

Detroit Public Schools Community District

Comprehensive Annual Financial Report with Supplemental Information June 30, 2017

Comprehensive Annual Financial Report

Detroit Public Schools Community District

Detroit, Michigan

For the fiscal year ended

June 30, 2017

Board Of Education

Dr. Iris Taylor
President

Angelique Peterson-Mayberry
Vice President

Sonya Mays
Treasurer

Misha Stallworth
Secretary

Deborah Hunter-Harvill
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Georgia Lemmons
Trustee

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Trustee

Dr. Nikolai Vitti
Superintendent of Schools

As prepared by the Division of Finance

Detroit Public Schools Community District

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November 1, 2017

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

We are hereby submitting the Comprehensive Annual Financial Report (CAFR) of the Detroit Public Schools Community District (the "District") for the fiscal year (FY) ended June 30, 2017. State and federal statutes require that the District issue annual financial reports and that such reports be audited by an independent firm of certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report and all appropriate disclosures for the FY ended June 30, 2017 in an effort to provide all interested parties information on the financial condition of the District.

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

The District's financial statements have been audited by Plante & Moran, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the FY ended June 30, 2017 are free of material misstatement. The independent audit consisted of reviewing, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion, suggesting that the District's financial statements for the FY ended June 30, 2017 are fairly presented in conformity with GAAP.

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

The basis for preparing the CAFR for the District was first to identify the financial reporting entity exclusive of any potential component units. Potential component units were evaluated to determine whether they should be reported in the District's CAFR. A component unit is considered to be part of the District's reporting entity if it meets the criteria as outlined by the Governmental Accounting Standards Board in Statement No. 14, The Financial Reporting Entity. The CAFR includes all District funds and account groups that are controlled or dependent upon the District's Board of Education. There are no component units included in the District's CAFR, and the District is not included in any other governmental "reporting entity."

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

Budgetary Controls

The Transition Manager/Emergency Manager directed the FY2017 Budget Development process with necessary input from the Office of Management and Budget (OMB) and Ernst & Young LLP. During FY 2017, the Transition Manager departed, a new Superintendent of Schools was named and a Board of Education was installed. These new leaders oversaw budgetary amendments put forth by the Division of Finance.

OMB initiates the annual budget process by requesting school demographic information from the District's demographer. The demographer would provide the projected number of students by school and by grade.

OMB uses this information to perform two calculations:

First, OMB estimates the projected total revenue, State Aid (Proposal A Obligation and Discretionary Payment) to be received from the State of Michigan based on the projected total number of students, federal allocation of funds, and other local sources.

Second, OMB calculates teacher staffing allocations based on projected student enrollment by school and grade. Consideration for special programs, unique circumstances and class size language in collective bargaining agreements are included in the final teacher staffing allocations.

OMB prepares the projections for the remaining General Purpose revenue (enhancement millage, Medicaid reimbursement, sale of capital assets, etc.) for the upcoming fiscal year. For the remaining funds (adult education, grants, special education, food service), the respective fund managers provide the revenue projections to OMB.

Departments submitted General Fund (fund 11) discretionary budget templates for review, and they were reviewed by OMB and Ernst & Young (EY). The Emergency Manager worked with EY on personnel budgets.

All revenue and expenditures (instruction, support services, community, etc.) are entered into the TM1/Cognos (Cognos) budget development system. If the projected expenditures exceed the projected revenue, OMB worked with members of the Transition Manager's (TM) team (Cabinet Members) to identify potential expenditure reductions.

Once the budget was balanced, the budget was submitted for review and approval. Upon final TM approval, OMB reviews, researches, and resolves any errors or unusual items and enters any budget adjustments into Cognos. Final changes are reviewed by the OMB Deputy Executive Director. The District's Budget was also approved by the Financial Review Commission.

OMB prepares budget amendments whenever a budget assumption needs to be significantly modified. During the budget amendment process, OMB amends the budget based on revised budget assumptions and reviews any significant budget variances. The TM will approve the amended budgets. Afterwards, the amended budgets are approved by the Financial Review Commission.

Schools and departments submit budget transfer requests to OMB. These requests normally include adding/deleting positions or transferring funds between line items. Budget adjustments related to grant funds are reviewed by the Department of State and Federal Programs to confirm the use of funds complies with the grant regulations and are included in the state approved consolidated application. All requests must be approved by the respective Division Head before being forwarded to OMB.

Profile of the Detroit Public Schools Community District

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

Under Michigan Public Act 436 of 2012, the EM is prescribed all power and authority over all financial, operational, and academic matters of the District as is necessary to address the financial emergency of the District, subject to certain limitations enumerated in Public Act 436. Notwithstanding any agreed-upon expiration date, the EM serves at the pleasure of the Governor and the Governor has the authority to remove the EM with or without cause at any time he may determine. The EM may also be removed: (1) by impeachment and conviction by the State Legislature, or (2) upon serving at least 18 months after his or her appointment, by resolution of 2/3 vote of the Board of Education of the District. If the Emergency Manager is removed and the financial emergency has not been rectified, Public Act 436 requires the Governor to appoint a new emergency manager; or in the case of removal by the Board of Education, requires such other remedies to resolve the financial emergency of the District, including but not limited to a potential neutral evaluation process, Chapter 9 bankruptcy proceeding, or the eventual re-appointment of a subsequent EM.

On February 29, 2016, Governor Snyder appointed Judge Steven Rhodes to serve as the District’s Transition Manager. Judge Rhodes has the same powers as the previous EM and is responsible for overseeing the District operations. Judge Rhodes appointed Alycia Merriweather as Interim Superintendent on March 7, 2016. This leadership team and the employees were automatically employees of DPSCD effective July 1, 2017 which is known as the transfer date.

On November 8, 2016, the citizens of Detroit made history by electing seven new board members whose terms begin January 1, 2017. These members have staggered terms. Subsequent terms are for four years in duration. The board was required to hire a Superintendent for DPSCD which occurred on May 22, 2017, Nikolai Vitti, Ed.D. He has a five-year contract to work for the District. Dr. Vitti previously led Duval County Public Schools which is the 20th largest school district in the nation with approximately 130,000 students in 200 schools, with a fiscal budget of \$1.7 billion. He was previously Chief Academic Officer of Miami-Dade County Public Schools, Assistant Superintendent for the Miami-Dade District and Deputy Chancellor at the Florida Department of Education.

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

Detroit Public Schools Community District is the largest public-school system in Michigan. The District is one of the largest employers in Detroit, employing 6,109 employees (full-time equivalents).

Refer to Note I *Nature of Business and Summary of Significant Accounting Policies* for more information regarding the reporting entity.

Profile of the City of Detroit

The City of Detroit is located in Southeastern Michigan, incorporated in 1806, currently occupies a land area of approximately 140 squares miles and, according to the 2016 census estimate, serves a population of 672,795. The City of Detroit is the State of Michigan's largest city and accounts for nearly half of Wayne County's population.

The M-1 Rail, the official name is the QLINE started operations of a 3.3 mile circulating streetcar along Woodward Avenue between Congress Street and West Grand Boulevard in Detroit, Michigan on May 12, 2017. This new public transportation is extremely useful for Detroiters with the New Sports and Entertainment District, restaurants and housing. This \$650 million project is a great addition and the focal point of this entertainment district is the new home of the Detroit Red Wings and Detroit Pistons. The Detroit Medical Center has also seen a great deal of transformation. The \$78 million Heart Hospital is currently complete and open. By 2017, the Detroit Medical Center will have over \$850 million in additions, renovations, and cutting edge science equipment in house. Over \$61 million will be dedicated to the upkeep and revitalization of the Brush Park neighborhood addressing housing, parking, grounds, and retail. Major strides have been made when it comes to retail, with the second Meijer super store opened within the Detroit city limits in 2015. The 190,000 square foot Meijer is located on the grounds of the old Redford High School which had been closed in the last 10 years. The opening of Meijer created over 270 full- and part-time jobs for Detroiters. Lastly, the success of the Neighbors Wanted Program has been successful in putting families into vacant homes. The program's efforts have led to fewer abandoned homes and overtime will aid in bettering the housing market in the city of Detroit. Detroit is on the rise and returning Detroit back to its proudfest, vibrant, and beautiful glory days.

Economic and Geographic Makeup

The District is located in the major urban city of Detroit, which has an estimated population of 672,795 inhabitants based on the U.S. Census Bureau's 2015 estimates. Downtown Detroit has a strong and growing residential population that will provide a strong base for future development. According to the 2015 U.S. Census Bureau estimates, the City has 254,197 households with a median family income of \$26,095, and a poverty rate of 39.8 percent for individuals. The survey estimates that the Detroit population is made up of approximately 47.1 percent males and 52.9 percent females.

National economic factors have a direct impact on the employment rate within the city limits. The Bureau of Labor Statistics indicates that the unemployment rate for the City of Detroit is 8.4 percent while the national unemployment rate was 4.9 percent and the State of Michigan had a rate of 3.9 percent during fiscal year 2017. Continued focus has been placed on educational training for students as well as adults within the City of Detroit in order to reduce the City's unemployment rate and provide enhanced opportunities for its residents.

Metro Detroit has propelled Michigan's national ranking in emerging technology fields such as life sciences, information technology, and advanced manufacturing. The economy of the City of Detroit is very dependent on the automobile manufacturing sector. Other leading industries in the City of Detroit include education, healthcare, professional, business, and social services. For more information about the outlook for Wayne County, please visit waynecounty.com.

About the Detroit Public Schools Community District

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

The District has 97 schools, consisting of seven early childhood schools, 62 elementary schools, 18 high schools, two alternative education schools, six special education, and two career technical and vocational centers. These locations provide services to over 42,500 students.

Of the District's total operating expenditures of approximately \$588 million, 51 percent or approximately \$301 million, was spent on instruction for the year ended June 30, 2017. When pupil and instructional expenditures are included, the total spent on instruction related activities climbs to approximately 68 percent.

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

There continues to be focus by the District to attract students back to the Detroit Public Schools Community District and those efforts are bearing fruit. Enrollment is increasing for fiscal year 2018 and the Superintendent, Board of Education, administration, teachers and staff are committed to attracting students through high-quality educational offerings and providing top-notch service to the students of the City of Detroit.

Educational Programs

In partnership with parents and our community, the School District exists to provide a comprehensive educational experience that is high quality, challenging, and inspires all students to make a positive contribution to society. The District implemented an Academic Plan, which was designed to ensure academic excellence. The underlying principle of the plan was to significantly alter the educational experience of students in grades pre-kindergarten through grade 12 with the intention of meeting the District goals:

1. Improve student achievement as measured by:
 - a. At least 50 percent of students in Grades 2 through 10 will meet or exceed their Measures of Academic Progress (MAP) one-year growth target.
 - b. At least 50 percent of all high school students will meet or exceed the SAT overall composite benchmark of 1550.
 - c. Realize a graduation rate of 95 percent for all incoming Grade 12 students and 75 percent of graduating seniors enrolled/applied in post-secondary education.
2. Daily average attendance rate of 90 percent or better.
3. Enhanced policies, procedures, and operational efficiency in order to achieve fiscal year 2016 budget.
4. Reduce the District's legacy deficit by 20 percent.
5. Improve customer service at every "touch point" of work - parents, unions, school staff, and the public

The expectations for all students set forth in the Academic Plan, Higher Standards for All emphasize research that support high achievement for all students. We are committed to providing an education for every student that challenges them while supporting their success. Every student will graduate from Detroit Public Schools career and college ready with a 21st century education.

We recognize that there are many contributing factors that impact student learning. The District adopted five pillars of student achievement consisting of the following factors:

- Talent Management
- High Quality Teaching and Learning
- Rigorous, Transparent and Continuous Improvement Cycle
- Customer Service Approach with Community and Each Other
- A Secure, Inclusive and Dynamic Culture

Academic Planning for 2017 Overview

The District Academic plan was organized around five Pillars of Excellence:

1. Literacy - Provide a continuum of learning, enabling individuals to achieve their goals, to develop their knowledge and potential, and to participate fully in their community and wider society
2. Career Pathways - Provide students with a context for studying traditional academics and learning the skills specific to a career
3. Innovation - Create a shift in mindset to ensure staff is encouraged to be flexible, try something new, and explore new ways of thinking
4. Family and Community - Enhance and enrich positive relationships for all stakeholders
5. Wrap Around Services - Ensure every student receives appropriate support to elevate their social, emotional, and academic performance

Financial Planning, Policies and Future Financial Outlook

As a result of the legislation that created the District, for the first time in many years the District has a positive fund balance in the General Fund. The entire School District is committed to maintaining a fiscally sound organization and balancing the available resources with the needs of the District to serve its students at the highest level possible. The financial policies of the District have been and are continually being revised to strengthen controls, streamline operations and standardize procedures.

