East Detroit Public Schools

Eastpointe, Michigan

Annual Financial Statements and Auditors' Report

June 30, 2013

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East Detroit Public Schools
Members of the Board of Education and Administration
June 30, 2013

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Joanne Lelekatch

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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, 2013, 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, 2013, 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.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2013, the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, 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 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 Supplemental 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. The list of the Members of the Board of Education and Administration and other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is 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, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplemental 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, other than the prior year information, 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 list of the Members of the Board of Education and Administration, which is the responsibility of management, has 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 it.

Prior Year Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, East Detroit Public Schools financial statements as of and for the year ended June 30, 2012, which are not presented with the accompanying financial statements. In our report dated November 6, 2012, we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Detroit Public Schools financial statements as a whole. The 2012 information in the comparative supplemental schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2012 information in the comparative supplemental schedules are fairly stated in all material respects in relation to the financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Detroit Public Schools internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, MI
November 5, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Detroit Public Schools
Administration's Discussion and Analysis
For the fiscal year ended June 30, 2013

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, 2013. It should be read in conjunction with the School District's financial statements, which immediately follow this section. This is the ninth 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 report all the School District's assets regardless if 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 Service Fund, and its non-major funds, which are grouped together and presented as Other Governmental Funds. The Schools District's non-major funds are Food Service, 2010 Capital Projects Fund, 2011 Capital Projects Fund 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.

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.

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, 2013:

	Governmental Activities (in millions)	
Assets	2013	2012
Current and other assets	$15.2	$13.4
Capital assets-Net of accumulated depreciation	37.7	38.9
Total assets	52.9	52.3
Deferred outflows of resources	0.1	-
Total assets and deferred outflows of resources	$ 53.0	$ 52.3
Liabilities		
Current liabilities	$22.1	$21.7
Long-term liabilities	30.4	34.1
Total liabilities	52.5	55.8
Net Position		
Net investment in capital assets	$6.6	$4.8
Restricted	1.3	2.0
Unrestricted	(7.4)	(10.3)
Total net position	$0.5	($3.5)

Net position at year-end was $ .5 million. The School District's net investment in capital assets was $ 6.6 million. The ($ 7.4) million in unrestricted net position represent the cumulative operating results of the year ended June 30, 2013 and all prior years.

The School District's net position increased $ 4.0 million during the fiscal year ended June 30, 2013 (please refer to Table 2 below). The cost to operate the School District's programs was $ 37.7 million. Partially funding these programs were charges for services and grant revenue totaling $ 7.0 million and $ 0.1 million in fees for service. The remaining costs of the School District's programs were funded by general revenues, primarily state aid and property tax collections, totaling $ 34.6 million.

	Governmental Activities (in millions)	
	2013	2012
Revenue		
Program revenue:		
Charges for services	$ 0.1	$ 0.3
Grants and categoricals	7.0	7.5
General revenue:		
Property Taxes	8.0	9.1
State foundation allowance	26.0	24.5
Other	0.6	0.5
Total revenue	41.7	41.9
Function/Program Expenses		
Instruction	20.3	22.3
Support Services	14.0	14.6
Community Services	-	-
Food Services	2.2	1.8
Interest on long-term debt	1.2	1.5
Total expenses	37.7	40.2
Increase in Net Position	$ 4.0	$ 1.7

Capital Assets

At June 30, 2013, the School District had an investment in capital assets, net of accumulated depreciation, of $ 37.8 million. This includes land, buildings, improvements, buses, vehicles, furniture, and equipment.

The School District decreased capital assets by approximately $ 1.1 million during the year.

	2013	2012
Land	$ 0.1	$ 0.1
Construction in progress	-	-
Buildings	51.4	51.1
Site Improvements	1.9	1.9
Buses and other vehicles	17.3	20.9
Furniture and equipment	1.1	1.1
Total capital assets	71.8	75.1
Less accumulated depreciation	34.0	36.2
Net capital assets	$ 37.8	$ 38.9

Debt

At June 30, 2013, the School District had $ 33.5 million in long-term debt, compared to $37.4 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 8).

	2013	2012
General Obligation Bonds (financed with property taxes)	$ 31.3	$ 34.4
Other Long-Term Debt	2.2	3.0
	$ 33.5	$ 37.4

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, 2013 the School District's governmental funds had a combined deficit balance of $ 2.9 million, an increase of $ 1.6 million from June 30, 2012. The contributions of each individual fund are:

General Fund

The ending fund balance deficit of the General Fund, the principal operating fund of the School District, increased $ 2,543,647 to a $ 5.0 million deficit at June 30, 2013. 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 December 2011 and subsequently submitted an updated plan in July 2012.

Debt Service Fund

The Debt Service Fund equity balance at June 30, 2013 was $ .5 million, a decrease of $ .7 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, 2010 Capital Projects, 2011 Capital Projects, and Capital Projects are grouped and presented in this category. At June 30, 2013, their combined fund equity balance was $ 1.6 million. The Food Service Fund equity balance at June 30, 2013 was $ 0.8 million, no change from the prior year. The Capital Projects Fund had $ 2,614 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. The 2010 Capital Projects Fund had $ 0.8 million of fund equity at year-end. The 2011 Capital Projects Fund was fully expended at June 30, 2013.

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 2013. (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 2013, it was scheduled to receive $7,491 per pupil from the State of Michigan, no change from the prior year.

The original budget reflected certain assumptions for enrollment, grant funding, staffing and other expenditures. The June 2013 amended (final) budget reflected actual enrollment based on the September 2012 official pupil count and cost reduction actions taken by the Board of Education such as staffing cuts, wage concessions, changes in employee benefits (increase in co-pays and addition of co-insurance) and spending freezes.

The fund balance at June 30, 2013 was a deficit of $ 5.0 million, a $ 2.5 million decrease in the deficit from the prior year. See Required Supplemental Information section of these financial statements for more budget detail. Revenues were $ 1,588,755 less than projected and expenditures and other financing uses were $ 2,651,569 less than projected. Cost containment efforts, the change in employee benefits and a favorable variance in the budget for contingency 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. Nearly 90% 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 2013-2014 budget was adopted in June 2013 just following the adoption of the State Aid Act for the upcoming school year. The budget was based on the estimated enrollment for September 2013 and a foundation allowance of $7,491, reflecting no increase or decrease in the District's foundation grant, therefore maintaining the permanent reduction of $470 incurred in 2011. Once the actual student count and funding levels are known, administration and the Board will need to 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 cannot rely solely on property taxes to fund general operations. As a result, 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 compiled 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. For the first time in a number of years, the district's enrollment gradually began to increase. This had a positive impact on the 2012-2013 State Aid revenues. The preliminary FTE count for 2013-14 indicates a slight enrollment drop of approximately 35 students. Since the district budgeted for an enrollment drop of 65 FTE, the loss of 35 students will not have an adverse impact on the budget.

