

East Detroit Public Schools

Financial Statements

June 30, 2017



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East Detroit Public Schools
Members of the Board of Education and Superintendent of Schools
June 30, 2017

Members of the Board of Education

Jon S. Gruenberg	President
Karren MacKool	Vice President
Randy Wilson	Treasurer
Julie DeVita	Secretary
Chineva Early	Trustee
Taylor Monday	Trustee
Gerald Podsiadlik	Trustee

Superintendent of Schools

Dr. Ryan McLeod



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Independent Auditors' Report

To the Board of Education
East Detroit Public Schools
Eastpointe, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of East Detroit Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School 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.

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters:

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Detroit Public School's basic financial statements. Other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary 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. The other supplementary 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 supplementary 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017 on our consideration of East Detroit Public Schools internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of East Detroit Public School's 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 East Detroit Public Schools internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, MI

October 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Detroit Public Schools
Administration's Discussion and Analysis
For the fiscal year ended June 30, 2017

This section of East Detroit Public Schools' (School District) annual financial report presents discussion and analysis of the School District's financial performance during the year ended June 30, 2017. It should be read in conjunction with the School District's financial statements, which immediately follow this section. This is the eleventh year in which the School District is required to implement the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) in its financial statement presentation. This accounting standard requires the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

The financial report is only one measure of a school district's viability. A school district's goal is to provide services to students, not to generate profits as commercial entities do. Consideration should also be given to other non-financial factors, such as the quality of the education provided and safety of the schools, in the assessment of the overall health of a school district.

District-wide Financial Statements

The District-wide Financial Statements provide information about the activities of the School District as a whole, presenting both an aggregate view of the School District's finances and a long-term view of those finances. District-wide statements are presented on a full accrual basis, which is the primary accounting method used in private industry. The Statement of Net Position reports all the School District's assets regardless of whether they are available for current use or legally restricted, and all of its liabilities, both short-term and long-term. The Statement of Activities reports all of the School District revenues and expenses by type of activity.

Fund Financial Statements

The School District segregates resources and activities in separate funds (or entities); each used for a specific purpose, to facilitate accountability for those resources. The Fund Financial Statements provide a detailed short-term view of the operations of the School District's various fiscal components, not a long-term view of the School District as a whole. It provides information as to the amount of financial resources that can be spent in the near future to finance programs. It also provides information about the School District's most significant funds, the General Fund (the School District's principal operating Fund) and the Debt Retirement Fund and its non-major funds, which are grouped together and presented as Other Governmental Funds. The School District's non-major funds are Food Service and Capital Projects. Fund Financial Statements are presented on a modified accrual basis. Only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they can be paid using current financial resources. For further information on the attributes of the modified accrual basis and the full accrual basis of accounting, please refer to Note 1 – Summary of Significant Accounting Policies in the Notes to Financial Statement section of this report.

East Detroit Public Schools
Administration's Discussion and Analysis
For the fiscal year ended June 30, 2017

Fiduciary Fund

The Statement of Fiduciary Net Position presents financial information about all the activities for which the School District acts solely as an agent for the benefit of students and parents. The School District is the trustee, or fiduciary, for its student activity accounts. The activities of the Fiduciary Fund are segregated 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 this fund are used for their intended purposes.

East Detroit Public Schools
Administration's Discussion and Analysis
For the fiscal year ended June 30, 2017

The School District as a Whole

As discussed above, the statement of net position provides information of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2017:

	Governmental Activities (in millions)	
	2017	2016
Assets		
Current and other assets	\$11.8	\$14.4
Capital assets-net of accumulated depreciation	34.1	35.4
Total assets	<u>45.9</u>	<u>49.8</u>
Deferred outflows of resources	5.2	5.0
Total assets and deferred outflows of resources	<u>51.1</u>	<u>54.8</u>
Liabilities		
Current liabilities	\$9.7	\$11.8
Long-term liabilities	67.3	69.6
Total liabilities	<u>77.0</u>	<u>81.4</u>
Deferred inflows of resources	2.5	2.2
Total liabilities and deferred inflows of resources	<u>79.5</u>	<u>83.6</u>
Net Position		
Net investment in capital assets	\$12.0	\$10.5
Restricted	0.6	0.1
Unrestricted (deficit)	<u>(41.0)</u>	<u>(39.4)</u>
Total net position	<u>(\$28.4)</u>	<u>(\$28.8)</u>

Net position at year-end was a deficit of (\$ 28.4) million. The School District's investment in capital assets, net of related debt, was \$ 12.0 million. The (\$ 41.0) million in unrestricted net position represents the cumulative operating results of the year ended June 30, 2017, and all prior years.

East Detroit Public Schools
Administration's Discussion and Analysis
For the fiscal year ended June 30, 2017

The School District's net position increased \$.5 million during the fiscal year ended June 30, 2017. The cost to operate the School District's programs was \$ 36.8 million. Partially funding these programs were grant revenues totaling \$ 8.0 million and charges for services of \$ 0.1 million. The remaining costs of the School District's programs were funded by general revenues, primarily state aid and property tax collections, totaling \$ 28.7 million.