The Superintendent recently presented the strategic plan for the District - Blueprint 2020, which places responsible stewardship as one of the tenets of the plan. As expected, the majority of the plan focuses on empowering students and equipping them for life - all aspects of the organization use this as the guidepost to direct the operations.

The facilities within the District are continually being assessed for capacity, need, improvement and renovation. As with many school districts in Michigan, the facilities are aging. The statistical section of the financial statements discusses the capital assets in more detail. The District is currently undergoing a full analysis of the capital assets owned by the District to determine the long-term capital improvement plan that may need to be implemented.

Accomplishments and Acknowledgements

Acknowledgments

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J. Vidito".

Jeremy Vidito
Senior Executive Director of Finance

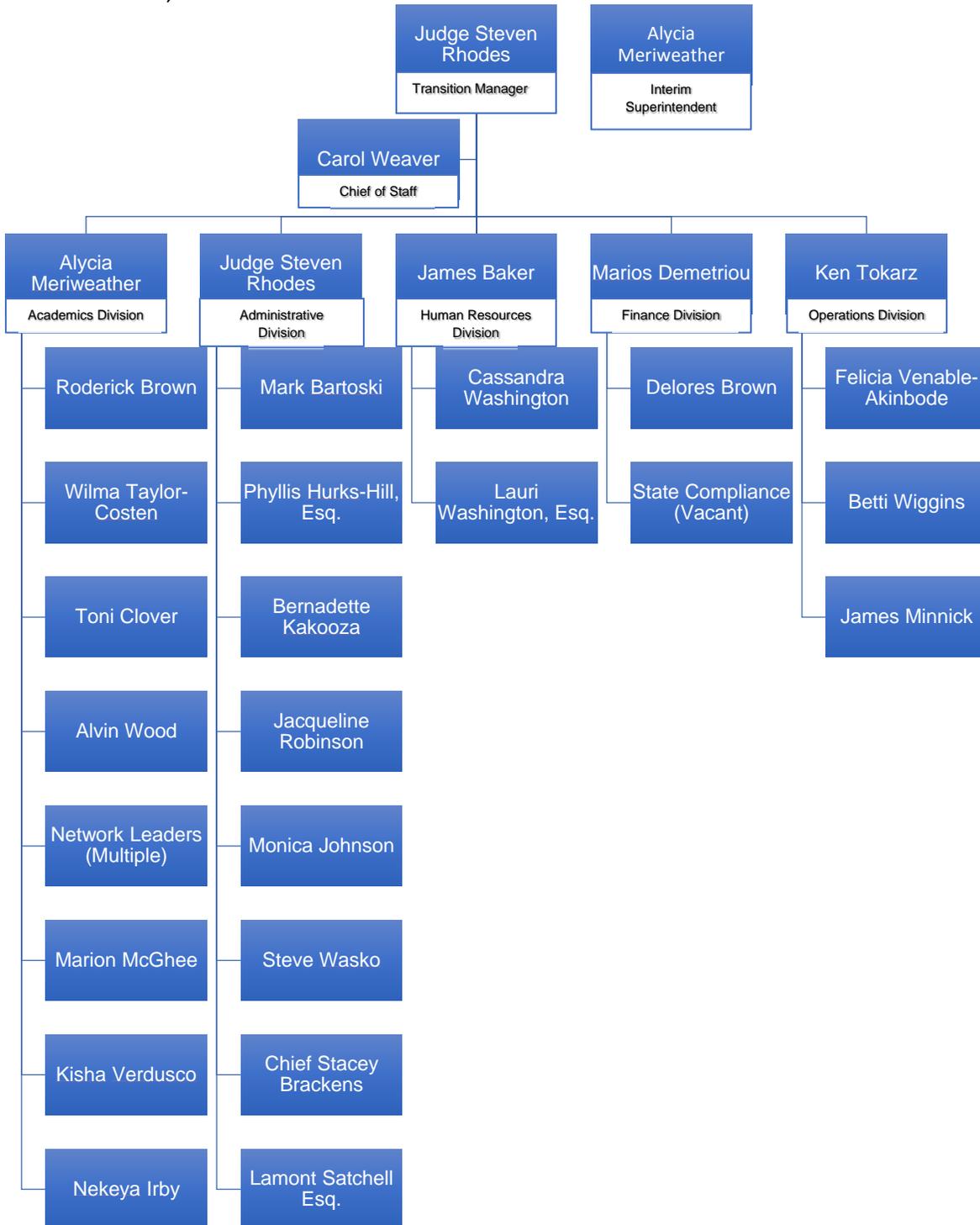
A handwritten signature in black ink, appearing to read "Delores A. Brown".

Delores A. Brown
Executive Director of Finance

Detroit Public Schools Community District

Organizational Chart

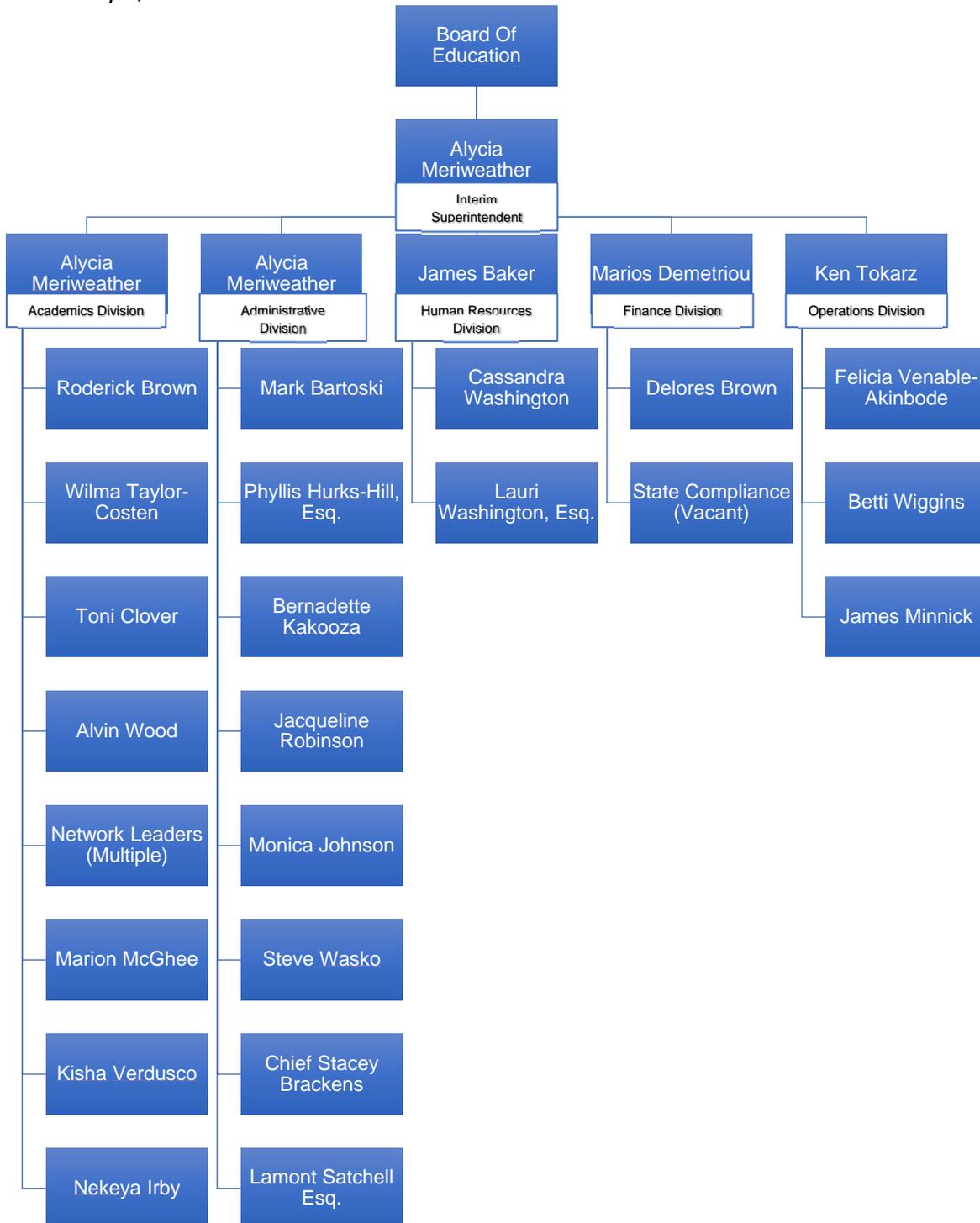
As of November 9, 2016



Detroit Public Schools Community District

Organizational Chart (Continued)

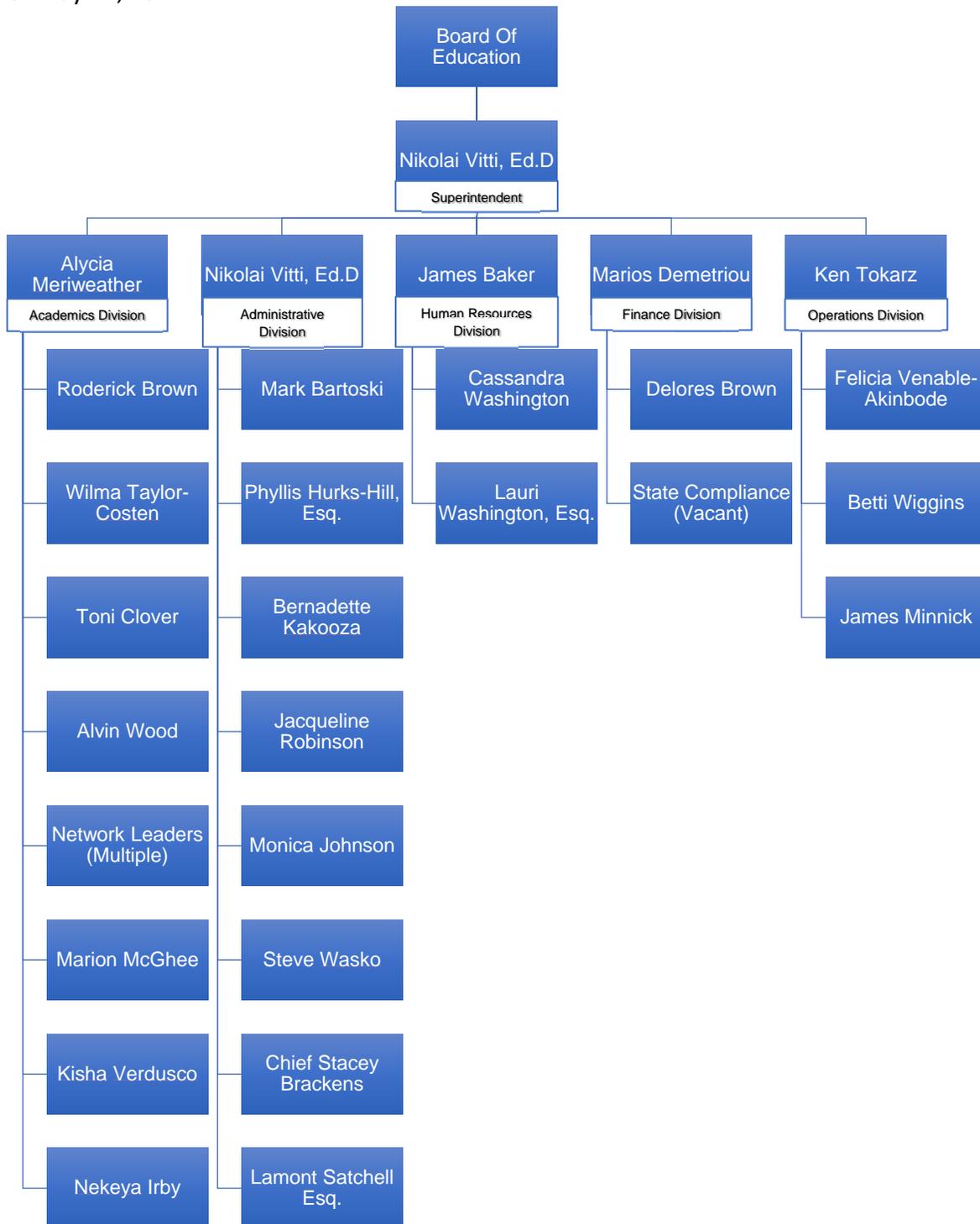
As of January 1, 2017



Detroit Public Schools Community District

Organizational Chart (Continued)