Due to its deficit situation, the School District is operating under a State approved Deficit Elimination Plan. The plan includes 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 is amended and reapproved each year. It is a five year plan to eliminate the deficit by June 30, 2014. In September 2013 the district appeared in front of the state's 'review board' and 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 now has until June 30, 2015 to alleviate the deficit. Monthly status reports are sent to the State and the plan is 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, 2013

	Governmental Activities
Assets	
Cash	$ 8,075,795
Taxes receivable	7,691
Accounts receivable	59,900
Due from other governmental units	6,270,839
Due from fiduciary funds	111,387
Interest receivable	84,431
Inventory	61,688
Prepaid items	433,880
Capital assets not being depreciated	55,000
Capital assets - net of accumulated depreciation	37,707,356
Total assets	52,867,967
Deferred outflows of resources	
Deferred amount on debt refunding	85,940
Total assets and deferred outflows of resources	52,953,907

See Accompanying Notes to Financial Statements

East Detroit Public Schools
Statement of Net Position
June 30, 2013

	Governmental Activities
Liabilities	
Accounts payable	$ 169,851
State aid anticipation note payable	13,000,000
Line of credit	1,000,000
Due to other governmental units	414,966
Payroll deductions and withholdings	61,535
Accrued expenditures	1,217,431
Accrued salaries payable	3,023,907
Unearned revenue	84,684
Noncurrent liabilities	
Due within one year	3,090,000
Due in more than one year	30,437,641
Total liabilities	52,500,015
Net Position	
Net investment in capital assets	6,639,215
Restricted for:	
Food service	777,571
Debt service	509,875
Unrestricted	(7,472,769)
Total net position	$ 453,892

See Accompanying Notes to Financial Statements

East Detroit Public Schools
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 20,313,839	$ 24,348	$ 3,922,910	$ (16,366,581)
Supporting services	13,968,735	25,243	843,435	(13,100,057)
Food services	2,234,079	70,568	2,189,275	25,764
Community services	15,810	-	-	(15,810)
Interest on long-term debt	1,153,141	-	-	(1,153,141)
Total governmental activities	$ 37,685,604	$ 120,159	$ 6,955,620	(30,609,825)
General revenues				
Property taxes, levied for general purposes				4,324,443
Property taxes, levied for debt service				3,723,281
State aid - unrestricted				25,995,166
Interest and investment earnings				3,114
Other				590,102
Total general revenues				34,636,106
Change in net position				4,026,281
Net position - beginning, as restated				(3,572,389)
Net position - ending				$ 453,892

See Accompanying Notes to Financial Statements

East Detroit Public Schools
Governmental Funds
Balance Sheet
June 30, 2013

	General Fund	Debt Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	$ 5,844,887	$ 61,061	$ 2,169,847	$ 8,075,795
Taxes receivable	7,691	-	-	7,691
Accounts receivable	59,900	-	-	59,900
Due from other funds	326,929	364,383	2,614	693,926
Due from other governmental units	6,175,358	-	95,481	6,270,839
Due from fiduciary funds	111,387	-	-	111,387
Interest receivable	-	84,431	-	84,431
Inventory	47,342	-	14,346	61,688
Prepaid items	433,880	-	-	433,880
Total assets	$ 13,007,374	$ 509,875	$ 2,282,288	$ 15,799,537

See Accompanying Notes to Financial Statements

East Detroit Public Schools
Governmental Funds
Balance Sheet
June 30, 2013

	General Fund	Debt Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities				
Accounts payable	$ 169,851	$ -	$ -	$ 169,851
State aid anticipation note payable	13,000,000	-	-	13,000,000
Line of credit	1,000,000	-	-	1,000,000
Due to other funds	-	-	693,926	693,926
Due to other governmental units	414,966	-	-	414,966
Payroll deductions and withholdings	61,535	-	-	61,535
Accrued expenditures	256,918	-	-	256,918
Accrued salaries payable	3,023,907	-	-	3,023,907
Unearned revenue	82,426	-	2,258	84,684
Total liabilities	18,009,603	-	696,184	18,705,787
Fund Balance				
Non-spendable				
Inventory	47,342	-	14,346	61,688
Prepaid items	433,880	-	-	433,880
Restricted for:				
Food service	-	-	763,225	763,225
Debt service	-	509,875	-	509,875
Capital projects	-	-	805,919	805,919
Assigned- capital projects	-	-	2,614	2,614
Unassigned	(5,483,451)	-	-	(5,483,451)
Total fund balance (deficit)	(5,002,229)	509,875	1,586,104	(2,906,250)
Total liabilities and fund balance	$ 13,007,374	$ 509,875	$ 2,282,288	$ 15,799,537

See Accompanying Notes to Financial Statements

East Detroit Public Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2013

Total fund balances for governmental funds	$ (2,906,250)
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	37,707,356
Deferred outflows of resources resulting from debt refunding	85,940
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(306,129)
Claims and judgments	(654,384)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(82,716)
Bonds payable	(32,015,000)
Other loans payable and liabilities	(1,429,925)
Net position of governmental activities	$ 453,892

See Accompanying Notes to Financial Statements

East Detroit Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013

	General Fund	Debt Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 4,598,700	$ 3,724,688	$ 89,805	$ 8,413,193
State sources	27,492,738	-	61,130	27,553,868
Federal sources	3,118,773	-	2,111,401	5,230,174
Interdistrict sources	514,650	-	-	514,650
Total revenues	35,724,861	3,724,688	2,262,336	41,711,885
Expenditures				
Current				
Education				
Instruction	19,258,897	-	-	19,258,897
Supporting services	13,641,168	-	-	13,641,168
Food services	-	-	2,126,281	2,126,281
Community services	15,071	-	-	15,071
Capital outlay	399,366	-	173,950	573,316
Debt service				
Principal	-	3,095,000	-	3,095,000
Interest and other expenditures	-	1,367,818	-	1,367,818
Total expenditures	33,314,502	4,462,818	2,300,231	40,077,551
Excess (deficiency) of revenues over expenditures	2,410,359	(738,130)	(37,895)	1,634,334

See Accompanying Notes to Financial Statements

East Detroit Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013

	General Fund	Debt Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Transfers in	133,288	-	123,718	257,006
Transfers out	-	-	(257,006)	(257,006)
Total other financing sources (uses)	133,288	-	(133,288)	-
Net change in fund balance	2,543,647	(738,130)	(171,183)	1,634,334
Fund balance (deficit) - beginning	(7,545,876)	1,248,005	1,757,287	(4,540,584)
Fund balance (deficit) - ending	$ (5,002,229)	$ 509,875	$ 1,586,104	$ (2,906,250)

See Accompanying Notes to 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, 2013

Net change in fund balances - Total governmental funds	$	1,634,334
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		(1,776,523)
Capital outlay		627,270
Expenses are recorded when incurred in the statement of activities.		
Interest		25,016
Benefit claims		(368,493)
Compensated absences		258,366
Severance pay		341,650
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 financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources of deferred outflows of resources, which are then amortized in the statement of activities.		
Repayments of long-term debt		3,095,000
Amortization of deferred amount on refunding		(24,539)
Amortization of bond premium (discount)		214,200
Change in net position of governmental activities	$	4,026,281

See Accompanying Notes to Financial Statements

East Detroit Public Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2013

	Agency Funds
Assets	
Cash	$ 516,373
Liabilities	
Accounts payable	$ 1,752
Due to other funds	111,387
Due to agency fund activities	403,234
Total liabilities	$ 516,373

See Accompanying Notes to Financial Statements

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 School District first utilizes restricted resources to finance qualifying activities.