	Governmental Activities	
	(in millions)	
	<u>2016</u>	<u>2016</u>
Revenue		
Program revenue:		
Charges for services	\$ 0.1	\$ 0.1
Grants and categoricals	8.0	8.6
General revenue:		
Property Taxes	8.0	7.8
State foundation allowance	21.1	22.8
Other	0.1	0.1
Total revenue	<u>37.3</u>	<u>39.4</u>
Function/Program Expenses		
Instruction	19.4	21.4
Support Services	14.5	14.2
Community Services	0.1	0.1
Food Services	2.2	2.1
Interest on long-term debt	0.6	0.8
Total expenses	<u>36.8</u>	<u>38.6</u>
Increase in Net Position	<u>\$ 0.5</u>	<u>\$ 0.8</u>

**East Detroit Public Schools
Administration's Discussion and Analysis
For the fiscal year ended June 30, 2017**

Capital Assets

At June 30, 2017, the School District had an investment in capital assets, net of accumulated depreciation, of \$ 34.1 million. This includes land, buildings, improvements, buses, vehicles, furniture, and equipment.

The School District decreased capital assets by approximately \$ 1.3 million during the year.

	<u>2017</u>	<u>2016</u>
Land	\$ 0.1	\$ 0.1
Construction in progress	-	-
Buildings	51.4	51.4
Site Improvements	1.9	1.9
Buses and other vehicles	0.5	0.5
Furniture and equipment	<u>15.2</u>	<u>15.0</u>
 Total capital assets	 69.1	 68.9
 Less accumulated depreciation	 <u>35.0</u>	 <u>33.5</u>
 Net capital assets	 <u><u>\$ 34.1</u></u>	 <u><u>\$ 35.4</u></u>

Debt

At June 30, 2017, the School District had \$ 23.4 million in long-term debt, compared to \$ 26.2 million at the same time last year. Additional information about the School District's long-term debt is presented in the Notes to Financial Statements (note 7).

	<u>2017</u>	<u>2016</u>
General Obligation Bonds (financed with property taxes)	\$ 19.5	\$ 21.2
Other Long-Term Debt	<u>3.9</u>	<u>5.0</u>
	<u><u>\$ 23.4</u></u>	<u><u>\$ 26.2</u></u>

East Detroit Public Schools
Administration's Discussion and Analysis
For the fiscal year ended June 30, 2017

The School District's Funds

As mentioned above, the School District uses funds to segregate and account for resources and activities that are used for specific purposes. At June 30, 2017 the School District's governmental funds had a combined balance of \$ 2.3 million, a decrease of \$.5 million from June 30, 2016. The contributions of each individual fund are:

General Fund

The ending fund balance of the General Fund, the principal operating fund of the School District, decreased \$.7 million to \$.8 million positive fund balance at June 30, 2017. The fund balance of the General Fund is available to fund costs related to school operations. The district submitted a five-year deficit elimination plan to the State in February 2010 and subsequently submitted an updated plan in July 2013. As a result of achieving a positive fund balance, the district is no longer required to file a deficit elimination plan.

Debt Service Fund

The Debt Service Fund equity balance at June 30, 2017 was \$ 0.7 million, an increase of \$ 0.4 million from the prior year. Debt millage taxes are levied to pay the interest and principal on the district's outstanding debt on bonds issued for capital projects.

Other Governmental Funds

The School District's non-major funds – Food Service and Capital Projects are grouped and presented in this category. At June 30, 2017, their combined fund equity balance was \$ 1.1 million. The Food Service Fund equity balance at both June 30, 2017 and June 30, 2016 was \$ 1.1 million. The Capital Projects Fund had \$ 9,448 of fund equity balance at year-end. This fund was established in fiscal year 2003 and was funded with a transfer from the General Fund. The transfer represented the cumulative balance of restitution the School District received in litigation settlements and encumbered capital outlay and repair funds originally budgeted in the General Fund. During the 2008-09 school year, improvements were made to the third floor of the high school, which depleted the equity in this fund.

General Fund Budget Highlights

State law requires that school districts periodically amend their budgets to ensure that expenditures do not exceed appropriations. During the year, the School District revised its budget in response to and/or in anticipation of changing operating conditions. The School District had one budget amendment during the year that were approved by the Board of Education in June 2017. (A schedule showing the School District's original budget, final budget, and actual results for the General Fund is provided in the Required Supplemental Information section of these financial statements.)

The majority of the School District's revenue is based on student enrollment. For fiscal 2017, it received \$7,820 per pupil from the State of

East Detroit Public Schools
Administration's Discussion and Analysis
For the fiscal year ended June 30, 2017

Michigan, an increase of \$ 105 per pupil from the prior year.

The original budget reflected certain assumptions for enrollment, grant funding, staffing and other expenditures. The June 2017 amended (final) budget reflected actual enrollment based on the October 2016 and February 2015 official pupil counts and cost reduction actions taken by the Board of Education, mainly in the area of staff attrition.

The fund balance at June 30, 2017 was \$.8 million, a \$.7 million decrease from the prior year. See Required Supplemental Information section of these financial statements for more budget detail. Revenues and other sources were \$ 1.3 million less than projected and expenditures and other financing uses were \$ 2.0 million less than projected. Cost containment efforts and carryover of grant projects to the following year are key factors resulting in the favorable variance.