As of May 22, 2017



Detroit Public Schools Community District

List of Appointed Officials June 30, 2017

Board of Education

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

Cabinet

Interim General Superintendent	Alycia Meriweather
Chief of Staff	Carol Weaver
Deputy Superintendent, Finance & Operations	Marios Demetriou
Executive Director, Public Safety/DPS Police Chief	Stacy Brackens
Executive Director, Finance	Delores A. Brown
Executive Director, Planning	Roderick Brown
Acting General Counsel	Phyllis Hurks-Hill, Esq.
Acting Deputy Superintendent of Talent	Suzanne Lynn
Senior Executive Director, Strategic Support	Lamont Satchel, Esq.
Acting Executive Director, Operations	Felicia Venable-Akinbode
Executive Director, Human Resources	Cassandra Washington
Executive Director, Enrollment	Steve Wasko
Executive Director, Communications	Michelle Zdrodowki

Independent Auditor's Report

To the Board of Education
Detroit Public Schools Community District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Detroit Public Schools Community District as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise Detroit Public Schools Community District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Detroit Public Schools Community District as of June 30, 2017 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Education
Detroit Public Schools Community District

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, Detroit Public Schools Community District was established on July 1, 2016 as a result of the Michigan Legislature approving bills to restructure Detroit Public Schools and provide additional funding. The new bills, now known as Public Acts 192-197, which took effect on July 1, 2016, split Detroit Public Schools into two entities. Detroit Public Schools will continue to exist for the purpose of collecting millages and other taxes in order to pay off existing debt. The new entity created by these Public Acts is Detroit Public Schools Community District (DPSCD). DPSCD oversees the daily operations of the schools and student education. The Public Acts also provided funding for the operations of the Detroit Public Schools Community District and provided an emergency loan for Detroit Public Schools. The financial statements referred to above do not reflect any activity of Detroit Public Schools. Our opinion is not modified with respect to this matter.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedule, the schedule of Detroit Public Schools Community District's proportionate share of the net pension liability, and the schedule of Detroit Public Schools Community District's pension contributions, as identified in the table of contents, supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Detroit Public Schools Community District's basic financial statements. The other supplemental information, as identified in the table of contents, introductory section, and statistical section schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and statistical section schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Board of Education
Detroit Public Schools Community District

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2017 on our consideration of Detroit Public Schools Community District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Detroit Public Schools Community District's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 1, 2017

Detroit Public Schools Community District

Management's Discussion and Analysis

This section of Detroit Public Schools Community District's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2017. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

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

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

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for Major Funds

Schedule of Proportionate Share of the Net Pension Liability

Schedule of the School District's Pension Plan Contributions

Other Supplemental Information

Detroit Public Schools Community District

Management's Discussion and Analysis (Continued)

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

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District. The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

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

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

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

Detroit Public Schools Community District

Management's Discussion and Analysis (Continued)

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

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

The School District as a Whole

As a newly formed school district, the results reported will be for a single year. In the future, comparative information will be provided in the management's discussion and analysis. The statement of net position provides the perspective of the School District as a whole. Table I provides a summary of the School District's net position as of June 30, 2017:

TABLE I	Governmental Activities
	June 30, 2017
	(in millions)
Assets	
Current and other assets	\$ 258.0
Capital assets	<u>1,264.9</u>
Total assets	1,522.9
Deferred Outflows of Resources	
Total assets and deferred outflows of resources	<u>132.3</u>
Liabilities	
Current liabilities	112.5
Long-term liabilities	<u>885.6</u>
Total liabilities	998.1
Deferred Inflows of Resources	
Total liabilities and deferred inflows of resources	<u>1,156.9</u>
Net Position	
Net investment in capital assets	1,264.9
Restricted	17.1
Unrestricted	<u>(783.7)</u>
Total net position	<u><u>\$ 498.3</u></u>

The above analysis focuses on the net position (see Table I). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was \$498.3 million at June 30, 2017. Capital assets, totaling \$1,264.9 million, compares the original cost, less depreciation of the School District's capital assets. Restricted net position is reported separately to show legal constraints from enabling legislation that limit the School District's ability to use those net position for day-to-day operations. For the School District, these funds are the bonded capital projects monies transferred from Detroit Public Schools and the Food Service Fund. The remaining amount of net position is a deficit balance of \$783.7 million.

Detroit Public Schools Community District

Management's Discussion and Analysis (Continued)

The (\$783.7) million in unrestricted net position of governmental activities represents the accumulated results of the current year operations, since fiscal 2017 was the first year the School District existed, and includes the net pension liability (and associated deferred inflows and outflows) of \$871.2 million. If the net pension liability was excluded, the School District has a positive unrestricted net position of \$87.5 million. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal year 2017.

TABLE 2

	Governmental Activities
	Year Ended June 30, 2017
	(in millions)
Revenue	
Program revenue:	
Charges for services	\$ 3.9
Operating grants and contributions	316.8
General revenue:	
State foundation allowance	310.3
Other	22.5
Total revenue	<u>653.5</u>
Functions/Program Expenses	
Instruction	289.9
Support services	267.2
Athletics	3.0
Food services	38.4
Community services	3.7
Loss on sale of assets	2.5
Depreciaton (unallocated)	18.7
Total functions/program expenses	<u>623.4</u>
Special Item	<u>468.2</u>
Change in Net Position	498.3
Net Position - Beginning of year	<u>-</u>
Net Position - End of year	<u><u>\$ 498.3</u></u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$623.4 million. Certain activities were partially funded from those who benefited from the programs (\$3.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$316.8 million). We paid for the remaining "public benefit" portion of our governmental activities with \$310.3 million in State foundation allowance, and \$22.5 million in other revenue, i.e., interest and the countywide enhancement millage as well as general entitlements.

Detroit Public Schools Community District

Management's Discussion and Analysis (Continued)

The School District experienced an increase in net position of \$498.3 million. Key reasons for the change in net position were the capital assets transferred to the School District from Detroit Public Schools upon the formation of the new district, offset with the transfer of the net pension liability and certain deferred items. More information related to this significant transaction is provided in the notes to the financial statements.

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

The School District's Funds

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

In its first year of operations, the School District's governmental funds reported a combined fund balance of \$96.1 million. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance was \$79.0 million. The change is mainly due to the following:

- Revenue in excess of expenditures of \$32.8 million, based on operational results. Future hiring and restructuring of school district operations will have a significant impact on these activities for the future.
- Proceeds from sale of capital assets of \$9.5 million, as the School District was able to sell certain assets that were not being used.
- Special items related to the formation of the School District. This includes transfers of funds from Detroit Public Schools in the amount of \$15.7 million in cash (as planned in the legislation), \$25.0 million in transition funds (also planned), and the transfer of certain unearned revenue and liability amounts that will be resolved in future periods of \$6.6 million. The items are unique due to the events that led to the formation of the School District and are not expected to repeat in the future.

In the Food Service Fund, our only Special Revenue Fund, the fund balance was \$14.9 million. The operational results were positive by \$6.2 million and the previous fund balance from Detroit Public Schools of \$8.7 million was transferred to the School District at July 1, 2016.

The School District has one capital projects fund, which represents the transfer of bond funds from Detroit Public Schools, in the amount of \$2.2 million. These remaining bond funds will be used for capital items, as originally approved by the voters, since the assets are operated by the School District.

Detroit Public Schools Community District

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

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

There were significant revisions made to the 2016-2017 General Fund original budget. Budgeted revenue was increased \$34.9 million primarily to a county enhancement millage of \$16.4 million, changes in federal program reimbursements of \$17.3 million, and the determination of amounts transferred from the prior district of \$34.7 million.

There were no significant revisions made to budgeted expenditures.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2017, the School District had \$1,264.9 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount primarily represents the net carrying value of the capital assets transferred to the School District from Detroit Public Schools.

	<u>2017</u>
Land	\$ 55,508,814
Construction in progress	-
Buildings and building improvements	1,784,887,711
Land improvements	101,910,059
Buses and other vehicles	2,542,371
Furniture and equipment	<u>208,449,225</u>
Total capital assets	2,153,298,180
Less accumulated depreciation	<u>888,377,721</u>
Net capital assets	<u><u>\$ 1,264,920,459</u></u>

No debt was issued for these additions.

There is one major capital project, for approximately \$2.2 million planned for the 2017-2018 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$258.5 million in other obligations. Other obligations include accrued vacation pay, sick leave, and capital leases. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Detroit Public Schools Community District

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

FY 2017 concluded the first year of operations for Detroit Public Schools Community District (DPSCD) and presented a number of key achievements, as follows:

- Transition from emergency management to local control
- Election of a local school board for DPSCD
- Selection of a permanent Superintendent - Nikolai Vitti, Ed.D
- Return of the 11 former Education Achievement Authority direct-run and three charter schools into our portfolio of schools, effective July 1, 2017

Our elected officials and administration consider many factors when setting the School District's 2018 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2018 fiscal year is 10 percent and 90 percent of the February 2018 and September 2017 student counts, respectively. The 2018 budget was adopted in June 2017, based on an estimate of students that will be enrolled on count day and during the count window during fall 2017.

FY 2018 represents the first year since 2002-2013 that the School District saw an increase in student FTEs over budget. After accounting for the additional increase from the returning schools, the School District saw an increase of approximately 1,800 FTEs through the 10-day count window. This will result in an increase in per pupil funding from the State.

Approximately 67 percent of the School District's budget is allocated from State sources. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding are validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

The School District completed budget amendment no. 1 in October 2017 in order to align the FY 2018 budget with the new superintendent's priorities and new information. This included the following:

- Shifting instructional specialists into teaching positions at schools
- Elimination of the network structure
- Restructuring of cabinet-level positions
- Ratified and adopted Detroit Federation of Teachers contract
- Overall review of all central office expenditures
- Updated revenue to match state-allocated per pupil funding for DPSCD and additional federal revenue

During summer and fall 2017, the School District settled a three-year labor contract with the Detroit Federation of Teachers union. The agreement called for a one-time bonus of \$1,750 paid to members at the top step and increases in the salary scale as well as moving to a 15-step schedule. The third year of the agreement is an economic reopener. The financial impact on the General Fund will be within the 3 percent budgeted.

Detroit Public Schools Community District

Management's Discussion and Analysis (Continued)

The School District is currently negotiating with the other seven collective bargaining units and anticipates completing new agreements during the 2018 fiscal year.

Contacting the School District's Management

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

Detroit Public Schools Community District

Statement of Net Position June 30, 2017

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 100,591,435
Receivables:	
Land contract and other receivables	2,203,605
Due from other governmental units	145,025,083
Prepaid costs and other assets	2,609,934
Restricted assets - Cash and investments	7,532,765
Nondepreciable capital assets (Note 5)	55,508,814
Depreciable capital assets - Net (Note 5)	<u>1,209,411,645</u>
Total assets	1,522,883,281
Deferred Outflows of Resources - Deferred outflows related to pensions (Note 9)	<u>132,310,682</u>
Total assets and deferred outflows of resources	1,655,193,963
Liabilities	
Accounts payable	24,716,499
Accrued payroll-related liabilities	52,505,553
Due to other governmental units	15,566,949
Other accrued liabilities	8,123,409
Unearned revenue (Note 4)	11,551,532
Noncurrent liabilities:	
Due within one year (Note 7)	2,766,501
Due in more than one year (Note 7)	38,183,276
Net pension liability (Note 9)	<u>844,616,130</u>
Total liabilities	998,029,849
Deferred Inflows of Resources - Deferred inflows related to pensions (Note 9)	<u>158,861,316</u>
Total liabilities and deferred inflow of resources	<u>1,156,891,165</u>
Net Position	
Net investment in capital assets	1,264,920,459
Restricted - Capital projects	2,220,961
Restricted - Food service	14,916,288
Unrestricted	<u>(783,754,910)</u>
Total net position	<u><u>\$ 498,302,798</u></u>

Detroit Public Schools Community District

Statement of Activities Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Primary government - Governmental activities:				
Instruction	\$ 289,892,135	\$ 86,150	\$ 140,438,000	\$ (149,367,985)
Support services	267,183,144	-	129,111,529	(138,071,615)
Athletics	2,972,243	-	-	(2,972,243)
Food services	38,473,730	355,123	47,247,599	9,128,992
Community services	3,666,308	3,479,804	-	(186,504)
Depreciation expense (unallocated - exclusive of direct charges)	18,710,663	-	-	(18,710,663)
Total primary government	<u>\$ 620,898,223</u>	<u>\$ 3,921,077</u>	<u>\$ 316,797,128</u>	(300,180,018)
General revenue:				
State aid not restricted to specific purposes				310,332,569
Interest and investment earnings				22,091
Loss on disposal of capital assets				(2,501,331)
Other				22,456,507
Total general revenue				330,309,836
Special Item (Note 13)				468,172,980
Change in Net Position				498,302,798
Net Position - Beginning of year				-
Net Position - End of year				<u>\$ 498,302,798</u>