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 allocate indirect costs for the Cafeteria Fund. 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 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.

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

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, 2010 Capital Projects Fund, and the 2011 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. The 2010 and 2011 Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs. The funds are kept open until the purpose for which the fund was created has been accomplished.

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, 2013, the rates are as follows per $1,000 of assessed value.

General Fund	
Non principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	7.00000

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 estimated fair market 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.

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 governmental funds this includes available revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

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.

- 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 consists 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.

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 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 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 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

The Governmental Accounting Standards Board Issued Statements 63 and 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and *Items Previously Reported As Assets and Liabilities,* which the government adopted effective July 1, 2012. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of net position and related disclosures.

Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued *Statements 67, Financial Reporting for Pension Plans and 68 Accounting and Financial Reporting for Pensions*. Statement 67 changes how public employee pension plans calculate and report their total pension liability. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The effect of these changes has not been determined. Statement 67 is effective for the year ending June 30, 2014 and Statement 68 is effective for the year ending June 30, 2015.

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

The School District did not have significant expenditure budget variances.

Compliance Bond Proceeds

The Capital Project Funds include capital project activities funded with bonds issued after May 1, 1994. The following is a summary of the revenue and expenditures in the 2010 and 2011 Capital Project Funds from the inception of the funds through the current fiscal year.

	2010 Building & Site Bonds	
	Current Year	Total
Revenues	$ 124,058	$ 6,845,417
Expenditures	46,879	6,039,498

	2011 Building & Site Bonds	
	Current Year	Total
Revenues	$ 164	$ 7,711,998
Expenditures	250,789	7,711,998

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	$ 8,075,795	$ 516,373	$ 8,592,168

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 7,221,928
Investments in securities, mutual funds, and similar vehicles	1,369,056
Petty cash and cash on hand	1,184
Total	$ 8,592,168

As of year end, the District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund	$ 1,369,056	6 months average	AAAm	Standard and Poor's

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 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 District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, $ 8,366,878 of the District's bank balance of $ 8,866,878 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the district's investments were exposed to custodial credit risk.

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	51,103,572	332,200	-	51,435,772
Site improvements	1,882,936	17,375	-	1,900,311
Equipment and furniture	20,977,983	277,694	3,923,865	17,331,812
Buses and other vehicles	1,069,401	-		1,069,401
Total capital assets being depreciated	75,033,892	627,269	3,923,865	71,737,296
Less accumulated depreciation for				
Buildings and improvements	16,687,669	1,029,327	-	17,716,996
Site improvements	259,051	94,581	-	353,632
Equipment and furniture	18,413,982	608,365	3,923,865	15,098,482
Buses and other vehicles	816,581	44,249	-	860,830
Total accumulated depreciation	36,177,283	1,776,522	3,923,865	34,029,940
Net capital assets being depreciated	38,856,609	(1,149,253)	-	37,707,356
Net capital assets	$ 38,911,609	$ (1,149,253)	$ -	$ 37,762,356

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

Governmental activities	
Instruction	$ 976,384
Support services	691,577
Food services	107,798
Community services	764
Total governmental activities	$ 1,776,523

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
Capital Projects Funds	Capital Projects Fund	$ 2,614
Capital Projects Funds	Debt Retirement Fund	364,383
Capital Projects Funds	General Fund	70,198
Cafeteria Fund	General Fund	256,731
Trust and Agency Fund	General Fund	111,387
		$ 805,313

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 $ 133,288 and between the 2010 and 2011 Capital Projects Funds for $ 123,718 to cover indirect costs of the Food Service Fund and to match expenditures to the proper bond fund, respectively.

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	$ 14,700,000	$ 13,000,000	$ 14,700,000	$ 13,000,000

NOTE 7 - LINE OF CREDIT

The District has a $ 3,000,000 revolving credit arrangement with First State Bank. This line of credit matures in August 2013 and has an interest rate of Prime. As of the year end, the balance was $ 1,000,000.

NOTE 8 - 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	$ 34,360,000	$ -	$ 3,095,000	$ 31,265,000	$ 3,090,000
Unamortized bond premium	964,200	-	214,200	750,000	-
Severance pay	1,771,575	-	341,650	1,429,925	-
Compensated absences	341,082	-	258,366	82,716	-
Total	$ 37,436,857	$ -	$ 3,909,216	$ 33,527,641	$ 3,090,000

For governmental activities, compensated absences and retirement incentives are primarily liquidated by the general fund.

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

2009 Refunding Bonds, $ 14,300,000 due in annual installments of $ 2,465,000 to $ 2,860,000 through May 1, 2016, interest at 5.00%	$	7,985,000
2006 Refunding Bonds, $ 3,925,000 due in annual installments of $ 500,000 to $ 585,000 through May 1, 2016, interest at 3.75% to 5.00%		1,625,000
2009 Building and Site Bonds, $ 8,635,000 due in annual installments of $ 110,000 to $ 530,000 through May 1, 2029, interest at 2.25% to 7.49%		7,235,000
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 5.05% to 6.55%		6,710,000
2011 Building and Site Bonds, $ 7,710,000 due in annual installments of $ 50,000 to $ 4,765,000 starting in May 1, 2015 through May 1, 2026, interest at 6.20% to 6.50%		7,710,000
Total general obligation bonded debt	$	31,265,000

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

Year Ending June 30,	Principal	Interest	Total
2014	$ 3,090,000	$ 1,150,819	$ 4,240,819
2015	3,360,000	998,401	4,358,401
2016	3,605,000	834,119	4,439,119
2017	1,740,000	657,258	2,397,258
2018	1,740,000	614,186	2,354,186
2019-2023	8,850,000	2,377,541	11,227,541
2024-2028	7,370,000	1,083,954	8,453,954
2029-2031	1,510,000	88,388	1,598,388
Total	$ 31,265,000	$ 7,804,666	$ 39,069,666

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of $ 509,875 to pay this debt. Future debt and interest will be payable from future tax levies.

Compensated Absences

Accrued compensated absences at year end, consists of $ 82,716 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 $ 1,429,925.