Economic Factors Affecting Next Year's Budgets

The School District's administration and Board of Education (the "Board") consider many factors in the budget process. One of the most important factors affecting the budget is student enrollment. Approximately 75% of the School District's revenue is derived from the State of Michigan's student enrollment-based funding formula. The formula to allocate revenue to school districts is based on the blending of two official pupil counts and a per-pupil funding allocation (called the "Foundation Allowance").

The 2017-2018 budget was adopted in June 2017 and was based on certain assumptions regarding enrollment and state funding. Once the actual student count and funding levels are known, administration and the Board will implement a plan to adjust expenses and amend the budget accordingly. The State holds revenue estimating conferences in January and May to forecast future revenues. In past years mid-year reductions to the foundation grant have occurred, leaving little time or opportunity to modify costs.

The School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund. The actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. During the past several years pupil funding has not grown at the rate of cost increases in the areas of wages, benefits and contributions to the retirement system. This compounded with declining enrollment due to the economy in Michigan and Schools of Choice have added to the financial hardship of the district. In the spring of 2011, the Board of Education approved an administrative plan for Schools of Choice across county boundaries. This decision reversed a declining enrollment situation where the district was losing 400-500 students per year. The Fall FTE (Full Time Equivalent) count for 2012-2013 was an increase of 112 FTE from the prior year. However student enrollment has decreased each year since 2013. Stabilizing the District's enrollment is the key to continued financial stability. Accordingly, the district recently hired a marketing professional to promote the district with the objective of stabilizing and eventually increasing student enrollment.

East Detroit Public Schools
Administration's Discussion and Analysis
For the fiscal year ended June 30, 2017

Due to its previous deficit situation, the School District was operating under a State approved Deficit Elimination Plan. The plan included right sizing and reconfiguring the district to reflect the previous trend of declining enrollment and restructuring both its costs and operations. The original plan was filed and approved in February 2010 and was amended and reapproved each year. It was a five year plan to eliminate the deficit by June 30, 2014. Since the district was unable to get out of deficit within the five years, In September 2013 the district appeared in front of the state's 'review board'. Since the district had taken several positive steps to alleviate the deficit, the district was granted another year on the Deficit Elimination Plan. The district was given until June 30, 2015 to alleviate the deficit, and this goal was achieved. The District no longer has a negative General Fund balance. Monthly status reports were sent to the State and the plan was reviewed and revised at least annually.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Business Department, East Detroit Public Schools, 24685 Kelly Road, Eastpointe, Michigan, 48021.

BASIC FINANCIAL STATEMENTS

East Detroit Public Schools
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Cash	\$ 5,667,269
Accounts receivable	61,265
Due from other governmental units	5,315,808
Due from fiduciary funds	76,230
Inventory	18,552
Prepaid items	557,909
Capital assets not being depreciated	55,000
Capital assets - net of accumulated depreciation	<u>34,107,780</u>
 Total assets	 <u>45,859,813</u>
 Deferred outflows of resources	
Deferred amount relating to the net pension liability	<u>5,226,155</u>
 Total assets and deferred outflows of resources	 <u>51,085,968</u>

See Accompanying Notes to the Financial Statements

East Detroit Public Schools
Statement of Net Position
June 30, 2017

	Governmental Activities
Liabilities	
Accounts payable	\$ 358,272
State aid anticipation note payable	5,510,000
Due to other governmental units	336,877
Accrued expenditures	423,733
Accrued salaries and payroll related liabilities payable	2,943,037
Unearned revenue	103,080
Noncurrent liabilities	
Net pension liability	43,884,256
Debt due within one year	1,977,719
Debt due in more than one year	<u>21,389,029</u>
 Total liabilities	 <u>76,926,003</u>
 Deferred inflows of resources	
Deferred amount relating to the net pension liability	<u>2,533,543</u>
 Total liabilities and deferred inflows of resources	 <u>79,459,546</u>
 Net Position	
Net investment in capital assets	12,001,209
Restricted for	
Debt service	583,621
Unrestricted (deficit)	<u>(40,958,408)</u>
 Total net position	 <u>\$ (28,373,578)</u>

See Accompanying Notes to the Financial Statements

East Detroit Public Schools
Statement of Activities
For the Year Ended June 30, 2017

		Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
Functions/Programs				
Governmental activities				
Instruction	\$ 19,347,266	\$ 4,347	\$ 4,172,084	\$ (15,170,835)
Supporting services	14,543,906	16,395	1,841,965	(12,685,546)
Food services	2,203,530	51,634	1,942,924	(208,972)
Community services	65,047	-	62,647	(2,400)
Interest on long-term debt	628,092	-	-	(628,092)
Total governmental activities	\$ 36,787,841	\$ 72,376	\$ 8,019,620	(28,695,845)
General revenues				
				4,543,950
				3,460,738
				21,075,630
				5,370
				114,100
			Total general revenues	29,199,788
			Change in net position	503,943
			Net position - beginning	(28,877,521)
			Net position - ending	\$ (28,373,578)