Detroit Public Schools Community District

Governmental Funds Balance Sheet June 30, 2017

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and investments (Note 3)	\$ 52,127,248	\$ 10,284	\$ 52,137,532
Receivables:			
Land contract and other receivables	2,203,605	-	2,203,605
Due from other governmental units	134,249,898	10,775,185	145,025,083
Due from other funds (Note 6)	3,463,242	3,762,068	7,225,310
Prepaid costs and other assets	2,609,934	-	2,609,934
Restricted cash and investments	3,762,068	3,770,697	7,532,765
	<u>\$ 198,415,995</u>	<u>\$ 18,318,234</u>	<u>\$ 216,734,229</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 23,496,114	\$ 1,176,796	\$ 24,672,910
Accrued payroll-related liabilities	52,505,553	-	52,505,553
Due to other governmental units	11,787,970	-	11,787,970
Other accrued liabilities	7,482,201	4,189	7,486,390
Due to other funds (Note 6)	3,805,657	-	3,805,657
Unearned revenue (Note 4)	11,551,532	-	11,551,532
	<u>110,629,027</u>	<u>1,180,985</u>	<u>111,810,012</u>
Deferred Inflows of Resources - Unavailable revenue (Note 4)	<u>8,823,848</u>	<u>-</u>	<u>8,823,848</u>
Total liabilities and deferred inflows of resources	119,452,875	1,180,985	120,633,860
Fund Balances			
Nonspendable - Prepaids	2,609,934	-	2,609,934
Restricted:			
Capital projects	-	2,220,961	2,220,961
Food service	-	14,916,288	14,916,288
Assigned - Transitional funding	20,190,532	-	20,190,532
Unassigned	56,162,654	-	56,162,654
	<u>78,963,120</u>	<u>17,137,249</u>	<u>96,100,369</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 198,415,995</u>	<u>\$ 18,318,234</u>	<u>\$ 216,734,229</u>

Detroit Public Schools Community District

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2017

Fund Balance Reported in Governmental Funds	\$	96,100,369
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of capital assets	\$	2,153,298,180
Accumulated depreciation	<u>(888,377,721)</u>	1,264,920,459
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds		8,823,848
Deferred outflows related to pensions		132,310,682
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds		
- Compensated absences		(7,484,754)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position		(25,513,295)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position		7,109,640
Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities		(844,616,130)
Deferred inflows related to pensions		<u>(133,348,021)</u>
Net Position of Governmental Activities	\$	<u>498,302,798</u>

Detroit Public Schools Community District

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2017

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenue			
Local sources	\$ 23,671,119	\$ 537,681	\$ 24,208,800
State sources	441,911,193	1,701,715	443,612,908
Federal sources	116,292,314	47,247,599	163,539,913
Intergovernmental sources	38,857,198	-	38,857,198
Total revenue	620,731,824	49,486,995	670,218,819
Expenditures			
Current:			
Instruction	300,458,746	-	300,458,746
Support services	277,949,122	124,270	278,073,392
Athletics	1,535,672	-	1,535,672
Food services	-	40,520,751	40,520,751
Community services	3,698,595	-	3,698,595
Capital outlay	4,256,193	35,365	4,291,558
Total expenditures	587,898,328	40,680,386	628,578,714
Excess of Revenue Over Expenditures	32,833,496	8,806,609	41,640,105
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	9,453,274	-	9,453,274
Transfers in (Note 6)	2,571,460	-	2,571,460
Transfers out (Note 6)	-	(2,571,460)	(2,571,460)
Total other financing sources (uses)	12,024,734	(2,571,460)	9,453,274
Special Item (Note 13)	34,104,890	10,902,100	45,006,990
Net Change in Fund Balances	78,963,120	17,137,249	96,100,369
Fund Balances - Beginning of year	-	-	-
Fund Balances - End of year	\$ 78,963,120	\$ 17,137,249	\$ 96,100,369

Detroit Public Schools Community District

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$	96,100,369
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense	\$ (52,954,404)	
Capitalized capital outlay	<u>3,833,450</u>	(49,120,954)
Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets		(11,954,605)
Revenue is reported in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end		8,823,848
Revenue in support of pension contributions made subsequent to the measurement date		(25,513,295)
Transfer of capital assets and certain long term debt obligations from DPS to DPSCD		423,165,990
Change in pension expense related to deferred items		52,489,614
Compensated absences, as well as self-insured liability claims, are recorded when earned in the statement of activities. In the current year, more was paid out than was earned		(2,797,809)
Internal Service Funds are included as part of governmental activities		<u>7,109,640</u>
Change in Net Position of Governmental Activities	\$	<u>498,302,798</u>

Detroit Public Schools Community District

Proprietary Funds Statement of Net Position June 30, 2017

	Internal Service Funds
Assets - Cash and investments (Note 3)	\$ 48,453,903
Liabilities	
Current liabilities:	
Net OPEB obligation (Note 10)	637,019
Self-insurance claims	451,206
Legal reserve	1,299,000
Due to other governmental units	3,778,979
Due to other funds (Note 6)	3,463,242
Total current liabilities	9,629,446
Noncurrent liabilities:	
Self-insurance claims	17,406,767
Net OPEB obligation (Note 10)	14,308,050
Total noncurrent liabilities	31,714,817
Total liabilities	41,344,263
Net Position	\$ 7,109,640

Detroit Public Schools Community District

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2017

	Internal Service Funds
Operating Revenue	
Charges for services	\$ 13,688,069
Interest earned	15,010
Total operating revenue	13,703,079
Operating Expenses - Payments and increase in valuation adjustment	20,110,589
Operating Loss	(6,407,510)
Special Item (Note 13)	13,517,150
Change in Net Position	7,109,640
Net Position - Beginning of year	-
Net Position - End of year	<u>\$ 7,109,640</u>

Detroit Public Schools Community District

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2017

	Internal Service Funds
Cash Flow from Operating Activities	
Cash transferred in from DPS	\$ 48,438,893
Interest income	15,010
	<u>48,453,903</u>
Net cash provided by operating activities	48,453,903
Net Increase in Cash and Cash Equivalents	48,453,903
Cash and Cash Equivalents - Beginning of year	<u>-</u>
Cash and Cash Equivalents - End of year	<u>\$ 48,453,903</u>
Reconciliation of Change in Net Position to Net Cash from Operating Activities	
Change in net position	\$ 7,109,640
Adjustments to reconcile change in net position to net cash from operating activities -	
Changes in assets and liabilities:	
Benefits payable	14,945,069
Self insurance claims	17,857,973
Legal reserve	1,299,000
Due to other funds	3,463,242
Due to DPS for reimbursements	3,778,979
	<u>3,778,979</u>
Net cash provided by operating activities	<u>\$ 48,453,903</u>

Detroit Public Schools Community District

Fiduciary Funds Statement of Net Position June 30, 2017

	<u>Agency Funds</u>	<u>Private Purpose Trusts</u>
Assets		
Cash and investments (Note 3)	\$ 1,539,839	\$ 501,571
Due from other funds (Note 6)	-	43,589
Total assets	<u>\$ 1,539,839</u>	545,160
Liabilities		
Accounts payable	\$ -	42,055
Due to student groups	1,539,839	-
Total liabilities	<u>\$ 1,539,839</u>	42,055
Net Position		<u>\$ 503,105</u>

Detroit Public Schools Community District

Fiduciary Funds Statement of Changes in Net Position Year Ended June 30, 2017

	Private Purpose Trusts
Additions - Interest	\$ 2,755
Special Item (Note 13)	<u>500,350</u>
Change in Net Position	503,105
Net Position - Beginning of year	<u>-</u>
Net Position - End of year	<u><u>\$ 503,105</u></u>

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 1 - Nature of Business and Significant Accounting Policies

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

DPSCD holds the school buildings and all the assets and employee liabilities that are not specifically left in DPS, and is responsible for overseeing the daily operations of the schools, primarily focused on student education. The students, employees, contracts, employee benefits, and assets transferred to DPSCD when it was established. Once DPS' allocated debt has been discharged, DPS will dissolve. As part of the funding package that created DPSCD, certain funds were to be transferred from DPS to pay for transitional costs as well as certain operational support items. The amount of funds transferred from DPS to DPSCD for these items totaled approximately \$41.0 million.

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

Through negotiations between DPS and the Michigan Department of Treasury, certain assets and liabilities that existed on DPS' balance sheet at July 1, 2016 were allocated to DPSCD. A summary of those allocations is included in Note 13 to these financial statements.

The accounting policies of Detroit Public Schools Community District (DPSCD or the "School 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 School District:

Reporting Entity

Effective January 2017, the School District became governed by an elected seven-member Board of Education. Prior to the installation of the board, the School District was managed by Judge Steven Rhodes who was appointed by Governor Snyder to function as the Transition Manager. The Transition Manager had the same powers as the previous Emergency Manager.

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note I - Nature of Business and Significant Accounting Policies (Continued)

The accompanying financial statements present the School District and its component units, entities for which the School District is considered to be financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the School District's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the School District. Blended component units, although legally separate entities, are, in substance, part of the School District's operations. 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 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 these statements. Governmental activities, which normally are supported by intergovernmental revenue, 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 revenue. 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 requirements of a particular function. Intergovernmental payments and other items not properly included among program revenue are reported instead as general revenue.

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

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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.

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed, assigned, and unassigned.

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 unrestricted state aid and the county-wide enhancement millage.

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. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the School District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments (such as self-insurance and contingencies) are recorded only when payment is due.

Unrestricted state aid, countywide enhancement millage funds, 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 School District.

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

The School District receives revenue from the Wayne County Regional Education Services Agency (Wayne RESA), which is used to partially fund its center-based special education program. The School 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 School District are subject to adjustment in future periods and may decrease. An estimate of the adjustment related to current year activity has been included in the financial statements.

Proprietary fund and fiduciary fund statements are also reported using the accrual basis of accounting. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The School 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 School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund. The School District maintains separate subfunds within the General Fund for federal activities, adult education, special education, and the transitional operations related to funding provided by DPS under the legislation that created the School District.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The School District's only special revenue fund is the Food Service Fund. Any operating deficit generated by these activities is the responsibility of the General Fund.

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Capital Projects Funds - Capital projects funds are used to record bond proceeds or other revenue and the disbursement specifically designated for acquiring new school sites, buildings and equipment and for remodeling. The fund operates until the purpose for which it was created is accomplished. The School District's only capital project fund is the 1994 School Building Site Improvement Bonds Series V, which was transferred to DPSCD on July 1, 2016, along with the associated buildings and capital assets.

Agency Funds - Agency funds are custodial in nature and do not present results of operations or have a measurement focus. The School 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.

Proprietary Funds - The School District has three internal service funds which serve different purposes:

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

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

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade receivables are shown net of an allowance for uncollectible amounts, if any.

Prepays - 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 prepaid costs in both government-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.

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

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 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 School District does not have infrastructure-type assets.

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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

Buildings and building improvement	20 to 50 years
Buses and other vehicles	5 to 10 years
Furniture and other equipment	5 to 20 years

Compensated Absences - The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation and sick leave benefits. 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.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports deferred outflows related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenue, which arise 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 School District also reports deferred inflows related to its pension plan and to revenue in support of pension payments made subsequent to the measurement date.

Fund Balance - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provision, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution by the Board of Education.

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

- Assigned: Intent to spend resources on specific purposes as directed by the legislation that created the School District.
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds.

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

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Significant Budget Variances - The School District did not have significant expenditure budget variances.

Fund Deficits - For the year ended June 30, 2017, the School District had a deficit net position in the Workers Compensation and Health Fund. The School District intends to correct this deficit by adjusting the charges for services to the General Fund in the next fiscal year.

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

Note 3 - Deposits and Investments

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

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

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

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$61,393,138 had \$60,893,037 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. At year end, the School 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 School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements. At year end, the School District did not hold any investments with maturity dates.