Interest expenditures for the fiscal year in the Debt Service Fund was $ 1,367,818.

Defeased Debt

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is May 2016. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

1996 Issue refunded	$ 1,600,000
1999 Issue refunded	15,135,000
Total	$ 16,735,000

NOTE 9 - 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 year ended June 30, 2013 were approximately $ 712,050. Estimated liability for the year ended June 30, 2013 is $ 360,855.

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, 2013 and 2012 are $ 293,529 and $ 271,387, respectively.

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

	2013	2012
Estimated liability at the beginning of the year	$ 206,572	$ 316,825
Estimated claims incurred including changes in estimates	3,640,625	3,398,934
Claim payments	(3,553,668)	(3,444,372)
Estimated liability end of year	$ 293,529	$ 271,387

The School District participates in a public entity risk pool through the School Employers Group. With the exception of Workers Compensation 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, 2013.

NOTE 10 - PENSION PLANS AND POST EMPLOYMENT BENEFITS

Plan Description

The School District has a group of defined benefit and defined contribution retirement plans covering substantially all employees. The plans are operated by the State of Michigan's Public School Employees' Retirement System (MPSERS), which is a cost-sharing multiple-employer public employee retirement system (PERS).

The plans provide retirement, survivor and disability benefits to plan members and their beneficiaries.

MPSERS operates within the Michigan Department of Technology, Management and Budget, Office of Retirement Services, under the authority established by the Michigan Public School Employees Retirement Act (Retirement Act), as enacted and amended by the Michigan Legislature. The Michigan Legislature has the authority to amend the Retirement Act. The Michigan Department of Technology, Management and Budget issues a publicly-available financial report that includes financial statements and required supplemental information for MPSERS. The report provides information for the plans as a whole and information helpful for understanding the scale of the information presented relative to the School. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671, calling 800-381-5111 or on the web at http://www.michigan.gov/orsschools.

In 2010 the Michigan legislature created a new Pension Plus plan under MPSERS. All eligible Michigan public school employees who began work on or after July 1, 2010, are enrolled in the Pension Plus plan. The Pension Plus plan includes two components: (a) a defined benefit pension component including an employee contribution, and (b) a defined contribution savings component.

In September 2012, the Michigan legislature enacted additional changes (2012 Retirement Reform) to the Retirement Act, with different aspects becoming effective in late 2012 and early 2013. With these changes MPSERS offers eight retirement plans: Basic, Member Investment Plan (MIP), Basic 4%, MIP 7%, Basic DC Converted, MIP DC Converted, Pension Plus, and the Defined Contribution (DC) plan. Multiple options exist within some of these plans.

Full details on each of these plans are available on the MPSERS website at the address provided above.

Funding Policy

For the defined benefit plans the District is required by state law to contribute to MPSERS an actuarially determined percentage of payroll for all eligible participating employees. The District's actual contributions match the required contributions. Additionally, employees participating in the various defined benefit pension plans contribute the following amounts of their pretax salaries: (a) Member Investment Plan participants contribute 3% to 6.4%; (b) Basic 4% participants contribute 4%; and (c) MIP 7% participants contribute 3.9% to 7%. The following table discloses pertinent information relative to MPSERS defined benefit pension retirement plan funding for the three-year period beginning July 1, 2010 through June 30, 2013.

	2013	2012	2011
Funding percentage range	12.78 - 16.25%	10.66 - 15.96 %	8.63 - 12.16 %
School district defined benefit pension contributions	$ 2,649,912	$ 3,122,406	$ 2,710,159

Defined Contribution Savings Plans

For the Pension Plus savings plan, eligible participants are automatically enrolled and 2% of their pay is withheld and deposited into the account. Participants may elect to not contribute, or may elect to increase their personal contribution up to the annual limits established by the IRS. The District matches 50 percent of the employee contributions into the Pension Plus savings plan, up to 1 percent. Participants opting to not contribute receive no employer matching contribution. Participants in the Basic DC Converted and MIP DC Converted plans receive 4% employer contributions to a tax-deferred 401(k) plan. The Defined Contribution Plan provides a 50% employer match (up to 3% of salary) on employee contributions. Participants in any of these defined contribution options may elect to make contributions to a tax-deferred 457 account up to the maximum amounts permitted by the IRS.

Contributions by the District and participants during the year ended June 30, 2013, were:

	School District	Participants
Contributions to the:		
Pension Plus Savings Plan	$ 207	$ 414
Basic DC Converted and MP DC Converted Plans	2,991	-
Defined Contribution Plan	1,972	3,945
Savings Plan	$ 5,170	$ 4,359

Post Employment Benefits

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

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 2% of their salary, and receives 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.

The District's actual contributions match the required contributions.

The following table discloses pertinent information relative to the District's MPSERS defined benefit post employment benefits funding for the three-year period beginning July 1, 2010 through June 30, 2013.

	2013	2012	2011
Funding percentage range	8.18 - 9.11%	8.50%	6.81 - 8.50 %
School district defined benefit post employment benefit plan contributions	$ 1,587,160	$ 1,994,023	$ 2,155,476

Contributions by the District and participants to the MPSERS defined contribution Personal Healthcare Fund during the year ended June 30, 2013, were:

	School District	Participants
Contributions to the Personal Healthcare Fund	$ 5,496	$ 5,496

Unfunded Accrued Actuarial Liability

During the year ended June 30, 2013, the District had contributions in the amount of $415,067 to the Michigan Public School Employee Retirement System (MPSERS). This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was 4.56% for the year. These contributions are not included in the above tables.

NOTE 11 - 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, 2013.

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 12 - DEFICITS

The General Fund had a deficit fund balance at June 30, 2013, of $ 5,002,229. The deficit decreased by $ 2,543,647 from June 30, 2012. The School District Deficit Elimination Plan was submitted to the State of Michigan and approved on February 16, 2010; updates to the plan have been made as necessary.

Also, the District had an unrestricted net position deficit for District-Wide activities in the amount of $ 7,472,769.

