	6.000	14,320,000	14,320,000	-	-	14,320,000	-
	2023	6.000	15,180,000	15,180,000	-	-	15,180,000	-
	2024	6.000	16,095,000	16,095,000	-	-	16,095,000	-
	2025	6.000	17,055,000	17,055,000	-	-	17,055,000	-
	2026	6.000	24,420,000	24,420,000	-	-	24,420,000	-
	2027	6.000	25,885,000	25,885,000	-	-	25,885,000	-
	2028	6.000	27,430,000	27,430,000	-	-	27,430,000	-
	2029	6.000	43,310,000	43,310,000	-	-	43,310,000	-
Total Series 2001A issue				183,695,000	-	-	183,695,000	-

The Bonds were issued for the purpose of defraying the cost of acquiring, construction, and reconstructing certain permanent improvements to existing school facilities and sites, acquiring new sites, constructing new school buildings, and acquiring certain equipment, including school buses and technology, and paying costs of issuance of the Bonds.

Description	Maturity Date	Interest Rate (Percent)	Maturing per Period	Bonds Outstanding July 1, 2014	Issued	Retired	Bonds Outstanding June 30, 2015	Current Portion
Series 2002A								
Amount of issue - $388,995,000								
	Due May 1:							
	2019	6.000	11,240,000	11,240,000	-	-	11,240,000	-
	2020	6.000	11,915,000	11,915,000	-	-	11,915,000	-
	2021	6.000	12,630,000	12,630,000	-	-	12,630,000	-
Total Series 2002A issue				35,785,000	-	-	35,785,000	-

The Bonds were issued for the purpose of defraying the cost of acquiring, construction, and reconstructing certain permanent improvements to existing school facilities and sites, acquiring new sites, constructing new school buildings, and acquiring certain equipment, including school buses and technology, and paying costs of issuance of the Bonds.

Schedule of Bonded Indebtedness
For the Year Ended June 30, 2015

Description	Maturity Date	Interest Rate (Percent)	Maturing per Period	Bonds Outstanding July 1, 2014	Issued	Retired	Bonds Outstanding June 30, 2015	Current Portion
Series 2005A								
Amount of issue - $500,000,000								
	Due May 1:							
	2015	5.000	$ 34,000,000	$ 34,000,000	$ -	$ (34,000,000)	$ -	$ -
	2016	5.000	24,670,000	24,670,000	-	(24,670,000)	-	-
	2017	5.000	30,480,000	30,480,000	-	(30,480,000)	-	-
	2018	5.000	30,850,000	30,850,000	-	(30,850,000)	-	-
	2019	5.000	21,150,000	21,150,000	-	(21,150,000)	-	-
	2020	5.000	22,215,000	22,215,000	-	(22,215,000)	-	-
	2021	5.000	23,325,000	23,325,000	-	(23,325,000)	-	-
	2022	5.000	13,275,000	13,275,000	-	(13,275,000)	-	-
	2023	5.000	13,945,000	13,945,000	-	(13,945,000)	-	-
	2024	5.000	14,625,000	14,645,000	-	(14,645,000)	-	-
	2025	5.000	15,380,000	15,380,000	-	(15,380,000)	-	-
	2026	5.250	16,145,000	16,145,000	-	-	16,145,000	-
	2027	5.250	16,990,000	16,990,000	-	-	16,990,000	-
	2028	5.250	17,890,000	17,890,000	-	-	17,890,000	-
	2029	5.250	18,825,000	18,825,000	-	-	18,825,000	-
	2030	5.250	65,715,000	65,715,000	-	-	65,715,000	-
	2031	5.250	69,165,000	69,165,000	-	-	69,165,000	-
	2032	5.250	22,070,000	22,070,000	-	-	22,070,000	-
Total Series 2005A				470,735,000	-	(243,935,000)	226,800,000	-

The Bonds were issued for the purpose of refunding the District bonds for achieving debt service savings.

Description	Maturity Date	Interest Rate (Percent)	Maturing per Period	Bonds Outstanding July 1, 2014	Issued	Retired	Bonds Outstanding June 30, 2015	Current Portion
Series 1998 (Durant)								
Amount of issue - $59,304,433								
	Due May 15:							
	2015	4.760	18,372,470	18,372,470	-	(18,372,470)	-	-
Total Series 1998 (Durant)				18,372,470	-	(18,372,470)	-	-
Series 2009A								
Amount of issue - $90,000,000								
	Due May 1:							
	2015	3.190	5,047,400	5,047,400	-	(5,047,400)	-	5,595,000
	2016	3.190	5,595,000	5,595,000	-	-	5,595,000	-
	2017	3.190	6,325,000	6,325,000	-	-	6,325,000	-
	2018	3.190	7,055,000	7,055,000	-	-	7,055,000	-
	2019	3.190	7,700,000	7,700,000	-	-	7,700,000	-
	2020	3.190	7,700,000	7,700,000	-	-	7,700,000	-
	2021	3.190	7,700,000	7,700,000	-	-	7,700,000	-
	2022	3.190	7,700,000	7,700,000	-	-	7,700,000	-
	2023	3.190	7,700,000	7,700,000	-	-	7,700,000	-
	2024	3.190	7,700,000	7,700,000	-	-	7,700,000	-
	2025	3.190	9,745,000	9,745,000	-	-	9,745,000	-
Total Series 2009A issue				79,967,400	-	(5,047,400)	74,920,000	5,595,000

The Bonds were issued for the School Construction and Modernization Program, (Proposal S), including construction, and renovating certain school facilities and sites, acquiring new sites, constructing new school buildings, and paying costs of issuance of the Bonds. There are annual sinking fund deposits made by the District to an escrow account held by the trustee until debt is paid.