See Accompanying Notes to the Financial Statements

East Detroit Public Schools
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 4,115,936	\$ 1,551,333	\$ 5,667,269
Accounts receivable	61,265	-	61,265
Due from other funds	275,986	164,899	440,885
Due from other governmental units	5,215,204	100,604	5,315,808
Due from fiduciary funds	76,230	-	76,230
Inventory	-	18,552	18,552
Prepaid items	557,909	-	557,909
	<u>557,909</u>	<u>-</u>	<u>557,909</u>
 Total assets	 <u>\$ 10,302,530</u>	 <u>\$ 1,835,388</u>	 <u>\$ 12,137,918</u>

See Accompanying Notes to the Financial Statements

East Detroit Public Schools
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities			
Accounts payable	\$ 358,272	\$ -	\$ 358,272
State aid anticipation note payable	5,510,000	-	5,510,000
Due to other funds	164,898	275,987	440,885
Due to other governmental units	336,877	-	336,877
Accrued expenditures	122,242	-	122,242
Accrued salaries payable	2,943,037	-	2,943,037
Unearned revenue	102,498	582	103,080
	<u>9,537,824</u>	<u>276,569</u>	<u>9,814,393</u>
Total liabilities			
Fund Balance			
Non-spendable			
Inventory	-	18,552	18,552
Prepaid items	557,909	-	557,909
Restricted for			
Cafeteria	-	843,257	843,257
Debt service	-	687,562	687,562
Assigned- capital projects	-	9,448	9,448
Unassigned	206,797	-	206,797
	<u>764,706</u>	<u>1,558,819</u>	<u>2,323,525</u>
Total fund balance			
	<u>\$ 10,302,530</u>	<u>\$ 1,835,388</u>	<u>\$ 12,137,918</u>
Total liabilities, deferred inflows of resources, and fund balance			

See Accompanying Notes to the Financial Statements

East Detroit Public Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017

Total fund balances for governmental funds	\$ 2,323,525
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	55,000
Capital assets - net of accumulated depreciation	34,107,780
Deferred outflows (inflows) of resources	
Deferred inflows of resources related to the net pension liability	(2,533,543)
Deferred outflows of resources related to the net pension liability	5,226,155
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest - other	(103,941)
Accrued interest-school bond loan fund	(101,481)
Claims and judgments	(197,550)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(43,884,256)
Compensated absences	(2,946)
Bonds payable	(21,579,694)
Other loans payable and liabilities	<u>(1,682,627)</u>
Net position of governmental activities	<u><u>\$ (28,373,578)</u></u>

See Accompanying Notes to the Financial Statements

East Detroit Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 4,623,523	\$ 3,518,544	\$ 8,142,067
State sources	22,835,846	132,537	22,968,383
Federal sources	4,253,457	1,874,338	6,127,795
Interdistrict sources	100,000	-	100,000
	<u>31,812,826</u>	<u>5,525,419</u>	<u>37,338,245</u>
Total revenues			
Expenditures			
Current			
Education			
Instruction	18,364,333	-	18,364,333
Supporting services	13,809,382	-	13,809,382
Food services	-	2,110,039	2,110,039
Community services	62,646	-	62,646
Capital outlay	69,236	-	69,236
Debt service			
Principal	229,096	2,563,981	2,793,077
Interest and other expenditures	94,639	539,151	633,790
	<u>32,629,332</u>	<u>5,213,171</u>	<u>37,842,503</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(816,506)</u>	<u>312,248</u>	<u>(504,258)</u>

See Accompanying Notes to the Financial Statements

East Detroit Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)			
Transfers in	\$ 93,839	\$ -	\$ 93,839
Transfers out	<u>-</u>	<u>(93,839)</u>	<u>(93,839)</u>
Total other financing sources (uses)	<u>93,839</u>	<u>(93,839)</u>	<u>-</u>
Net change in fund balance	(722,667)	218,409	(504,258)
Fund balance - beginning	<u>1,487,373</u>	<u>1,340,410</u>	<u>2,827,783</u>
Fund balance - ending	<u>\$ 764,706</u>	<u>\$ 1,558,819</u>	<u>\$ 2,323,525</u>

See Accompanying Notes to the Financial Statements

East Detroit Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - Total governmental funds	\$ (504,258)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(1,521,813)
Capital outlay	262,482
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However the amount recorded on the governmental funds equals actual pension contributions.	
Net change in the net pension liability	(469,614)
Net change in the deferrals of resources related to the net pension liability	602,866
Net change between actual pension contributions and cost of benefits earned net of employee contributions	(642,019)
Expenses are recorded when incurred in the statement of activities.	
Interest	5,698
Benefit claims	11,060
Severance pay	12,925
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	<u>2,793,077</u>
Change in net position of governmental activities	<u><u>\$ 550,404</u></u>

See Accompanying Notes to the Financial Statements

East Detroit Public Schools
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash	\$ 363,595
Accounts receivable	<u>1,036</u>
Total assets	<u>\$ 364,631</u>
Liabilities	
Due to other funds	\$ 76,230
Due to agency fund activities	<u>288,401</u>
Total liabilities	<u>\$ 364,631</u>

See Accompanying Notes to the Financial Statements

East Detroit Public Schools
Notes to the Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the East Detroit Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. 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. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are 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, debt service expenditures, as

East Detroit Public Schools
Notes to the Financial Statements
June 30, 2017

well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

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 to expenditures for specified purposes. The School District’s Special Revenue Funds include Cafeteria Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Capital Projects Fund – The Building and Site Funds include the Capital Projects Fund. The Capital Projects Fund was established in fiscal year 2003 and was funded with a transfer from the General Fund. The transfer represented the cumulative balance of restitution the School District received in litigation settlements and encumbered capital outlay and repairs funds originally budgeted for in the general fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of long-term debt principal, interest and related costs.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups, school buildings, and parent groups for school and school-related purposes.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2017, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	17.89920
Commercial personal property	5.89920
Debt Service Funds	7.00000

East Detroit Public Schools
Notes to the Financial Statements
June 30, 2017

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. All of the School District's tax roll lies within Macomb County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Macomb and remitted to the School District by May 15.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce the net pension liability in the following year.