REQUIRED SUPPLEMENTAL INFORMATION

East Detroit Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
Revenues				
Local sources	$ 4,620,238	$ 4,682,895	$ 4,598,700	$ (84,195)
State sources	24,919,334	27,591,015	27,492,738	(98,277)
Federal sources	3,454,428	4,536,994	3,118,773	(1,418,221)
Interdistrict sources	713,000	511,000	514,650	3,650
Total revenues	33,707,000	37,321,904	35,724,861	(1,597,043)
Expenditures				
Instruction				
Basic programs	12,802,254	14,391,117	14,059,093	(332,024)
Added needs	5,221,154	6,312,356	5,199,804	(1,112,552)
Supporting services				
Pupil	2,218,038	2,131,574	2,132,184	610
Instructional staff	1,405,183	2,126,702	1,405,237	(721,465)
General administration	513,969	581,961	552,076	(29,885)
School administration	2,078,184	2,434,228	2,393,380	(40,848)
Business	1,042,506	844,439	823,849	(20,590)
Operations and maintenance	4,393,077	4,277,926	4,046,135	(231,791)
Pupil transportation services	1,127,942	1,283,847	1,264,983	(18,864)
Central	635,261	764,095	678,452	(85,643)
Athletics	341,044	413,765	344,872	(68,893)
Community services	11,468	39,594	15,071	(24,523)
Capital outlay	-	433,360	399,366	(33,994)
Total expenditures	31,790,080	36,034,964	33,314,502	(2,720,462)
Excess (deficiency) of revenues over expenditures	1,916,920	1,286,940	2,410,359	1,123,419

East Detroit Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
Other Financing Sources (Uses)				
Transfers in	150,000	125,000	133,288	8,288
Transfers out	(1,088)	-	-	-
Total other financing sources (uses)	148,912	125,000	133,288	8,288
Net change in fund balance	2,065,832	1,411,940	2,543,647	1,131,707
Fund balance (deficit)- beginning	(7,545,876)	(7,545,876)	(7,545,876)	-
Fund balance (deficit)- ending	$ (5,480,044)	$ (6,133,936)	$ (5,002,229)	$ 1,131,707

OTHER SUPPLEMENTAL INFORMATION

East Detroit Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2013

	Special Revenue Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	Cafeteria	2010 Capital Projects Fund	2011 Capital Projects Fund	Capital Projects Fund	
Assets					
Cash	$ 926,733	$ 904,557	$ 338,557	$ -	$ 2,169,847
Due from other funds	-	-	-	2,614	2,614
Due from other governmental units	95,481	-	-	-	95,481
Inventory	14,346	-	-	-	14,346
Total assets	$ 1,036,560	$ 904,557	$ 338,557	$ 2,614	$ 2,282,288
Liabilities					
Due to other funds	$ 256,731	$ 98,638	$ 338,557	$ -	$ 693,926
Unearned revenue	2,258	-	-	-	2,258
Total liabilities	258,989	98,638	338,557	-	696,184
Fund Balance					
Non-spendable					
Inventory	14,346	-	-	-	14,346
Restricted for:					
Food service	763,225	-	-	-	763,225
Capital projects	-	805,919	-	-	805,919
Assigned	-	-	-	2,614	2,614
Total fund balance	777,571	805,919	-	2,614	1,586,104
Total liabilities and fund balance	$ 1,036,560	$ 904,557	$ 338,557	$ 2,614	$ 2,282,288

East Detroit Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013

	Special Revenue Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	Cafeteria	2010 Capital Projects Fund	2011 Capital Projects Fund	Capital Projects Fund	
Revenues					
Local sources	$ 88,201	$ 340	$ 164	$ 1,100	$ 89,805
State sources	61,130	-	-	-	61,130
Federal sources	2,111,401	-	-	-	2,111,401
Total revenues	2,260,732	340	164	1,100	2,262,336
Expenditures					
Current					
Education					
Food services	2,126,281	-	-	-	2,126,281
Capital outlay	-	46,879	127,071	-	173,950
Total expenditures	2,126,281	46,879	127,071	-	2,300,231
Excess (deficiency) of revenues over expenditures	134,451	(46,539)	(126,907)	1,100	(37,895)
Other Financing Sources (Uses)					
Transfers in	-	123,718	-	-	123,718
Transfers out	(133,288)	-	(123,718)	-	(257,006)
Total other financing sources (uses)	(133,288)	123,718	(123,718)	-	(133,288)
Net change in fund balance	1,163	77,179	(250,625)	1,100	(171,183)
Fund balance - beginning	776,408	728,740	250,625	1,514	1,757,287
Fund balance - ending	$ 777,571	$ 805,919	$ -	$ 2,614	$ 1,586,104

East Detroit Public Schools
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2013

	2013	2012
Assets		
Cash	$ 5,844,887	$ 4,240,030
Taxes receivable	7,691	-
Accounts receivable	59,900	9,353
Due from other funds	438,316	463,403
Due from other governmental units	6,175,358	5,529,693
Inventory	47,342	47,342
Prepaid items	433,880	138,875
Total assets	$ 13,007,374	$ 10,428,696
Liabilities		
Accounts payable	$ 169,851	$ 297,831
State aid anticipation note payable	13,000,000	14,700,000
Line of credit	1,000,000	-
Due to other governmental units	414,966	-
Payroll deductions and withholdings	61,535	8,208
Accrued expenditures	256,918	290,403
Accrued salaries payable	3,023,907	2,637,235
Unearned revenue	82,426	40,895
Total liabilities	18,009,603	17,974,572
Fund Balance		
Non-spendable		
Inventory	47,342	47,342
Prepaid items	433,880	138,875
Unassigned	(5,483,451)	(7,732,093)
Total fund balance (deficit)	(5,002,229)	(7,545,876)
Total liabilities and fund balance	$ 13,007,374	$ 10,428,696

East Detroit Public Schools
Other Supplemental Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue from local sources				
Property tax levy	$ 4,290,686	$ 4,451,230	$ 4,416,133	$ (35,097)
Tuition	98,690	40,000	24,348	(15,652)
Earnings on investments	3,000	3,000	314	(2,686)
Student activities	40,483	39,894	26,368	(13,526)
Other local revenues	187,379	148,771	131,537	(17,234)
Total revenues from local sources	4,620,238	4,682,895	4,598,700	(84,195)
Revenues from state sources				
Grants - unrestricted	24,161,898	26,476,367	26,430,445	(45,922)
Grants - restricted	757,436	1,114,648	1,062,293	(52,355)
Total revenues from state sources	24,919,334	27,591,015	27,492,738	(98,277)
Revenues from federal sources				
Grants	3,454,428	4,536,994	3,118,773	(1,418,221)
Total revenues from federal sources	3,454,428	4,536,994	3,118,773	(1,418,221)
Interdistrict sources				
ISD collected millage	538,000	150,000	150,000	-
Other	175,000	361,000	364,650	3,650
Total interdistrict sources	713,000	511,000	514,650	3,650
Other financing sources				
Transfers in	150,000	125,000	133,288	8,288
Total other financing sources	150,000	125,000	133,288	8,288
Total revenue and other financing sources	$ 33,857,000	$ 37,446,904	$ 35,858,149	$ (1,588,755)