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year end, the maturities of investments and the credit quality ratings of debt securities are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
MILAF+ Cash management Class	\$ 11,480,265	N/A	AAAm/NR	S&P Moody's
MILAF+ Max Class	<u>43,205,427</u>	N/A	AAAm/NR	S&P Moody's
Total investments	<u>\$ 54,685,692</u>			

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

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

Note 4 - Unavailable/Unearned Revenue

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

Unearned revenue of grant and categorical aid relates primarily to the following:

- Great Start Readiness Program (GSRP) funding, which is passed through to local districts by the intermediate school district, and is allocated for specific programming
- Cell tower leases whereby the lessors prepaid the lease payments in a previous year. The cell tower lease revenue is earned monthly over a period of 15-20 year
- Certain funds due to the School District from the Education Achievement Authority (EAA) that have not yet been earned since services were not rendered by June 30

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 4 - Unavailable/Unearned Revenue (Continued)

	Governmental Funds	
	Deferred Inflow - Unavailable	Liability - Unearned
Land contract receivable	\$ 2,190,875	\$ -
Grant and categorical aid payments not received until subsequent to 60 days after year end	6,632,973	-
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	6,551,376
Cell tower leases	-	3,463,839
Fund due from EAA	-	1,536,317
Total	\$ 8,823,848	\$ 11,551,532

Note 5 - Capital Assets

In conjunction with the new legislation that created the School District, all capital assets and their related accumulated depreciation were transferred to DPSCD on July 1, 2016. Capital asset activity of the School District's activities was as follows:

Governmental Activities	Balance July 1, 2016	Transfers from DPS	Additions	Disposals and Adjustments	Balance June 30, 2017
Capital assets not being depreciated -					
Land	\$ -	\$ 55,649,591	\$ -	\$ 140,777	\$ 55,508,814
Capital assets being depreciated:					
Land improvements	-	101,139,554	55,497	(715,008)	101,910,059
Buildings and improvements	-	1,804,032,534	3,130,173	22,274,996	1,784,887,711
Machinery and other equipment	-	209,148,290	647,780	1,346,845	208,449,225
Vehicles	-	2,542,371	-	-	2,542,371
Subtotal	-	2,116,862,749	3,833,450	22,906,833	2,097,789,366
Accumulated depreciation:					
Land improvements	-	60,437,697	4,756,168	(471,013)	65,664,878
Buildings and improvements	-	604,165,986	43,465,644	10,764,510	636,867,120
Machinery and other equipment	-	179,728,514	4,653,987	799,508	183,582,993
Vehicles	-	2,184,125	78,605	-	2,262,730
Subtotal	-	846,516,322	52,954,404	11,093,005	888,377,721
Net capital assets being depreciated	-	1,270,346,427	(49,120,954)	11,813,828	1,209,411,645
Net capital assets	\$ -	\$ 1,325,996,018	\$ (49,120,954)	\$ 11,954,605	\$ 1,264,920,459

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 5 - Capital Assets (Continued)

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

Governmental activities:

Instruction	\$ 28,514,971
Support services	3,333,193
Community services	35,974
Food services	858,069
Athletics	1,501,534
Unallocated	<u>18,710,663</u>
Total governmental activities	<u>\$ 52,954,404</u>

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

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

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From		Total
	General Fund	Internal Service Funds	
General Fund	\$ -	\$ 3,463,242	\$ 3,463,242
Nonmajor governmental funds	3,762,068	-	3,762,068
Fiduciary Funds	<u>43,589</u>	<u>-</u>	<u>43,589</u>
Total	<u>\$ 3,805,657</u>	<u>\$ 3,463,242</u>	<u>\$ 7,268,899</u>

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

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

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 7 - Long-term Debt

In conjunction with the legislation that created the School District, certain long-term obligations were transferred to DPSCD on July 1, 2016. The School District's long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities. Long-term obligation activity can be summarized as follows:

Governmental Activities	Transfers in from DPS	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences payable	\$ 4,686,945	\$ 2,797,809	\$ -	\$ 7,484,754	\$ 1,016,295
Workers' compensation and health insurance claims (included in internal service fund)	18,776,930	13,688,069	14,607,026	17,857,973	451,206
Legal reserve (included in internal service fund)	4,035,364	34,000	2,770,364	1,299,000	1,299,000
Net OPEB obligation (included in internal service fund)	12,109,449	3,870,944	1,672,343	14,308,050	-
Total other obligations	<u>\$ 39,608,688</u>	<u>\$ 20,390,822</u>	<u>\$ 19,049,733</u>	<u>\$ 40,949,777</u>	<u>\$ 2,766,501</u>

Note 8 - Risk Management

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

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

A reconciliation of the School District's self-insured claims liability at June 30, 2017 is as follows:

Estimated liability - Beginning of year (transferred from DPS)	\$ 18,776,930
Claims incurred, including changes in estimate	13,688,069
Payments on claims	<u>(14,607,026)</u>
Unpaid claims - End of year	<u>\$ 17,857,973</u>

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 8 - Risk Management (Continued)

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, 2017. ALAE represents the cost of legal fees, expert testimony, medical examination, etc. that are associated with the defense and settlement of particular claims. Unallocated loss adjustment expenses are not included in the estimate.

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

Litigation is subject to many uncertainties, the ultimate outcome of which is not predictable; however, the School District's management believes the resulting liabilities from outstanding legal actions, proceedings, and claims will not have a material adverse effect upon the School District's financial position or results of operations. At June 30, 2017, the School District has recorded an estimated liability of approximately \$1.3 million for pending litigation as a long-term obligation.

Note 9 - Michigan Public School Employees' Retirement System

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

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

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

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 9 - Michigan Public School Employees' Retirement System (Continued)

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

The range of rates is as follows:

School District

October 1, 2015 - September 30, 2016	14.56% - 18.95%
October 1, 2016 - June 30, 2017	15.27% - 19.03%

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

The School District's required and actual contributions to the plan for the year ended June 30, 2017 were \$76,488,068, which includes the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual contributions include an allocation of \$25,513,295 of revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2017.

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

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

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

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 9 - Michigan Public School Employees' Retirement System (Continued)

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

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

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2017, the School District reported a liability of \$844,616,130 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015, which used updated procedures to roll forward the estimated liability to September 30, 2016. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016, the School District's proportion was 3.385346 percent.

For the year ended June 30, 2017, the School District recognized pension expense of \$46,178,557, inclusive of payments to fund the MPSERS UAAL Stabilization Rate. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 10,526,146	\$ (2,001,761)
Changes of assumptions	13,204,913	-
Net difference between projected and actual earnings on pension plan assets	14,037,515	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	31,036,579	(131,346,260)
The School District's contributions subsequent to the measurement date	63,505,529	-
Total	<u>\$ 132,310,682</u>	<u>\$ (133,348,021)</u>

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 9 - Michigan Public School Employees' Retirement System (Continued)

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

Years Ending June 30	Amount
2018	\$ (27,672,613)
2019	(28,785,535)
2020	(6,490,425)
2021	(1,594,295)
Total	<u>\$ (64,542,868)</u>

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

Actuarial Assumptions - The total pension liability as of September 30, 2016 is based on the results of an actuarial valuation date of September 30, 2015 and rolled forward:

Actuarial cost method	Entry age normal cost actuarial cost method
Investment rate of return	7.00 to 8.00 percent, net of investment expenses based on the groups
Salary increases	3.50 to 12.3 percent, including wage inflation of 3.5 percent
Mortality basis	RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost-of-living pension adjustments	3 percent annual noncompounded for MIP members

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00-8.00 percent depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for 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.

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 9 - Michigan Public School Employees' Retirement System (Continued)

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.0 %	5.9 %
Private equity pools	18.0	9.2
International equity pools	16.0	7.2
Fixed-income pools	10.5	0.9
Real estate and infrastructure pools	10.0	4.3
Real return, opportunistic, and absolute pool	15.5	6.0
Short-term investment pools	2.0	-
Total	100.0 %	

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the School District calculated using the discount rate of 7.0 - 8.0 percent, depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (6.0 - 7.0 percent) or 1.00 percentage point higher (8.0 - 9.0 percent) than the current rate:

1.00 Percent Decrease (6.0 - 7.0 Percent)	Current Discount Rate (7.0 - 8.0 Percent)	1.00 Percent Increase (8.0 - 9.0 Percent)
\$1,087,652,979	\$844,616,130	\$639,712,699

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan - At June 30, 2017, the School District reported a payable of \$9,644,399 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Postemployment Benefits Other Than Pensions (OPEB) - Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 6.4 percent to 6.83 percent of covered payroll for the period from July 1, 2016 to September 30, 2016 and from 5.69 percent to 5.91 percent of covered payroll for the period from October 1, 2016 through June 30, 2017 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403B account.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the year ended June 30, 2017 were \$16,076,789. In addition, a portion ranging from 35 - 100 percent of the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate is considered a contribution to the retiree healthcare plan.

Note 10 - 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 DPS' Emergency Manager signed an amended order relating to wages, compensation, and benefits structure for DPS employees. This amended order suspended the Termination Incentive Plan. The plan applies to all salaried members of DFT except assistant attendance officers, accompanists, and members who work less than .5 FTEs. A total of \$250 was deducted each pay except during the summer. Plan-to-date, these deductions amounted to \$49 million. 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 DPSCD.

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

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

Funding Policy: At the formation of DPSCD, part of the negotiation process involved transferring remaining obligations under the plan from DPS to DPSCD. DPS also transferred approximately \$25 million to DPSCD, which was placed in a separate fund to pay these obligations as they come due. The contribution requirements of DPSCD are determined by an actuary. The School 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 School District's annual other postemployment benefit (OPEB) cost was \$3,870,944. The required contribution was determined as part of the June 30, 2017 actuarial valuation, using the unprojected unit credit actuarial cost method. Significant actuarial assumptions include a 2.0 percent investment rate of return (net of administrative expenses). The School District's unfunded actuarial accrued liability is being amortized using the level dollar method on a cost basis. The remaining amortization period at June 30, 2017 is two years.

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

Annual required contribution	\$ 9,804,210
Interest on net OPEB obligation	242,189
Adjustment to annual required contribution	<u>(6,175,455)</u>
Net OPEB cost (expense)	3,870,944
Contributions made	<u>(1,672,343)</u>
Increase in net OPEB obligation	2,198,601
Net OPEB obligation - Beginning of year	<u>12,109,449</u>
Net OPEB obligation - End of year	<u><u>\$ 14,308,050</u></u>

Year Ended	Three-year Trend Information		Net OPEB Obligation
	Net OPEB Cost	Percentage of Net OPEB Cost Contributed	
06/30/2015	\$ 7,113,089	32.1%	\$ 11,423,985
06/30/2016	3,677,865	81.4	12,109,449
06/30/2017	3,870,944	43.2	14,308,050

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

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

Also accrued for in the Termination Incentive Program Fund is \$637,019, which represents payments subsequent to year end for employees terminated during the year ended June 30, 2017. These amounts had not been included in the computation by the actuary as fiscal 2017 activity.

Funded Status: As of June 30, 2017, the total accrued liability for benefits on a nonpresent value basis was \$21,042,500, which is fully funded in the Termination Incentive Program Fund.

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.

Note 11 - Jointly Governed Organization and Subsequent Events

Education Achievement Authority

The Education Achievement Authority (the "EAA"), a Michigan public body corporate and special authority was created effective June 24, 2012. On that date, DPS entered into an "Interlocal Agreement" with the Board of Regents of Eastern Michigan University, to create the EAA in an effort to provide improved public education services. As part of this agreement, the EAA was responsible for providing innovative, flexible, transparent, safe, efficient, and effective public educational services. As part of this agreement, DPS provided various services to the EAA at cost, including but not limited to, network operations services, security services, and grant management. In addition to providing various services, DPS leased 15 of its schools to the EAA. In conjunction with the creation of the new operating district (DPSCD) on July 1, 2016, this agreement was transferred from DPS to DPSCD.

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 11 - Jointly Governed Organization and Subsequent Events (Continued)

Effective July 1, 2017, the School District and the EAA entered into an agreement whereby the EAA will dissolve as an entity pursuant to the "Interlocal Agreement." As a result of the EAA dissolution, school buildings leased to the EAA and all the EAA students will return to DPSCD. In conjunction with the return of the buildings, the agreement states the EAA will pay DPSCD for certain required repair and maintenance costs. Additionally, the EAA will pay DPSCD an amount required to hire additional staff to operate those buildings and educate the students. As of June 30, 2017, the EAA owes the School District approximately \$5,000,000, which is broken out as follows:

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

The support costs of approximately \$1,350,000 have been included as unearned revenue at June 30, 2017, as this relates to costs to be incurred next fiscal year. The amounts owed to DPSCD under the agreement were paid in full as of August 31, 2017.