DETROIT PUBLIC SCHOOLS

Schedule of Bonded Indebtedness
For the Year Ended June 30, 2015

Description	Maturity Date	Interest Rate (Percent)	Maturing per Period	Bonds Outstanding July 1, 2014	Issued	Retired	Bonds Outstanding June 30, 2015	Current Portion
Series 2009B								
Amount of issue - $200,000,000								
	Due May 1:							
	2015	5.060	$ 1,400,000	$ 1,400,000	$ -	$ (1,400,000)	$ -	$ 5,250,000
	2016	5.060	5,250,000	5,250,000	-	-	5,250,000	-
	2017	5.060	1,600,000	1,600,000	-	-	1,600,000	-
	2018	5.060	1,700,000	1,700,000	-	-	1,700,000	-
	2019	5.060	1,800,000	1,800,000	-	-	1,800,000	-
	2020	5.060	1,900,000	1,900,000	-	-	1,900,000	-
	2021	5.060	2,300,000	2,300,000	-	-	2,300,000	-
	2022	5.060	2,400,000	2,400,000	-	-	2,400,000	-
	2023	5.060	2,500,000	2,500,000	-	-	2,500,000	-
	2024	5.060	2,600,000	2,600,000	-	-	2,600,000	-
	2025	5.060	2,700,000	2,700,000	-	-	2,700,000	-
	2026	5.060	3,150,000	3,150,000	-	-	3,150,000	-
	2027	5.060	6,275,000	6,275,000	-	-	6,275,000	-
	2028	5.060	6,525,000	6,525,000	-	-	6,525,000	-
	2029	5.060	6,625,000	6,625,000	-	-	6,625,000	-
	2030	5.060	6,925,000	6,925,000	-	-	6,925,000	-
	2031	5.060	6,925,000	6,925,000	-	-	6,925,000	-
	2032	5.060	8,925,000	8,925,000	-	-	8,925,000	-
	2033	5.060	9,550,000	9,550,000	-	-	9,550,000	-
	2034	5.060	18,625,000	18,625,000	-	-	18,625,000	-
	2035	5.060	18,625,000	18,625,000	-	-	18,625,000	-
	2036	5.060	18,625,000	18,625,000	-	-	18,625,000	-
	2037	5.060	18,625,000	18,625,000	-	-	18,625,000	-
	2038	5.060	18,625,000	18,625,000	-	-	18,625,000	-
	2039	5.060	18,625,000	18,625,000	-	-	18,625,000	-
Total Series 2009B issue				192,800,000	-	(1,400,000)	191,400,000	5,250,000

The Bonds were issued for the School Construction and Modernization Program, (Proposal S), including construction, and renovating certain school facilities and sites, acquiring new sites, constructing new school buildings, and paying costs of issuance of the Bonds.

Schedule of Bonded Indebtedness

For the Year Ended June 30, 2015

Description	Maturity Date	Interest Rate (Percent)	Maturing per Period	Bonds Outstanding July 1, 2014	Issued	Retired	Bonds Outstanding June 30, 2015	Current Portion
Series 2010A								
Amount of issue - $160,910,000								
	Due May 1:							
	2015	6.645	$ 1,575,000	$ 1,575,000	$ -	$ (1,575,000)	$ -	$ 7,755,000
	2016	6.645	7,755,000	7,755,000	-	-	7,755,000	-
	2017	6.645	6,910,000	6,910,000	-	-	6,910,000	-
	2018	6.645	7,895,000	7,895,000	-	-	7,895,000	-
	2019	6.645	7,620,000	7,620,000	-	-	7,620,000	-
	2020	6.645	7,985,000	7,985,000	-	-	7,985,000	-
	2021	6.645	8,095,000	8,095,000	-	-	8,095,000	-
	2022	6.645	8,525,000	8,525,000	-	-	8,525,000	-
	2023	6.645	8,960,000	8,960,000	-	-	8,960,000	-
	2024	6.645	9,415,000	9,415,000	-	-	9,415,000	-
	2025	6.645	9,885,000	9,885,000	-	-	9,885,000	-
	2026	6.645	16,850,000	16,850,000	-	-	16,850,000	-
	2027	6.645	14,265,000	14,265,000	-	-	14,265,000	-
	2028	6.645	14,650,000	14,650,000	-	-	14,650,000	-
	2029	6.645	15,280,000	15,280,000	-	-	15,280,000	-
Total Series 2010A issue				145,665,000	-	(1,575,000)	144,090,000	7,755,000

The Bonds were issued for the School Construction and Modernization Program, (Proposal S), including construction, and renovating certain school facilities and sites, acquiring new sites, constructing new school buildings, and paying costs of issuance of the Bonds. There are annual sinking fund deposits made by the District to an escrow account held by the trustee until debt is paid.