East Detroit Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary				
Salaries	$ 3,733,301	$ 3,511,717	$ 3,563,808	$ 52,091
Employee benefits	2,334,635	2,061,894	1,893,043	(168,851)
Purchased services	144,717	176,857	177,528	671
Supplies and materials	189,273	154,014	128,071	(25,943)
Other	94	-	-	-
Total elementary	6,402,020	5,904,482	5,762,450	(142,032)
Basic program - middle school				
Salaries	1,268,757	2,037,011	2,056,364	19,353
Employee benefits	418,738	1,204,666	1,084,086	(120,580)
Purchased services	65,827	76,157	93,034	16,877
Supplies and materials	12,032	12,146	11,673	(473)
Other	33	33	-	(33)
Total middle school	1,765,387	3,330,013	3,245,157	(84,856)
Basic program - high school				
Salaries	2,519,454	2,928,688	2,933,997	5,309
Employee benefits	1,537,326	1,718,047	1,591,695	(126,352)
Purchased services	136,926	138,276	138,380	104
Supplies and materials	61,515	56,971	50,585	(6,386)
Other	251,791	187,207	224,828	37,621
Total high school	4,507,012	5,029,189	4,939,485	(89,704)

East Detroit Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - pre-school				
Salaries	61,326	59,593	58,409	(1,184)
Employee benefits	38,709	40,695	33,925	(6,770)
Purchased services	850	1,250	837	(413)
Supplies and materials	6,130	4,978	838	(4,140)
Other	415	-	-	-
Total pre-school	107,430	106,516	94,009	(12,507)
Basic program - summer school				
Salaries	15,390	15,390	13,279	(2,111)
Employee benefits	4,467	4,979	4,228	(751)
Purchased services	100	100	-	(100)
Supplies and materials	448	448	485	37
Total summer school	20,405	20,917	17,992	(2,925)
Added needs - special education				
Salaries	1,458,562	2,095,245	1,990,265	(104,980)
Employee benefits	853,274	1,243,335	1,023,495	(219,840)
Purchased services	77,401	80,529	63,222	(17,307)
Supplies and materials	12,567	8,963	3,605	(5,358)
Other	47	-	-	-
Total special education	2,401,851	3,428,072	3,080,587	(347,485)

East Detroit Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Added needs - compensatory education				
Salaries	1,475,245	1,599,487	1,282,287	(317,200)
Employee benefits	876,746	941,208	636,773	(304,435)
Purchased services	131,811	55,481	29,444	(26,037)
Supplies and materials	230,105	226,816	115,887	(110,929)
Other	2,207	-	255	255
Total compensatory education	2,716,114	2,822,992	2,064,646	(758,346)
Added needs - career and technical education				
Salaries	26,250	21,941	21,599	(342)
Employee benefits	37,421	24,729	22,026	(2,703)
Purchased services	3,589	2,578	3,227	649
Supplies and materials	32,851	11,790	7,719	(4,071)
Other	3,078	254	-	(254)
Total career and technical education	103,189	61,292	54,571	(6,721)

East Detroit Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - truancy/absenteeism services				
Supplies and materials	120	20	-	(20)
Pupil - guidance services				
Salaries	426,846	463,275	465,178	1,903
Employee benefits	270,920	232,890	217,410	(15,480)
Purchased services	-	193	-	(193)
Supplies and materials	32,061	-	-	-
Total guidance services	729,827	696,358	682,588	(13,770)
Pupil - psychological services				
Salaries	165,334	182,958	183,189	231
Employee benefits	102,114	103,258	94,172	(9,086)
Purchased services	70	-	-	-
Supplies and materials	1,563	1,563	754	(809)
Total psychological services	269,081	287,779	278,115	(9,664)

East Detroit Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - speech services				
Salaries	323,225	339,420	339,418	(2)
Employee benefits	190,246	170,463	156,809	(13,654)
Purchased services	343	-	-	-
Supplies and materials	6,742	6,442	6,362	(80)
Total speech services	520,556	516,325	502,589	(13,736)
Pupil - social work services				
Salaries	253,903	260,295	260,277	(18)
Employee benefits	212,707	154,482	141,904	(12,578)
Purchased services	229	-	-	-
Supplies and materials	472	172	160	(12)
Total social work services	467,311	414,949	402,341	(12,608)
Pupil - teacher consultant				
Salaries	11,296	-	-	-
Employee benefits	4,896	1,192	-	(1,192)
Total teacher consultant	16,192	1,192	-	(1,192)

East Detroit Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - other support services				
Purchased services	214,951	214,951	266,551	51,600
Instructional staff - improvement of education				
Salaries	86,617	226,704	153,257	(73,447)
Employee benefits	104,877	96,385	53,836	(42,549)
Purchased services	70,919	255,188	132,076	(123,112)
Supplies and materials	24,262	25,358	12,087	(13,271)
Other	4,628	5,370	5,363	(7)
Total improvement of education	291,303	609,005	356,619	(252,386)
Instructional staff - educational media services				
Salaries	172,756	124,278	124,268	(10)
Employee benefits	135,616	65,981	57,153	(8,828)
Purchased services	3,133	3,133	2,060	(1,073)
Supplies and materials	3,502	3,176	3,127	(49)
Total educational media services	315,007	196,568	186,608	(9,960)
Instructional staff - educational television				
Purchased services	5,000	4,500	1,298	(3,202)

East Detroit Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - technology assisted instruction				
Salaries	139,398	142,639	142,639	-
Employee benefits	100,186	72,129	69,188	(2,941)
Purchased services	2,892	133,174	86,659	(46,515)
Supplies and materials	201,752	342,130	68,814	(273,316)
Other	419	419	129	(290)
Total technology assisted instruction	444,647	690,491	367,429	(323,062)
Instructional staff - supervision and direction of instructional staff				
Salaries	201,207	323,119	270,727	(52,392)
Employee benefits	142,765	171,873	141,535	(30,338)
Purchased services	2,158	89,464	78,849	(10,615)
Supplies and materials	2,627	3,116	2,092	(1,024)
Other	469	166	80	(86)
Total supervision and direction of instructional staff	349,226	587,738	493,283	(94,455)
Instructional staff - academic student assessment				
Purchased services	-	38,400	-	(38,400)
General administration - board of education				
Salaries	8,400	21,000	21,000	-
Purchased services	212,403	234,053	208,243	(25,810)
Supplies and materials	4,859	4,434	2,539	(1,895)
Other	7,000	2,000	8,386	6,386
Total board of education	232,662	261,487	240,168	(21,319)

East Detroit Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
General administration - executive administration				
Salaries	160,445	206,312	210,419	4,107
Employee benefits	99,817	93,542	87,808	(5,734)
Supplies and materials	4,604	4,159	3,401	(758)
Other	16,441	16,461	10,280	(6,181)
Total executive administration	281,307	320,474	311,908	(8,566)
School administration - office of the principal				
Salaries	1,238,537	1,508,998	1,516,676	7,678
Employee benefits	771,034	843,683	766,836	(76,847)
Purchased services	47,289	59,244	77,097	17,853
Supplies and materials	10,547	11,526	23,526	12,000
Total office of the principal	2,067,407	2,423,451	2,384,135	(39,316)
School administration - other				
Supplies and materials	10,777	10,777	9,245	(1,532)
Business - fiscal services				
Salaries	37,865	23,752	23,751	(1)
Employee benefits	32,495	8,034	8,033	(1)
Purchased services	275,933	345,241	341,914	(3,327)
Supplies and materials	3,320	3,320	3,227	(93)
Other	59,521	47,594	46,042	(1,552)
Total fiscal services	409,134	427,941	422,967	(4,974)