The capital assets transferred from the EAA to DPSCD will be reported in the financial statements for the year ending June 30, 2018.

Note 12 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2018.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2020.

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 12 - Upcoming Accounting Pronouncements (Continued)

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2021.

Note 13 - Split Accounting

In conjunction with the new legislation which resulted in the creation of DPSCD, certain assets and liabilities from DPS transferred to DPSCD on July 1, 2016, based on discussion and negotiation between all parties. These transfers have been accounted for as a "Special Item" in the School District's government-wide and fund level financial statements. Below is a summary of the assets and liabilities that transferred into the DPSCD governmental funds:

	General Fund	Food Service Fund	TIP Fund	Legal Reserve Fund	Workers Compensation and Health Fund	Capital Projects Fund
General Fund transfers:						
Land contract receivable	\$ 2,511,628	\$ -	\$ -	\$ -	\$ -	\$ -
Land contract unavailable revenue	(2,511,628)	-	-	-	-	-
Cell tower unearned revenue	(3,617,600)	-	-	-	-	-
State grant unearned revenue	(2,943,418)	-	-	-	-	-
Transfer of interfund payables	(4,501,812)	-	-	-	-	-
Transfer of DPS cash to General Fund	4,458,222	-	-	-	-	-
Transfer of emergency loan and excess cash to DPSCD	40,709,498	-	-	-	-	-
Nonmajor fund transfers:						
Transfer of June 30, 2016 Food Service Fund balance	-	8,691,423	-	-	-	-
Transfer of DPS cash to TIP Fund	-	-	25,626,599	-	-	-
Transfer of DPS cash to Legal Reserve Fund	-	-	-	4,035,364	-	-
Transfer of DPS cash to Workers Compensation and Health Fund	-	-	-	-	18,776,930	-
Transfer of June 30, 2016 1994 Capital Projects Fund balance	-	-	-	-	-	2,210,677
Total	\$ 34,104,890	\$ 8,691,423	\$ 25,626,599	\$ 4,035,364	\$ 18,776,930	\$ 2,210,677

Detroit Public Schools Community District

Notes to Financial Statements June 30, 2017

Note 13 - Split Accounting (Continued)

Also included in the transfer from DPS to DPSCD are all capital assets totaling \$1,325,966,018 on a net basis, which were recorded on the government-wide statements only, and certain long-term obligations (TIP, legal reserve, workers' compensation, and health claims) totaling \$39,608,688, which have all been recorded in the newly created Internal Service Funds. Under the provisions of GASB No. 68, the net pension liability of DPS also transferred to DPSCD in the amount of \$898,143,083, which impacts the government-wide only statements. This amount represents the net pension liability and related deferred inflows and outflows of the pension plan that existed at July 1, 2016. In addition, the assets and liabilities related to the Private Purpose Trust Fund was transferred to DPSCD on July 1, 2016.

Included in the \$40,709,498 transfer noted above is \$25,000,000 of emergency loan funding, plus \$15,709,498 of excess cash which was transferred from DPS to DPSCD subsequent to July 1, 2016.

Note 14 - Contingent Liabilities

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

Required Supplemental Information

Detroit Public Schools Community District

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 11,925,615	\$ 28,938,254	\$ 23,671,119	\$ (5,267,135)
State sources	445,820,225	439,541,179	441,911,193	2,370,014
Federal sources	141,820,618	159,145,678	116,292,314	(42,853,364)
Intergovernmental sources	38,826,853	45,712,077	38,857,198	(6,854,879)
Total revenue	638,393,311	673,337,188	620,731,824	(52,605,364)
Expenditures - Current				
Instruction	332,136,275	330,065,300	300,767,174	(29,298,126)
Support services:				
Pupil	61,098,044	57,005,607	50,446,214	(6,559,393)
Instructional staff	55,406,594	55,883,400	45,947,616	(9,935,784)
General administration	3,177,970	3,609,034	3,408,368	(200,666)
School administration	38,695,133	35,588,016	32,685,915	(2,902,101)
Business office	9,992,727	11,162,082	9,950,639	(1,211,443)
Operations and maintenance	84,826,740	85,161,107	80,857,617	(4,303,490)
Pupil transportation services	35,049,312	35,689,754	33,519,120	(2,170,634)
Central	28,356,986	27,785,246	24,852,688	(2,932,558)
Other	769,593	1,929,552	228,710	(1,700,842)
Total support services	317,373,099	313,813,798	281,896,887	(31,916,911)
Athletics	713,577	1,463,684	1,535,672	71,988
Community services	3,476,085	4,586,469	3,698,595	(887,874)
Facilities acquisitions and improvement	606,809	95,093	-	(95,093)
Total expenditures	654,305,845	650,024,344	587,898,328	(62,126,016)
Other Financing Sources				
Proceeds from sale of capital assets	6,000,000	9,453,597	9,453,274	(323)
Transfers in	2,256,058	2,256,058	2,571,460	315,402
Total other financing sources	8,256,058	11,709,655	12,024,734	315,079
Special Item Including Transition Funds from DPS (Note 13)	25,000,000	40,696,275	34,104,890	(6,591,385)
Net Change in Fund Balances	17,343,524	75,718,774	78,963,120	3,244,346
Fund Balances - Beginning of year	-	-	-	-
Fund Balances - End of year	<u>\$ 17,343,524</u>	<u>\$ 75,718,774</u>	<u>\$ 78,963,120</u>	<u>\$ 3,244,346</u>

Detroit Public Schools Community District

Required Supplemental Information Schedule of Detroit Public Schools Community District's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System Determined as of the Plan Year Ended September 30

	<u>2017</u>
School District's proportion of the net pension liability (asset)	3.38535 %
School District's proportionate share of the net pension liability (asset)	\$ 844,616,130
School District's covered employee payroll	279,494,927
School District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	302.19 %
Plan fiduciary net position as a percentage of the total pension liability	63.01 %

Detroit Public Schools Community District

Required Supplemental Information Schedule of Detroit Public Schools Community District's Contributions Michigan Public School Employees' Retirement System Determined as of the Year Ended June 30

	<u>2017</u>
Statutorily required contribution	\$ 76,103,398
Contributions in relation to the statutorily required contribution	76,103,398
Contribution deficiency (excess)	-
School District's covered employee payroll	267,779,118
Contributions as a percentage of covered employee payroll	28.42 %

Detroit Public Schools Community District

Note to Required Supplemental Information Year Ended June 30, 2017

Benefit Changes - There were no changes of benefit terms in 2016.

Changes in Assumptions - There were no changes of benefit assumptions in 2016.

Net Pension Liability - The figures provided for Detroit Public Schools Community District include the allocated net pension liability from Detroit Public Schools. In accordance with GASB 68, the net pension liability should be calculated based on the projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units. In addition, the schedule of the School District's proportionate Share of the net pension liability for the plan year ended September 30, 2016 includes data provided by the State for Detroit Public Schools.

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)". All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level (i.e., the level at which expenditures may not legally exceed appropriations).

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as restrictions, commitments, or assignments of fund balances and 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.

Other Supplemental Information

Detroit Public Schools Community District

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2017

	Special Revenue Fund	Capital Projects Fund		Total Nonmajor Governmental Funds
	Food Service Fund	1994 School Building Site Improvement Bonds Series V		
Assets				
Cash and investments	\$ -	\$ 10,284	\$	10,284
Due from other governmental units	10,775,185	-	10,775,185	
Due from other funds	3,762,068	-	3,762,068	
Restricted cash and investments	1,560,020	2,210,677	3,770,697	
	\$ 16,097,273	\$ 2,220,961	\$	18,318,234
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,176,796	\$ -	\$	1,176,796
Other accrued liabilities	4,189	-	4,189	
	1,180,985	-	1,180,985	
Fund Balances - Restricted				
Capital projects	-	2,220,961	2,220,961	
Food service	14,916,288	-	14,916,288	
	14,916,288	2,220,961	17,137,249	
	\$ 16,097,273	\$ 2,220,961	\$	18,318,234

Detroit Public Schools Community District

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2017

	Special Revenue Funds	Capital Projects Fund	
	Food Service Fund	1994 School Building Site Improvement Bonds Series V	Total Nonmajor Governmental Funds
Revenue			
Local sources	\$ 527,397	\$ 10,284	\$ 537,681
State sources	1,701,715	-	1,701,715
Federal sources	47,247,599	-	47,247,599
Total revenue	49,476,711	10,284	49,486,995
Expenditures			
Current:			
Support services	124,270	-	124,270
Food services	40,520,751	-	40,520,751
Capital outlay	35,365	-	35,365
Total expenditures	40,680,386	-	40,680,386
Excess of Revenue Over Expenditures	8,796,325	10,284	8,806,609
Other Financing Uses -			
Transfers out	(2,571,460)	-	(2,571,460)
Special Item	8,691,423	2,210,677	10,902,100
Net Change in Fund Balances	14,916,288	2,220,961	17,137,249
Fund Balances - Beginning of year	-	-	-
Fund Balances - End of year	\$ 14,916,288	\$ 2,220,961	\$ 17,137,249

Detroit Public Schools Community District

Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2017

	Termination Incentive Program Fund	Workers Compensation and Health Fund	Legal Reserve Fund	Total
Assets - Current assets -				
Cash and investments	\$ 25,634,089	\$ 18,783,120	\$ 4,036,694	\$ 48,453,903
Liabilities				
Current liabilities:				
Net OPEB obligation	637,019	-	-	637,019
Self-insurance claims	-	451,206	-	451,206
Legal reserve	-	-	1,299,000	1,299,000
Due to other governmental units	225,231	2,645,748	908,000	3,778,979
Due to other funds	1,012,179	1,722,544	728,519	3,463,242
Total current liabilities	1,874,429	4,819,498	2,935,519	9,629,446
Noncurrent liabilities:				
Self-insurance claims	-	17,406,767	-	17,406,767
Net OPEB obligation	14,308,050	-	-	14,308,050
Total noncurrent liabilities	14,308,050	17,406,767	-	31,714,817
Total liabilities	16,182,479	22,226,265	2,935,519	41,344,263
Net Position	\$ 9,451,610	\$ (3,443,145)	\$ 1,101,175	\$ 7,109,640

Detroit Public Schools Community District

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2017

	Termination Incentive Program Fund	Workers Compensation and Health Fund	Legal Reserve Fund	Total
Operating Revenue				
Charges for services	\$ -	\$ 13,688,069	\$ -	\$ 13,688,069
Interest earned	7,490	6,190	1,330	15,010
	<u>7,490</u>	<u>13,694,259</u>	<u>1,330</u>	<u>13,703,079</u>
Total operating revenue	7,490	13,694,259	1,330	13,703,079
Operating Expenses - Payments and increase (decrease) in valuation adjustment	4,073,030	17,137,404	(1,099,845)	20,110,589
	<u>4,073,030</u>	<u>17,137,404</u>	<u>(1,099,845)</u>	<u>20,110,589</u>
Operating (Loss) Income	(4,065,540)	(3,443,145)	1,101,175	(6,407,510)
Special Item	13,517,150	-	-	13,517,150
	<u>13,517,150</u>	<u>-</u>	<u>-</u>	<u>13,517,150</u>
Change in Net Position	9,451,610	(3,443,145)	1,101,175	7,109,640
	<u>9,451,610</u>	<u>(3,443,145)</u>	<u>1,101,175</u>	<u>7,109,640</u>
Net Position - Beginning of year	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - End of year	<u>\$ 9,451,610</u>	<u>\$ (3,443,145)</u>	<u>\$ 1,101,175</u>	<u>\$ 7,109,640</u>

Detroit Public Schools Community District

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2017

	Termination Incentive Plan Fund	Workers Compensation and Health Fund	Legal Reserve Fund	Total
Cash Flow from Operating Activities				
Transfers in from DPS	\$ 25,626,599	\$ 18,776,930	\$ 4,035,364	\$ 48,438,893
Interest income	7,490	6,190	1,330	15,010
Net cash provided by operating activities	<u>25,634,089</u>	<u>18,783,120</u>	<u>4,036,694</u>	<u>48,453,903</u>
Net Increase in Cash and Cash Equivalents	25,634,089	18,783,120	4,036,694	48,453,903
Cash and Cash Equivalents - Beginning of year	-	-	-	-
Cash and Cash Equivalents - End of year	<u><u>\$ 25,634,089</u></u>	<u><u>\$ 18,783,120</u></u>	<u><u>\$ 4,036,694</u></u>	<u><u>\$ 48,453,903</u></u>
Reconciliation of Change in Net Position to Net Cash from Operating Activities				
Change in net position	\$ 9,451,610	\$ (3,443,145)	\$ 1,101,175	\$ 7,109,640
Changes in assets and liabilities:				
Benefits payable	14,945,069	-	-	14,945,069
Self insurance claims	-	17,857,973	-	17,857,973
Legal reserve	-	-	1,299,000	1,299,000
Due to other funds	1,012,179	1,722,544	728,519	3,463,242
Due to DPS for reimbursements	225,231	2,645,748	908,000	3,778,979
Net cash provided by operating activities	<u><u>\$ 25,634,089</u></u>	<u><u>\$ 18,783,120</u></u>	<u><u>\$ 4,036,694</u></u>	<u><u>\$ 48,453,903</u></u>