Compensated Absences – Sick days are earned by employees at various rates depending on employee classification and years of service. Unlimited unused sick days may be accumulated by an employee. Retiring employees who meet certain age and years of service requirements are paid for accumulated sick and vacation days to a maximum number of days and at a rate determined by their bargaining agreement.

Full-time employees earn sick days at the rate of 10, 12, or 13 per year depending on whether they are a 52 week or less than 52 week employee, respectively. There is no maximum on sick days accumulated.

Teachers, administrators, professional or technical employees are paid \$ 400 per year of service and secretarial and clerical employees \$ 250 per year of service upon retirement if any of the following conditions are met:

- The employee is eligible for retirement and makes application to the Michigan School Employees Retirement System.

East Detroit Public Schools
Notes to the Financial Statements
June 30, 2017

- Secretarial and clerical employees must have worked for minimum five (5) years in East Detroit school district

The liability for compensated absences reported in the district-wide financial statements consist of unpaid, accumulated vacation pay balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are 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. The amount reported is salary related and includes no fringe benefits, since the amount of said benefits would be immaterial.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statement, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension – 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. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education. The Board of Education has granted the Superintendent the authority to assign funds. Residual amounts in governmental

East Detroit Public Schools
Notes to the Financial Statements
June 30, 2017

funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

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, as well as deferred inflows and outflows at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 77, Tax Abatement Disclosures requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Upcoming Accounting and Reporting Changes

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

East Detroit Public Schools
Notes to the Financial Statements
June 30, 2017

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The effective date is for the fiscal year ending June 30, 2018.

The School District is evaluating the impact the above pronouncements will have on its financial reporting.

Note 2 - Budgetary Information Section

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual

appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts within functions in any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Pupil	\$ 2,281,960	\$ 2,291,576	\$ 9,616
School administration	2,179,410	2,214,573	35,163
Central	832,409	968,121	135,712
Debt - interest and fiscal charges	24,094	94,639	70,545

East Detroit Public Schools
Notes to the Financial Statements
June 30, 2017

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$ 40,958,408 as of June 30, 2017. There are no governmental funds with a deficit.

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 5,667,269	\$ 363,595	\$ 6,030,864

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 6,029,181
Petty cash and cash on hand	1,683
Total	\$ 6,030,864

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – 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 an office 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.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this 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 does not have a deposit policy for custodial credit risk. As of year end, \$ 5,527,770 of the School District's bank balance of \$ 6,077,783 was exposed to custodial credit risk because it was uninsured and uncollateralized.

East Detroit Public Schools
Notes to the Financial Statements
June 30, 2017

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 55,000	\$ -	\$ -	\$ 55,000
Capital assets being depreciated				
Buildings and improvements	51,430,136	-	-	51,430,136
Site improvements	1,936,502	-	-	1,936,502
Equipment and furniture	14,987,560	262,482	-	15,250,042
Buses and other vehicles	512,320	-	-	512,320
Total capital assets being depreciated	68,866,518	262,482	-	69,129,000
Less accumulated depreciation for				
Buildings and improvements	20,766,594	982,007	-	21,748,601
Site improvements	1,173,989	96,825	-	1,270,814
Equipment and furniture	11,139,728	405,692	-	11,545,420
Buses and other vehicles	419,096	37,289	-	456,385
Total accumulated depreciation	33,499,407	1,521,813	-	35,021,220
Net capital assets being depreciated	35,367,111	(1,259,331)	-	34,107,780
Net capital assets	\$ 35,422,111	\$ (1,259,331)	\$ -	\$ 34,162,780

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

Governmental activities	
Instruction	\$ 813,683
Support services	611,863
Food services	93,491
Community services	2,776
Total governmental activities	\$ 1,521,813

Note 5 - Interfund Receivable and Payable And Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General Fund	Nonmajor Funds	\$ 164,899
Trust and Agency Fund	General Fund	76,230
Nonmajor Funds	General Fund	275,986
		\$ 517,115

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers were made during the year, between the General Fund and the Food Service Fund for \$ 93,839 to cover indirect costs of the Food Service Fund.