East Detroit Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Business - internal services				
Purchased services	45,040	32,236	22,533	(9,703)
Business - other				
Purchased services	58,453	4,980	4,980	-
Other	529,879	379,282	373,369	(5,913)
Total other business	588,332	384,262	378,349	(5,913)
Operations and maintenance - operating building services				
Salaries	1,351,043	1,399,558	1,421,473	21,915
Employee benefits	1,212,614	1,107,776	906,590	(201,186)
Purchased services	501,188	642,602	607,386	(35,216)
Supplies and materials	1,083,002	850,899	862,208	11,309
Other	7,286	5,836	883	(4,953)
Total operating building services	4,155,133	4,006,671	3,798,540	(208,131)
Operations and maintenance - security services				
Salaries	14,179	(5,651)	18,792	24,443
Employee benefits	4,348	5,651	5,636	(15)
Purchased services	219,417	271,255	223,167	(48,088)
Total security services	237,944	271,255	247,595	(23,660)

East Detroit Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil transportation services				
Salaries	33,715	26,184	25,477	(707)
Employee benefits	41,242	14,871	13,367	(1,504)
Purchased services	942,270	1,113,577	1,113,736	159
Supplies and materials	110,715	129,215	112,154	(17,061)
Other	-	-	249	249
Total transportation services	1,127,942	1,283,847	1,264,983	(18,864)
Central - communication services				
Purchased services	95,000	95,000	96,352	1,352
Central - staff/personnel services				
Salaries	148,456	162,008	154,022	(7,986)
Employee benefits	95,762	143,346	126,332	(17,014)
Purchased services	78,139	139,833	115,483	(24,350)
Supplies and materials	5,729	4,129	3,146	(983)
Other	1,000	1,000	215	(785)
Total staff/personnel services	329,086	450,316	399,198	(51,118)
Central - support services technology				
Salaries	240	-	-	-
Employee benefits	70	-	-	-
Purchased services	122,795	122,795	92,419	(30,376)
Supplies and materials	5,000	5,000	1,323	(3,677)
Total support services technology	128,105	127,795	93,742	(34,053)

East Detroit Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Central - pupil accounting				
Salaries	50,168	55,884	57,264	1,380
Employee benefits	32,902	35,100	31,896	(3,204)
Total pupil accounting	83,070	90,984	89,160	(1,824)
Athletics				
Salaries	132,475	133,735	133,172	(563)
Employee benefits	94,671	116,783	113,258	(3,525)
Purchased services	49,339	120,276	72,350	(47,926)
Supplies and materials	22,927	29,113	18,378	(10,735)
Capital outlay	23,849	752	751	(1)
Other	17,783	13,106	6,963	(6,143)
Total athletics	341,044	413,765	344,872	(68,893)
Community services - community activities				
Salaries	2,225	5,690	5,206	(484)
Employee benefits	1,008	2,334	1,469	(865)
Purchased services	2,525	7,955	400	(7,555)
Supplies and materials	5,710	16,141	6,246	(9,895)
Total community activities	11,468	32,120	13,321	(18,799)

East Detroit Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Community services - non-public school pupils				
Purchased services	-	6,474	1,455	(5,019)
Supplies and materials	-	1,000	295	(705)
Total non-public school pupils	-	7,474	1,750	(5,724)
Capital outlay				
Operations and maintenance - operating building services	-	20,000	4,895	(15,105)
Central - support services technology	-	13,360	-	(13,360)
Facilities acquisition	-	400,000	394,471	(5,529)
Total capital outlay	-	433,360	399,366	(33,994)
Other financing uses				
Transfers out	1,088	-	-	-
Total expenditures and financing uses	$ 31,791,168	$ 36,034,964	$ 33,314,502	$ (2,651,569)

East Detroit Public Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2013

Year Ending June 30,	2006 Refunding	2009 Building & Site	2009 Refunding	2010 Building & Site	2011 Building & Site	Total
2014	$ 500,000	$ 125,000	$ 2,465,000	$ -	$ -	$ 3,090,000
2015	540,000	110,000	2,660,000	-	50,000	3,360,000
2016	585,000	110,000	2,860,000	-	50,000	3,605,000
2017	-	530,000	-	450,000	760,000	1,740,000
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	$ 1,625,000	$ 7,235,000	$ 7,985,000	$ 6,710,000	$ 7,710,000	$ 31,265,000
Principal payments due the first day of	May	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	May and November	
Interest rate	3.75% - 5.00%	2.25% - 7.49%	5.00%	5.05% - 6.55%	6.20% - 6.50%	
Original issue	$ 3,925,000	$ 8,635,000	$ 14,300,000	$ 6,710,000	$ 7,710,000	

East Detroit Public Schools

Eastpointe, Michigan

Single Audit

June 30, 2013

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

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

We have audited, in accordance with the 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise East Detroit Public Schools' basic financial statements, and have issued our report thereon dated November 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Detroit Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Detroit Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of East Detroit Public Schools' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness 2013-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Detroit Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-001.

East Detroit Public Schools' Response to Findings

East Detroit Public Schools' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. East Detroit Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Flint, Michigan
November 5, 2013

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Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited East Detroit Public Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of East Detroit Public Schools' major federal programs for the year ended June 30, 2013. East Detroit Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of East Detroit Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Detroit Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of East Detroit Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, East Detroit Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of East Detroit Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered East Detroit Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Detroit Public Schools' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the 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, 2013, and the related notes to the financial statements, which collectively comprise East Detroit Public Schools' basic financial statements. We issued our report thereon dated November 5, 2013 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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 information has been subjected to the auditing procedures applied in the audit of the 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 them-selves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Flint, Michigan
November 5, 2013