Detroit Public Schools Community District

Other Supplemental Information Budgetary Comparison Schedule - Food Service Fund Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 980,500	\$ 980,500	\$ 527,397	\$ (453,103)
State sources	1,283,000	1,665,117	1,701,715	36,598
Federal sources	47,340,473	47,340,473	47,247,599	(92,874)
Total revenue	49,603,973	49,986,090	49,476,711	(509,379)
Expenditures - Current:				
Food service:				
Personnel	15,190,201	15,979,630	13,350,968	(2,628,662)
Purchased services	2,644,775	2,320,859	1,511,583	(809,276)
Supplies	28,412,939	28,012,181	25,782,470	(2,229,711)
Capital outlay	1,100,000	1,417,362	35,365	(1,381,997)
Total food service	47,347,915	47,730,032	40,680,386	(7,049,646)
Other Financing Uses				
Transfers out	(2,256,058)	(2,256,058)	(2,571,460)	(315,402)
Special Item	6,146,057	4,458,220	8,691,423	4,233,203
Net Change in Fund Balances	6,146,057	4,458,220	14,916,288	10,458,068
Fund Balances - Beginning of year	-	-	-	-
Fund Balances - End of year	<u>\$ 6,146,057</u>	<u>\$ 4,458,220</u>	<u>\$ 14,916,288</u>	<u>\$ 10,458,068</u>

**Statistical and Other Information
(Unaudited)**

Statistical and Other Information (Unaudited)

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

Contents

Financial Trends	73-77
<i>These schedules contain trend information to help the reader understand how the School District's financial performance and well-being have changed over time.</i>	
Revenue Capacity	78-80
<i>These schedules contain information to help the reader assess the School District's most significant local revenue source, the property tax.</i>	
Demographic and Economic Information	81-82
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District's financial activities take place.</i>	
Operating Information	83-95
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.</i>	

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

Detroit Public Schools Community District

Net Position by Component (Unaudited) Last Fiscal Year

	Fiscal Year
	2017
Governmental Activities	
Net investment in capital assets	\$ 1,264,920,459
Restricted	17,137,249
Unrestricted	<u>(783,754,910)</u>
Total net position	<u><u>\$ 498,302,798</u></u>

Source: District Comprehensive Annual Financial Report

Note: There is no prior historical data for Detroit Public Schools Community District as it was established July 1, 2016. The District will build this schedule to include 10 years of data on a prospective basis

Detroit Public Schools Community District

Changes in Governmental Net Position (Unaudited) Last Fiscal Year

	<u>2017</u>
Expenses	
Governmental activities:	
Instruction	\$ 289,892,135
Support services	267,183,144
Community services	3,666,308
Food services	38,473,730
Athletics	2,972,243
Depreciation (unallocated)	<u>18,710,663</u>
Total governmental activities	620,898,223
Revenue	
Governmental activities - Charges for services:	
Instruction	86,150
Support services	-
Community services	3,479,804
Food services	355,123
Athletics	<u>-</u>
Total charges for services	3,921,077
Operating grants and contributions:	
Instruction	140,438,000
Support services	129,111,529
Community services	-
Food services	<u>47,247,599</u>
Total operating grants and contributions	<u>316,797,128</u>
Net expenses	(300,180,018)
General Revenue	
Federal and state aid not restricted to specific purposes	310,332,569
Interest and investment earnings	22,091
Other sources	22,456,507
County-wide enhancement millage	-
Loss on sale of capital assets	<u>(2,501,331)</u>
Total general revenue	330,309,836
Special Item	<u>468,172,980</u>
Change in Net Position	<u><u>\$ 498,302,798</u></u>

Source: District Comprehensive Annual Financial Report

Note: There is no prior historical data for Detroit Public Schools Community District as it was established July 1, 2016. The District will build this schedule to include 10 years of data on a prospective basis

Detroit Public Schools Community District

Fund Balances, Governmental Funds (Unaudited) Last Fiscal Year

	<u>2017</u>
General Fund:	
Nonspendable	\$ 2,609,934
Assigned	20,190,532
Unassigned (deficit)	<u>56,162,654</u>
Total General Fund	<u>78,963,120</u>
Other governmental funds:	
Restricted	17,137,249
Unassigned (deficit)	<u>-</u>
Total other governmental funds	<u>17,137,249</u>
Total fund balance	<u>\$ 96,100,369</u>

Source: District Comprehensive Annual Financial Report

Note: There is no prior historical data for Detroit Public Schools Community District as it was established July 1, 2016. The District will build this schedule to include 10 years of data on a prospective basis

Detroit Public Schools Community District

Changes in Fund Balances Governmental Funds (Unaudited) Last Fiscal Year

	2017
Revenue	
Local revenue	\$ 24,208,800
State revenue	443,612,908
Federal revenue	163,539,913
Intergovernmental sources	38,857,198
Total revenue	670,218,819
Other Financing Sources	
Transfers in	2,571,460
Proceeds from sale of capital assets	9,453,274
Total revenue and other financing sources	682,243,553
Expenditures	
Instruction	300,458,746
Support services	278,073,392
Community services	3,698,595
Food services	1,535,672
Athletics	40,520,751
Capital outlay	4,291,558
Total expenditures	628,578,714
Other Financing Uses	
Payment to bond escrow agent	-
Transfers out	2,571,460
Total expenditures and other financing uses	631,150,174
Special Item	45,006,990
Net Change in Fund Balances	\$ 96,100,369

Source: District Comprehensive Annual Financial Report

Note: There is no prior historical data for Detroit Public Schools Community District as it was established July 1, 2016. The District will build this schedule to include 10 years of data on a prospective basis

Detroit Public Schools Community District

Comparison of Unassigned General Fund Balance to Expenditures and Other Uses (Unaudited) Last Fiscal Year

Fiscal Year	Unassigned Fund Balance	Expenditures and Transfers Out	General Fund Balance (Deficit) as a Percentage of Expenditures and Other Uses
2017	\$ 56,162,654	\$ 587,898,328	9.55%

Source: District Comprehensive Annual Financial Report

Note: There is no prior historical data for Detroit Public Schools Community District as it was established July 1, 2016. The District will build this schedule to include 10 years of information on a prospective basis.

Detroit Public Schools Community District

Assessed Value and Estimated Actual Value of Taxable Property (Unaudited) Last Fiscal Year

Fiscal Year	Assessed Value				Taxable Value			Total Direct Tax Rate	Taxable Assessed Value as a Percentage of Actual Taxable Value
	Commercial and Industrial	Residential	Personal	Total	Commercial and Industrial	Residential	Total		
2017	\$ 2,867,178,689	\$ 2,566,135,740	\$ 1,518,530,153	\$ 6,951,844,582	\$ 2,867,178,689	\$ 2,566,135,740	\$ 5,433,314,429	N/A*	78.16%

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

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

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

Detroit Public Schools Community District

Assessed Valuation Data (Unaudited) For the Year Ended June 30, 2017

Type of Property	Assessed Value at December, 31 2016*	Percent of Total Real Property	Percent of Total Roll
Commercial property	\$ 2,661,905,718	49.40%	38.74%
Industrial property	276,389,410	5.13%	4.02%
Residential property	<u>2,450,477,398</u>	<u>45.47%</u>	<u>35.66%</u>
Total real property	5,388,772,526	<u>100.00%</u>	78.43%
Personal property	<u>1,482,438,412</u>		<u>21.57%</u>
Total property	<u>\$ 6,871,210,938</u>		<u>100.00%</u>

* The December 31, 2016 valuations, used for the 2016 tax year levy, are not used to generate revenue for the School District, as they have no ability to levy taxes, due to the legislation that formed the District.

Source: Wayne County Equalization Report (2017)

Detroit Public Schools Community District

Direct and Overlapping Property Tax Rates (Unaudited) (Rates per \$1,000 of assessed value) Last Fiscal Year

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

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

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

Detroit Public Schools Community District

Demographic and Economic Statistics (Unaudited) Last Fiscal Year

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

N/A* - City of Detroit information not available

Sources:

U.S. Census Bureau

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

Note: There is no prior historical data for Detroit Public Schools Community District as it was established July 1, 2016. The District will build this schedule to include 10 years of data on a prospective basis

Detroit Public Schools Community District

Principal Private Employers (Unaudited) For the Current Year

Employer	2017 Employees	Percentage of Total
Rock Ventures	14,237	17.7%
Detroit Medical Center	9,184	11.4%
City of Detroit	8,918	11.1%
Henry Ford Health Systems	8,790	10.9%
Illitch Companies	7,616	9.5%
General Motors Co.	7,371	9.1%
U.S. Government	6,427	8.0%
Detroit Public Schools Community District	6,300	7.8%
FCA US LLC	5,919	7.3%
Wayne State University	5,806	7.2%
Total principal private employers	80,568	
Total employment	N/A	

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

Detroit Public Schools Community District

Operating Statistics (Unaudited) Last Fiscal Year

Fiscal Year Ended	Enrollment	Operating Expenditures	Cost per Pupil	Percentage Change	Expenses	Cost per Pupil	Percentage Change	Teaching Staff	Pupil-teacher Ratio	Average Daily Attendance
2017	45,237	\$ 624,287,156	\$ 13,800	N/A	\$ 628,578,714	\$ 13,895	N/A	2,699	16.8	84.98%

Note: Operating expenditures are total expenditures less debt service and capital outlays.
The School District was formed July 1, 2016. This schedule will build to 10 years of information on a prospective basis.

Source: Nonfinancial information from School District records

Detroit Public Schools Community District

Full-time Equivalent District Employees by Type (Unaudited) Last Fiscal Year

	<u>2017</u>
Officials, administrators, and managers	163.0
Principals	96.0
Assistant principals	48.0
Classroom teachers	2,493.7
Guidance	98.2
Psychological	33.4
Librarians/Audio-visual staff	-
Consultants/Supervisors of instruction	205.0
Other professional staff	317.0
Teacher aides	997.0
Technicians	6.0
Clerical/Secretarial staff	260.0
Service workers	676.0
Skilled crafts	11.0
Laborers - Unskilled	-
Staff Totals	<u>5,404.3</u>
Part-time Staff	<u>328.0</u>
Substitute staff:	
Instructional	370.0
Instructional support	7.0
Substitute Staff Totals	<u>377.0</u>
Staff Totals	<u>6,109.3</u>

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

Source: District Human Resource department

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) Last Fiscal Year

School	2017 (1)
Elementary Schools	
Bagley (1929):	
Square feet	54,317
Capacity	596
Enrollment	325
Bennett (1911):	
Square feet	67,144
Capacity	697
Enrollment	497
Bow (1949):	
Square feet	59,100
Capacity	652
Enrollment	456
Brown (2001):	
Square feet	122,415
Capacity	1,161
Enrollment	731
Carleton (1945):	
Square feet	52,134
Capacity	640
Enrollment	295
Chrysler (1962):	
Square feet	23,066
Capacity	160
Enrollment	163
Clemente, Roberto (2001):	
Square feet	86,000
Capacity	862
Enrollment	658
Cooke (1925):	
Square feet	45,184
Capacity	420
Enrollment	294
Dossin (1949):	
Square feet	50,508
Capacity	404
Enrollment	325
Edison (1921):	
Square feet	44,263
Capacity	476
Enrollment	284
Emerson (1947):	
Square feet	126,805
Capacity	473
Enrollment	554

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued) Last Fiscal Year

School	2017 (1)
Elementary Schools (continued)	
Gardner (1925):	
Square feet	32,634
Capacity	397
Enrollment	259
Harms (1915):	
Square feet	44,933
Capacity	687
Enrollment	415
Mann (1944):	
Square feet	44,909
Capacity	492
Enrollment	344
Maybury (1909):	
Square feet	45,322
Capacity	542
Enrollment	333
Neinas (1916):	
Square feet	52,771
Capacity	499
Enrollment	289
Pasteur (1930):	
Square feet	56,541
Capacity	607
Enrollment	388
Schulze (2002):	
Square feet	94,991
Capacity	749
Enrollment	462
Thirkell (1914):	
Square feet	68,701
Capacity	528
Enrollment	591
Vernor (1945):	
Square feet	44,608
Capacity	428
Enrollment	220
Wayne (1929):	
Square feet	45,296
Capacity	606
Enrollment	272
Wright, Charles (2002):	
Square feet	94,991
Capacity	739
Enrollment	404
Young, C. (1982):	
Square feet	67,800
Capacity	718
Enrollment	375