East Detroit Public Schools
Notes to the Financial Statements
June 30, 2017

Note 6 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 7,600,000	\$ 14,420,000	\$ 16,510,000	\$ 5,510,000

Note 7 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 21,210,000	\$ -	\$ 1,740,000	\$ 19,470,000	\$ 1,740,000
School bond loan fund	2,933,675	-	823,981	2,109,694	-
Accrued interest - SBLF	99,816	1,665	-	101,481	-
Capital lease	810,973	-	229,096	581,877	237,719
Severance pay	1,113,675	-	12,925	1,100,750	-
Compensated absences	2,946	-	-	2,946	-
Total	\$ 26,171,085	\$ 1,665	\$ 2,806,002	\$ 23,366,748	\$ 1,977,719

For governmental activities, compensated absences, capital leases, and severance retirement incentives are primarily liquidated by the General Fund.

General obligation bonds payable at year end, consist of the following:

2009 Building and Site Bonds, \$ 8,635,000 due in annual installments of \$ 530,000 through May 1, 2029, interest at 6.45% to 7.49%	\$ 6,360,000
2010 Building and Site Bonds, \$ 6,710,000 due in annual installments of \$ 450,000 to \$ 490,000 starting in May 1, 2017 through May 1, 2030, interest at 5.10% to 6.55%	6,260,000
2011 Building and Site Bonds, \$ 7,710,000 due in annual installments of \$ 760,000 to \$ 765,000 starting in May 1, 2015 through May 1, 2026, interest at 6.20% to 6.50%	<u>6,850,000</u>
Total general obligation bonded debt	\$ <u>19,470,000</u>

East Detroit Public Schools
Notes to the Financial Statements
June 30, 2017

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,740,000	614,186	\$ 2,354,186
2018	1,770,000	570,969	2,340,969
2019	1,770,000	526,444	2,296,444
2020	1,770,000	476,749	2,246,749
2021	1,770,000	427,054	2,197,054
2022-2026	8,120,000	1,346,089	9,466,089
2027-2030	<u>2,530,000</u>	<u>202,580</u>	<u>2,732,580</u>
Total	<u>\$ 19,470,000</u>	<u>\$ 4,164,071</u>	<u>\$ 23,634,071</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$ 687,562 to pay this debt. Future debt and interest will be payable from future tax levies.

Equipment Capital Lease

Capital equipment leases include:

	<u>Original Amount</u>	<u>Due Date</u>	<u>Interest Rate</u>
Apple computers	\$ 407,635	2019	2.60%
Ricoh copiers	279,186	2020	5.00%
Dell computers	102,795	2019	4.30%
Apple computers	400,599	2020	2.60%

Future principal and interest payments are as follows:

Year ending June 30,	
2018	\$ 257,798
2019	257,798
2020	<u>100,337</u>
Total minimum lease payments	615,933
Less amount representing interest	<u>34,056</u>
Present value of minimum lease payments	<u>\$ 581,877</u>

The assets acquired through capital leases are as follows:

Equipment	\$ 1,190,215
Less accumulated depreciation	<u>634,009</u>
Total	<u>\$ 556,206</u>

State School Bond Loan

The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's 2009-2011 bond issues. As of June 30, 2017, the School District has \$ 19,470,000 left of the issued bonds, which were used to renovate and build District facilities. The bond election, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage of 7.0 mills. Since the monies generated by the 7.0 mills are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow a total of \$ 2,109,694 to meet debt service requirements. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service

East Detroit Public Schools
Notes to the Financial Statements
June 30, 2017

requirements of the 2009-2011 bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District borrowed \$ 0 and had an outstanding balance at year end of \$ 2,109,694 from the State School Bond Loan Fund. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Interest expenditures for the fiscal year in the General Fund and the Debt Service Fund was \$ 94,639 and \$ 539,151, respectively.

Compensated Absences

Accrued compensated absences at year end, consist of \$ 2,946 of vacation hours earned and vested.

Severance Pay

The School District offers a severance incentive plan to employees based on years of services to be paid to individuals retiring from the district that are eligible for retirement benefits according to the rules of the State Retirement System and who are presently at the maximum step of their appropriate track on the salary schedule. The balance as of year end was \$ 1,100,750.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The school district is uninsured for workers compensation claims. They use the Accident Fund Company for Worker's compensation, and ADN for Dental. The expenditures for the years ended June 30, 2017 and 2016 were approximately \$ 108,898 and \$ 50,374, respectively. The estimated liability for the years ended June 30, 2017 and 2016 are \$ 28,231 and \$ 24,617, respectively.

The School District is self-insured for health insurance, including prescription and dental coverage. The School District has contracted with an independent administrator to process these claims and perform

other administrative duties. Claims are administered by Blue Cross Blue Shield. The liability is calculated each quarter based upon claims already incurred and reported. Estimated liabilities for the years ended June 30, 2017 and 2016 are \$ 169,319 and \$183,993, respectively.

Change in estimated liabilities for claims for the above benefits for the years is as follows:

	2017	2016
Estimated liability at the beginning of the year	\$ 208,610	\$ 272,753
Estimated claims incurred including changes in estimates	3,845,338	2,334,007
Claim payments	(3,866,198)	(2,398,150)
Estimated liability end of year	\$ 187,750	\$ 208,610

The School District participates in a public entity risk pool through the School Employers Group. With the exception of Workers Compensation and prescription and dental health coverage, as described above, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements for the year ended June 30, 2017.