Description	Maturity Date	Interest Rate (Percent)	Maturing per Period	Bonds Outstanding July 1, 2014	Issued	Retired	Bonds Outstanding June 30, 2015	Current Portion
Series 2010B								
Amount of issue - $49,630,000								
	Due May 1:							
	2030	6.845	1,200,000	4,510,000	-	-	4,510,000	-
	2031	6.845	6,000,000	4,510,000	-	-	4,510,000	-
	2032	6.845	1,400,000	4,510,000	-	-	4,510,000	-
	2033	6.845	5,250,000	4,510,000	-	-	4,510,000	-
	2034	6.845	1,600,000	4,510,000	-	-	4,510,000	-
	2035	6.845	1,700,000	4,510,000	-	-	4,510,000	-
	2036	6.845	1,800,000	4,510,000	-	-	4,510,000	-
	2037	6.845	1,900,000	4,515,000	-	-	4,515,000	-
	2038	6.845	2,300,000	4,515,000	-	-	4,515,000	-
	2039	6.845	2,400,000	4,515,000	-	-	4,515,000	-
	2040	6.845	2,500,000	4,515,000	-	-	4,515,000	-
Total Series 2010B issue				49,630,000	-	-	49,630,000	-

The Bonds were issued for the School Construction and Modernization Program, (Proposal S), including construction, and renovating certain school facilities and sites, acquiring new sites, constructing new school buildings, and paying costs of issuance of the Bonds.

DETROIT PUBLIC SCHOOLS

Schedule of Bonded Indebtedness
For the Year Ended June 30, 2015

Description	Maturity Date	Interest Rate (Percent)	Maturing per Period	Bonds Outstanding July 1, 2014	Issued	Retired	Bonds Outstanding June 30, 2015	Current Portion
Series 2012A								
Amount of issue - $337,735,000								
	Due May 1:							
	2015	5.000	$ 7,775,000	$ 7,775,000	$ -	$ (7,775,000)	$ -	$ 8,490,000
	2016	5.000	8,490,000	8,490,000	-	-	8,490,000	-
	2017	5.000	8,595,000	8,595,000	-	-	8,595,000	-
	2018	5.000	8,725,000	8,725,000	-	-	8,725,000	-
	2019	5.000	9,100,000	9,100,000	-	-	9,100,000	-
	2020	5.000	9,500,000	9,500,000	-	-	9,500,000	-
	2021	5.000	9,910,000	9,910,000	-	-	9,910,000	-
	2022	5.000	20,505,000	20,505,000	-	-	20,505,000	-
	2023	5.000	21,465,000	21,465,000	-	-	21,465,000	-
	2024	5.000	22,480,000	22,480,000	-	-	22,480,000	-
	2025	5.000	23,655,000	23,655,000	-	-	23,655,000	-
	2026	5.000	24,905,000	24,905,000	-	-	24,905,000	-
	2027	5.000	26,145,000	26,145,000	-	-	26,145,000	-
	2028	5.000	27,450,000	27,450,000	-	-	27,450,000	-
	2029	5.000	14,520,000	14,520,000	-	-	14,520,000	-
	2030	5.000	16,095,000	16,095,000	-	-	16,095,000	-
	2031	5.000	16,900,000	16,900,000	-	-	16,900,000	-
	2032	5.000	17,745,000	17,745,000	-	-	17,745,000	-
	2033	5.000	18,635,000	18,635,000	-	-	18,635,000	-
Total Series 2012A issue				312,595,000	-	(7,775,000)	304,820,000	8,490,000

The Bonds were issued for the purpose of refunding the District bonds for achieving debt service savings.

Description	Maturity Date	Interest Rate (Percent)	Maturing per Period	Bonds Outstanding July 1, 2014	Issued	Retired	Bonds Outstanding June 30, 2015	Current Portion
Series 2015A								
Amount of issue - $192,580,000								
	Due May 1:							
	2016	0.000	22,605,000	-	22,605,000	-	22,605,000	22,605,000
	2017	3.000	29,105,000	-	29,105,000	-	29,105,000	-
	2018	5.000	29,410,000	-	29,410,000	-	29,410,000	-
	2019	5.000	19,635,000	-	19,635,000	-	19,635,000	-
	2020	5.000	20,625,000	-	20,625,000	-	20,625,000	-
	2021	5.000	21,655,000	-	21,655,000	-	21,655,000	-
	2022	5.000	11,520,000	-	11,520,000	-	11,520,000	-
	2023	5.000	12,105,000	-	12,105,000	-	12,105,000	-
	2024	5.000	12,645,000	-	12,645,000	-	12,645,000	-
	2025	5.000	13,275,000	-	13,275,000	-	13,275,000	-
Total Series 2015A issue				-	192,580,000	-	192,580,000	22,605,000
Total Bonded Indebtedness				$ 1,541,209,870	$ 192,580,000	$ (281,714,870)	$ 1,452,075,000	$ 53,495,000