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued) Last Fiscal Year

School	2017 (1)
K - 8 Schools	
Academy of the Americas (1996):	
Square feet	97,929
Capacity	1,034
Enrollment	924
Ann Arbor Trail (1946):	
Square feet	44,850
Capacity	626
Enrollment	282
Bates Academy (at Beaubien MS) (1966):	
Square feet	128,190
Capacity	1,210
Enrollment	674
Blackwell Institute (1980):	
Square feet	57,044
Capacity	808
Enrollment	312
Bow (1949):	
Square feet	59,100
Capacity	804
Enrollment	456
Brewer Academy (at Columbus MS) (1928):	
Square feet	54,174
Capacity	812
Enrollment	480
Bunche Academy (at Duffield) (1922):	
Square feet	109,671
Capacity	1,167
Enrollment	517
Burton International (at Pelham) (1963):	
Square feet	114,200
Capacity	1,038
Enrollment	672
Carstens Academy (at Remus Robinson) (1977):	
Square feet	128,000
Capacity	785
Enrollment	317
Carver (1953):	
Square feet	67,102
Capacity	6,628
Enrollment	301
Clark (1925):	
Square feet	56,852
Capacity	789
Enrollment	508
Dixon Academy (at Lessenger) (1963):	
Square feet	93,258
Capacity	914
Enrollment	449

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued) Last Fiscal Year

School	2017 (1)
K - 8 Schools (continued)	
Dossin (1949):	
Square feet	50,508
Capacity	498
Enrollment	
Durfee (1928):	
Square feet	170,870
Capacity	1,561
Enrollment	514
Earhart Elementary/Middle (2011):	
Square feet	111,090
Capacity	1,064
Enrollment	737
Ellington, Duke at Beckham (2001):	
Square feet	104,836
Capacity	1,069
Enrollment	562
Emerson (1947):	
Square feet	126,805
Capacity	1,586
Enrollment	554
Fisher Magnet Lower Academy (at Heilmann Park ES) (2002):	
Square feet	95,098
Capacity	866
Enrollment	549
Fisher Magnet Upper Academy (at Heilmann Park MS) (2003):	
Square feet	147,620
Capacity	1,088
Enrollment	423
Foreign Language Immersion (1992):	
Square feet	92,010
Capacity	1,037
Enrollment	658
Garvey Academy, Marcus (at Butzel) (1964):	
Square feet	144,400
Capacity	1,080
Enrollment	348
Gompers Elementary/Middle (2011):	
Square feet	111,882
Capacity	1,064
Enrollment	793
Greenfield Union (1914):	
Square feet	75,285
Capacity	893
Enrollment	303
Henderson Academy (1963):	
Square feet	109,000
Capacity	1,013
Enrollment	726

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued) Last Fiscal Year

School	2017 (1)
K - 8 Schools (continued)	
Holmes, A. L. (1915):	
Square feet	102,217
Capacity	813
Enrollment	437
Hutchinson at Howe (2002):	
Square feet	97,174
Capacity	745
Enrollment	361
King J.R. (at Cerveny) (1923):	
Square feet	133,580
Capacity	1,320
Enrollment	790
Mackenzie Elementary/Middle (2012):	
Square feet	111,774
Capacity	1,064
Enrollment	1,116
Marquette (1949):	
Square feet	92,618
Capacity	1,233
Enrollment	521
Marshall, Thurgood (1920):	
Square feet	90,905
Capacity	781
Enrollment	578
Mason Elementary/Middle (at Farwell MS) (1964):	
Square feet	96,304
Capacity	974
Enrollment	378
Munger Elementary/Middle (2012):	
Square feet	111,245
Capacity	1,064
Enrollment	955
Nichols (1910):	
Square feet	51,904
Capacity	481
Enrollment	256
Noble (1920):	
Square feet	143,605
Capacity	1,030
Enrollment	515
Palmer Park Prep Academy (at B. Jordan) (1928):	
Square feet	160,261
Capacity	1,115
Enrollment	392
Priest Elementary/Middle (1923):	
Square feet	117,502
Capacity	1,161
Enrollment	750

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued) Last Fiscal Year

School	2017 (1)
K - 8 Schools (continued)	
Pulaski (1942):	
Square feet	60,966
Capacity	955
Enrollment	473
Robeson, Paul / Malcolm X Academy at Hally (1927):	
Square feet	48,500
Capacity	750
Enrollment	326
Sampson Webber Academy (1964):	
Square feet	145,118
Capacity	1,101
Enrollment	339
Schulze (2002):	
Square feet	94,991
Capacity	813
Enrollment	462
Spain (1912):	
Square feet	145,591
Capacity	1,125
Enrollment	337
Thirkell (1914):	
Square feet	68,701
Capacity	619
Enrollment	591
Twain, Mark Academy (at Boynton) (1925):	
Square feet	120,132
Capacity	936
Enrollment	243
Clippert Academy (1905):	
Square feet	46,194
Capacity	626
Enrollment	509
Detroit Lions Alternative MS (1963):	
Square feet	32,241
Capacity	146
Enrollment	97
Ludington Magnet (at Langston Hughes/Taft MS) (1963):	
Square feet	95,591
Capacity	693
Enrollment	369
Breithaupt Career and Tech (1981):	
Square feet	150,361
Capacity	616
Enrollment	5

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued) Last Fiscal Year

School	2017 (1)
K - 8 Schools (continued)	
Carson, Ben Academy (at Crockett CTC) (1980):	
Square feet	95,691
Capacity	594
Enrollment	400
Cass Tech (2004):	
Square feet	402,484
Capacity	2,286
Enrollment	2,447
Cody (1947):	
Square feet	286,752
Capacity	677
Enrollment	248
King HS (2011):	
Square feet	245,413
Capacity	1,656
Enrollment	1,424
Osborn (1956):	
Square feet	201,884
Capacity	671
Enrollment	---
Randolph Career and Tech (1982):	
Square feet	122,883
Capacity	660
Enrollment	105
Renaissance (2005):	
Square feet	295,523
Capacity	1,169
Enrollment	1,134
West Side Academy (at Westside Multicultural) (2002):	
Square feet	71,283
Capacity	419
Enrollment	484
Western International (1937):	
Square feet	299,630
Capacity	2,367
Enrollment	1,878
Special Education Centers	
Banks-Williamson, Diann Special Education Center (2013):	
Square feet	21,165
Capacity	108
Enrollment	73
Drew Transition Center (1970):	
Square feet	139,000
Capacity	500
Enrollment	477

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued) Last Fiscal Year

School	2017 (1)
Special Education Centers	
Field, Moses Center (1964):	
Square feet	53,742
Capacity	97
Enrollment	---
Total - Instructional	
Total - Square Feet ⁽²⁾	8,327,132
Total - Capacity ⁽³⁾	74,332
Total - Enrollment (PK-12) ⁽⁴⁾	40,463
Noninstructional Sites	
Children's Museum (1929):	
Square feet	29,928
Capacity	---
Enrollment	---
Detroit School for the Deaf (1970):	
Square feet	61,152
Capacity	---
Enrollment	---
Eastside Bus Terminal (1940):	
Square feet	44,784
Capacity	---
Enrollment	---
Fisher Building (1928):	
Square feet	172,068
Capacity	---
Enrollment	---
Golightly Horticulture (1982):	
Square feet	1,600
Capacity	---
Enrollment	---
Office of Adult Education East (at Richard) (1928):	
Square feet	43,664
Capacity	---
Enrollment	---
Office of Adult Education West (at Crary) (1938):	
Square feet	48,742
Capacity	---
Enrollment	---
Professional Development at Northwestern:	
Square feet	33,700
Capacity	---
Enrollment	---

Detroit Public Schools Community District

Summary of Buildings and Sites (Unaudited) (Continued) Last Fiscal Year

School	2017 (1)
Noninstructional Sites (continued)	
Public Safety Command Center/HQ (2011):	
Square feet	28,400
Capacity	---
Enrollment	---
Speech & Hearing Clinic:	
Square feet	5,400
Capacity	---
Enrollment	---
Support Services Bldg A (1929):	
Square feet	169,000
Capacity	---
Enrollment	---
Support Services Bldg B (1921):	
Square feet	28,000
Capacity	---
Enrollment	---
Support Services Bldg C (1929):	
Square feet	44,000
Capacity	---
Enrollment	---
Westside Bus Terminal (1939):	
Square feet	41,735
Capacity	---
Enrollment	---
Total - Non-Instructional	
Total - Square Feet ⁽²⁾	752,173
Total - Capacity ⁽³⁾	-
Total - Enrollment (PK-12) ⁽⁴⁾	-
GRAND TOTAL	
Total - Square Feet ⁽²⁾	9,079,305
Total - Capacity ⁽³⁾	74,332
Total - Enrollment (PK-12) ⁽⁴⁾	40,463

Notes:

(1) The enrollment number reflects the ACTUAL Spring 2017 FTE count.

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

Source: Department of Pupil Population Management, DPSCD; DPSCD Capital Projects Group; and, District historical records.

Note: The School District began operations on July 1, 2016. The building data will gradually accumulate to provide ten fiscal years of information.

Detroit Public Schools Community District

Schedule of Major Insurance Coverage (Unaudited) For the Year Ended June 30, 2017

Policy Coverage	Insurance Company		Details of Insurance Coverage	Premium	Insurance Agency/Broker
	Policy Number	Policy Period			
Commercial Property Insurance	Lexington Insurance Company	7/1/16 - 7/1/17	Coverage protects the physical assets of the District-owned buildings, contents, valuable papers and records. Coverage is provided on an all-risk basis, including electronic data and media, fine arts, earth movement and other sub-limits. (EAA Schools billed \$91,638.70 for DPS leased buildings.)	\$ 354,602	Aon Risk Services Inc.
Excess Workers' Compensation and Employer's Liability	State National Insurance	08/01/16 - 08/01/17	Excess Insurance coverage against catastrophic occurrences for Self-Insured loss exposures.	\$ 159,554	Aon Risk Services Inc.
Automobile Liability Insurance	Zurich American Insurance Company	09/01/16 - 09/01/17	Liability coverage for District's owned vehicles , except for Detroit Public Schools Police Department owned vehicles.	\$ 64,154	Aon Risk Services Inc.
Automobile Liability Insurance	Amerisure Mutual Insurance	09/02/16 - 09/02/17	Liability coverage for Detroit Public Schools Police Department owned vehicles only.	\$ 195,203	Aon Risk Services Inc.
Student Travel Insurance	AIG/Domestic Accident & Health Division	09/01/16 - 09/01/17	Covers participating students and adult supervisors to and from DPS sponsored and supervised field trips. Covers out of state and international trips only.	\$ 5,000	Aon Risk Services Inc.
Underground Storage Tank Liability Insurance	ACE American Insurance Company	09/19/16 - 09/19/17	For Eastside Bus Terminal and Westside Bus Terminal underground storage tanks. Third-Party Liability, Corrective Action, and Cleanup Policy.	\$ 2,731	Aon Risk Services Inc.
Surety Bond	The Hartford	10/19/16 - 10/19/17	For Detroit Public Schools Police Department campus police.	\$ 188	Aon Risk Services Inc.
Aircraft Hull & Liability Insurance	XL Specialty Insurance	11/13/16 - 11/13/17	Liability insurance for Detroit Public Schools owned aircrafts at Davis Aerospace Technical High School at Golightly.	\$ 19,925	Aon Risk Services Inc.
Student Catastrophic Athletic Accident Insurance	Gerber Life Insurance Company	12/01/16 - 12/01/17	Covers students involved in interscholastic activities, including athletics sport, and nonsport extracurricular activities.	\$ 19,203	Aon Risk Services Inc.

Source: Detroit Public Schools - Office of Risk Management

Detroit Public Schools Community District

Graduate Information (Unaudited) Last Fiscal Year

School Year	High School	Adult High School Completion	GED Graduates
2016-2017	2,647	34	85

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

Note: There is no prior historical data for Detroit Public Schools Community District as it was established July 1, 2016. The District will build this schedule to include 10 years of data on a prospective basis