East Detroit Public Schools
Notes to the Financial Statements
June 30, 2017

Note 9 - Pension Plans And Post-Employment Benefits

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State), originally created under Public Act 136 of 1945, recodified, and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

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 for DB plan members are determined by final average compensation and years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions and Funding Status

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20 year period for the plan's 2016 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.95
Member Investment Plan	3.0 - 7.0	18.95
Pension Plus	3.0 - 6.4	17.73
Defined Contribution	0.0	14.56

Required contributions to the pension plan from the School District were \$ 3,949,804 for the year ending September 30, 2016.

Net Pension Liability

June 30, 2017, the School District reported a liability of \$ 43,884,256 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 rolled forward from September 30, 2015. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2016, the School District's proportionate share percent was 0.1759, which was a decrease of .0019 percent since the prior measurement date.

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

For the year ended June 30, 2017, the School District recognized total pension expense of \$ 3,820,034. The School District's actual contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$ 4,714,000, \$ 2,790,000, and \$ 3,337,000, respectively.

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	\$ 546,914	\$ (104,007)
Changes in assumptions	686,096	-
Net difference between projected and actual earnings on pension plan investments	729,356	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,651	(1,079,804)
Employer contributions subsequent to the measurement date	<u>3,262,138</u>	<u>(1,349,732)</u>
	<u>\$ 5,226,155</u>	<u>\$ (2,533,543)</u>

\$ 3,262,138 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. \$1,349,732 reported as deferred inflows of resources relating to pensions

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Notes to the Financial Statements
June 30, 2017

resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30, 2018 when the related payments reduce the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30	Amount:
2017	\$ (17,098)
2018	(74,487)
2019	766,824
2020	104,967
Total	<u>\$ 780,206</u>

Actuarial 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.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2015
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
 - MIP and Basic Plans (Non-Hybrid): 8.0%
 - Pension Plus Plan (Hybrid): 7.0%

- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA (for men, 140% of the table rates for ages 0-79, 133% of the table rates for ages 80-84, and 121.8% of the table rates for ages over 84 were used and for women, 96% of the table rates were used).

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.6273 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2016 MPERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpers-cafr).

Long-Term Expected Return on Plan Assets

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target

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asset allocation as of September 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.9
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
	<u>100.0%</u>	

*Long term rate of return does not include 2.1% inflation

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
\$ 56,511,876	\$ 43,884,256	\$ 33,237,958

*Non-university employers, the Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2016 MPSERS CAFR (www.michigan.gov/mpsers-cafr).

Payables to the Pension Plan

There were no significant payables to the pension plan that are not ordinary accruals to the district.

Post-Employment Benefits

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPSERS).

East Detroit Public Schools
Notes to the Financial Statements
June 30, 2017

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2016 through September 30, 2016, and October 1, 2016 through June 30, 2017, the employer contribution rate ranged from 6.40% to 6.83% and 5.69% to 5.91%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$ 871,000, \$ 967,000, and \$ 524,000, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2017, the School District had contributions in the amount of \$ 1,851,993 to the MPSERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 11.70% for the year ending June 30, 2017.

Note 10 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2017.

The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.

Note 11 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the City Warren. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties

For the fiscal year ended June 30, 2017, the School District's property tax revenues were reduced by \$5,078 under these programs.

REQUIRED SUPPLEMENTARY INFORMATION

East Detroit Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 4,366,989	\$ 4,599,251	\$ 4,623,523	\$ 24,272
State sources	23,727,102	22,808,224	22,835,846	27,622
Federal sources	5,409,481	5,614,735	4,253,457	(1,361,278)
Interdistrict sources	-	100,000	100,000	-
Total revenues	<u>33,503,572</u>	<u>33,122,210</u>	<u>31,812,826</u>	<u>(1,309,384)</u>
Expenditures				
Instruction				
Basic programs	11,914,681	13,175,852	12,229,917	(945,935)
Added needs	7,127,055	6,239,166	6,134,416	(104,750)
Supporting services				
Pupil	1,905,227	2,281,960	2,291,576	9,616
Instructional staff	2,377,663	2,480,254	1,967,701	(512,553)
General administration	619,805	920,921	909,357	(11,564)
School administration	2,415,368	2,179,410	2,214,573	35,163
Business	409,474	594,518	457,849	(136,669)
Operations and maintenance	3,417,266	3,485,310	3,275,928	(209,382)
Pupil transportation services	1,380,833	1,545,114	1,431,845	(113,269)
Central	879,172	832,409	968,121	135,712
Athletics	312,630	314,734	292,432	(22,302)
Community services	108,294	100,961	62,646	(38,315)
Capital outlay	317,039	223,794	69,236	(154,558)
Debt service				
Principal	383,719	250,772	229,096	(21,676)
Interest and fiscal charges	123,338	24,094	94,639	70,545
Total expenditures	<u>33,691,564</u>	<u>34,649,269</u>	<u>32,629,332</u>	<u>(2,019,937)</u>
Excess (deficiency) of revenues over expenditures	(187,992)	(1,527,059)	(816,506)	710,553

East Detroit Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Other Financing Sources (Uses)				
Capital leases	\$ 400,000	\$ -	\$ -	\$ -
Transfers in	125,000	123,181	93,839	(29,342)
Total other financing sources (uses)	525,000	123,181	93,839	(29,342)
Net change in fund balance	337,008	(1,403,878)	(722,667)	681,211
Fund balance - beginning	1,487,373	1,487,373	1,487,373	-
Fund balance - ending	<u>\$ 1,824,381</u>	<u>\$ 83,495</u>	<u>\$ 764,706</u>	<u>\$ 681,211</u>

East Detroit Public Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th)

		June 30,									
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A.	Reporting unit's proportion of net pension liability (%)	0.17589%	0.17770%	0.18296%							
B.	Reporting unit's proportionate share of net pension liability	\$ 43,884,256	\$ 43,414,642	\$ 40,300,003							
C.	Reporting unit's covered-employee payroll	\$ 14,803,566	\$ 14,945,500	\$ 15,876,831							
D.	Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	296.44%	290.49%	253.83%							
E.	Plan fiduciary net position as a percentage of total pension liability	63.27%	64.95%	66.20%							

East Detroit Public Schools
Required Supplementary Information
Schedule of the School District's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

		For the Years Ended June 30,									
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A.	Statutorily required contributions	\$ 4,713,577	\$ 2,790,350	\$ 3,337,518							
B.	Contributions in relation to statutorily required contributions	<u>4,713,577</u>	<u>2,790,350</u>	<u>3,337,518</u>							
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
D.	Reporting unit's covered-employee payroll	\$ 13,974,306	\$ 14,952,201	\$ 15,130,964							
E.	Contributions as a percentage of covered-employee payroll	33.73%	18.66%	22.06%							

Notes:

Benefit Changes - There were no changes of benefit terms in 2016-17.

Changes in Assumptions - There were no changes of benefit assumptions in 2016-17.

OTHER SUPPLEMENTARY INFORMATION

East Detroit Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Fund	Debt Service	Building and Site Funds	Total Nonmajor Governmental Funds
	Cafeteria	Funds	Capital Projects Fund	
Assets				
Cash	\$ 587,784	\$ 963,549	\$ -	\$ 1,551,333
Due from other funds	155,451	-	9,448	164,899
Due from other governmental units	100,604	-	-	100,604
Inventory	18,552	-	-	18,552
Total assets	\$ 862,391	\$ 963,549	\$ 9,448	\$ 1,835,388
Liabilities				
Due to other funds	\$ -	\$ 275,987	\$ -	\$ 275,987
Unearned revenue	582	-	-	582
Total liabilities	582	275,987	-	276,569
Fund Balance				
Non-spendable				
Inventory	18,552	-	-	18,552
Restricted for:				
Cafeteria	843,257	-	-	843,257
Debt service	-	687,562	-	687,562
Assigned for capital projects	-	-	9,448	9,448
Total fund balance	861,809	687,562	9,448	1,558,819
Total liabilities and fund balance	\$ 862,391	\$ 963,549	\$ 9,448	\$ 1,835,388

East Detroit Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Special Revenue Fund	Debt Service	Building and Site Fund	Total Nonmajor Governmental Funds
	Cafeteria	Funds	Capital Projects Fund	
Revenues				
Local sources	\$ 52,320	\$ 3,464,971	\$ 1,253	\$ 3,518,544
State sources	69,514	63,023	-	132,537
Federal sources	1,874,338	-	-	1,874,338
Total revenues	1,996,172	3,527,994	1,253	5,525,419
Expenditures				
Current				
Education				
Food services	2,110,039	-	-	2,110,039
Principal	-	2,563,981	-	2,563,981
Interest and other expenditures	-	539,151	-	539,151
Total expenditures	2,110,039	3,103,132	-	5,213,171
Excess (deficiency) of revenues over expenditures	(113,867)	424,862	1,253	312,248
Other Financing Sources (Uses)				
Transfers out	(93,839)	-	-	(93,839)
Net change in fund balance	(207,706)	424,862	1,253	218,409
Fund balance - beginning	1,069,515	262,700	8,195	1,340,410
Fund balance - ending	\$ 861,809	\$ 687,562	\$ 9,448	\$ 1,558,819

East Detroit Public Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2017

Year Ending June 30,	2009 Building & Site	2010 Building & Site	2011 Building & Site	Total
2018	\$ 530,000	\$ 450,000	\$ 760,000	\$ 1,740,000
2019	530,000	480,000	760,000	1,770,000
2020	530,000	480,000	760,000	1,770,000
2021	530,000	480,000	760,000	1,770,000
2022	530,000	480,000	760,000	1,770,000
2023	530,000	480,000	760,000	1,770,000
2024	530,000	480,000	760,000	1,770,000
2025	530,000	480,000	765,000	1,775,000
2026	530,000	490,000	765,000	1,785,000
2027	530,000	490,000	-	1,020,000
2028	530,000	490,000	-	1,020,000
2029	530,000	490,000	-	1,020,000
2030	-	490,000	-	490,000
Total	<u>\$ 6,360,000</u>	<u>\$ 6,260,000</u>	<u>\$ 6,850,000</u>	<u>\$ 19,470,000</u>
Principal payments due the first day of	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	
Interest rate	6.45% - 7.49%	5.05% - 6.55%	6.20% - 6.50%	
Original issue	<u>\$ 8,635,000</u>	<u>\$ 6,710,000</u>	<u>\$ 7,710,000</u>	