East Detroit Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

	Federal CFDA Number	Pass-Through Grantor's Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Deferred) Revenue at July 1, 2012	Prior Year Expenditures	Adjustments	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Deferred) Revenue at June 30, 2013
U.S. Department of Agriculture									
Passed through Michigan									
Department of Education									
Nutrition Cluster									
Non-Cash Assistance	10.555								
Entitlement Commodities		12-13	$ 117,321	$ -	$ -	$ -	$ 117,321	117,321	$ -
Total Non-Cash Assistance			117,321	-	-	-	117,321	117,321	-
Cash Assistance									
School Breakfast Program	10.553	121970	560,394	28,579	496,377	-	92,596	64,017	-
		131970	561,535	-	-	-	533,387	561,535	28,148
			1,121,929	28,579	496,377	-	625,983	625,552	28,148
National School Lunch Program	10.555								
		121960	1,059,178	43,191	921,706	-	180,663	137,472	-
		131960	1,207,231	-	-	-	1,143,711	1,207,231	63,520
			2,266,409	43,191	921,706	-	1,324,374	1,344,703	63,520
Summer Food Service Program for Children	10.559								
		120900	22,995	4,856	4,856	-	22,995	18,139	-
		121900	2,374	501	501	-	2,374	1,873	-
		130900	3,453	-	-	-	-	3,453	3,453
		131900	360	-	-	-	-	360	360
			29,182	5,357	5,357	-	- 25,369	23,825	3,813
Total Cash Assistance			3,417,520	77,127	1,423,440	-	1,975,726	1,994,080	95,481
Total Nutrition Cluster			3,534,841	77,127	1,423,440	-	2,093,047	2,111,401	95,481
Total U.S. Department of Agriculture			3,534,841	77,127	1,423,440	-	2,093,047	2,111,401	95,481
Department of Labor									
Passed Through Intermediate									
School District									
WIA Youth Regular	17.259	725	58,702	17,392	51,770	-	17,392	-	-
		774	3,113	-	-	-	3,113	3,113	-
		775	61,149	-	-	-	40,469	59,366	18,897
			122,964	17,392	51,770	-	60,974	62,479	18,897
Total U.S. Department of Labor			122,964	17,392	51,770	-	60,974	62,479	18,897

See accompanying notes to Schedule of Expenditures of Federal Awards

(continued)

East Detroit Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

	Federal CFDA Number	Pass-Through Grantor's Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Deferred) Revenue at July 1, 2012	Prior Year Expenditures	Adjustments	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Deferred) Revenue at June 30, 2013
Department of Education									
Special Education Cluster									
Passed Through Intermediate									
School District									
IDEA Flowthrough	84.027	120450-1112	$ 1,060,236	$ 404,751	$ 1,060,236	$ -	$ 404,751	$ -	$ -
		130450-1213	1,529,389	-	-	-	1,051,574	1,529,389	477,815
			2,589,625	404,751	1,060,236	-	1,456,325	1,529,389	477,815
IDEA Preschool Incentive	84.173	120460-1112	22,011	8,489	22,012	(1) (1)	8,488	-	-
		130460-1213	22,040	-	-	-	16,358	22,040	5,682
			44,051	8,489	22,012	(1)	24,846	22,040	5,682
Total Special Education Cluster			2,633,676	413,240	1,082,248	(1)	1,481,171	1,551,429	483,497
Title I									
Passed through Michigan									
Department of Education									
Title I - Part A Grants	84.010	121530-1112	2,153,860	276,368	1,413,280	-	499,050	222,682	-
		131530-1213	2,154,217	-	-	-	748,085	986,855	238,770
			4,308,077	276,368	1,413,280	-	1,247,135	1,209,537	238,770
Title I-Part A Schoolwide Program Planning	84.010	131520-1213	12,000	-	-	-	2,265	6,457	4,192
			12,000	-	-	-	2,265	6,457	4,192
Total Title I			4,320,077	276,368	1,413,280	-	1,249,400	1,215,994	242,962
Passed through Michigan									
Department of Education									
Teacher/Principal Training & Recruiting	84.367	120520-1112	607,765	50,898	346,251	1,241 (2)	120,216	68,077	-
		130520-1213	462,903	-	-	-	125,914	199,553	73,639
			1,070,668	50,898	346,251	1,241	246,130	267,630	73,639

See accompanying notes to Schedule of Expenditures of Federal Awards

(continued)

East Detroit Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

	Federal CFDA Number	Pass-Through Grantor's Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Deferred) Revenue at July 1, 2012	Prior Year Expenditures	Adjustments	Current Year Cash Payments/ In Kind Received	Current Year Expenditures	Inventory/ Accrued (Deferred) Revenue at June 30, 2013
Passed Through Intermediate School District									
Vocational Education	84.048	133520-13121	$ 20,000	-	-	-	-	$ 20,000	$ 20,000
			20,000	-	-	-	-	20,000	20,000
Total U.S. Department of Education			8,044,421	740,506	2,841,779	1,240	2,976,701	3,055,053	820,098
Total Federal Programs			$ 11,702,226	$ 835,025	$ 4,316,989	$ 1,240	$ 5,130,722	$ 5,228,933	$ 934,476

See accompanying notes to Schedule of Expenditures of Federal Awards

East Detroit Public Schools
Schedule of Reconciliation of Revenues with Expenditures of Federal Awards
June 30, 2013

Revenue from federal sources - per basic financial statements - all funds	$ 5,230,174
Various adjustments to prior year's accounts receivable (see notes to Schedule of Expenditures of Federal Awards)	(1,241)
Federal expenditures per Schedule of Expenditures of Federal Awards	$ 5,228,933

East Detroit Public Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2013

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.

2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2013.

3. The federal amounts reported on the Grant Auditor Report (GAR) are in agreement with the Schedule of Expenditures of Federal Awards with the exception of the following payments received by the District in July 2013, but included in the GAR at June 30, 2013: $28,148 from grant 131970, CFDA 10.553 and $53,329 from grant 131960, CFDA 10.555.

4. The federal amounts reported on the Macomb Intermediate School District's Schedule of Federal Financial Assistance are in agreement with the Schedule of Expenditures of Federal Awards with the exception of the following payments received by the District in July 2013, but included in the above schedule at June 30, 2013: $6,315 from grant 775, CFDA 17.259 and the District included a receipt in the amount of $492 for grant 775, CFDA 17.259, which was not included in the above schedule.

5. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.

6. The financial statements federal revenues exceed the total expenditures for Federal Awards by $1,241. (See Schedule of Reconciliation of Revenues with Expenditures of Federal Awards).

7. The adjustment column includes:
   (1) Rounding adjustment
   (2) Adjustment due to expenditures not recorded in the Schedule of Expenditures in prior years

East Detroit Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Type of auditors' report issued:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?	X	Yes		No
• Significant Deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None reported
Noncompliance material to financial statements noted?	X	Yes		No
Federal Awards				
Internal control over major programs:				
• Material weakness(es) identified?		Yes	X	No
• Significant Deficiency(ies) identified that are not considered to be material weakness(es)?		Yes	X	No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?		Yes	X	No

East Detroit Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Identification of major programs:

CFDA Numbers	*Name of Federal Program*
10.555/10.553/10.559	Nutrition Cluster
84.010	Title I

Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee: _____ Yes ___X___ No

East Detroit Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II - Financial Statement Findings

Finding 2013-001 Material Weakness, Noncompliance

Criteria – Section 102 of the State Aid Act does not allow for districts receiving funds under the act to adopt or operate under a deficit budget.

Condition – The Board of Education adopted a final amended budget that decreased the deficit for the 2013 fiscal year; however, the District was still in a deficit condition at year end.

Context – The District continues to operate in a deficit position.

Cause/Effect – The district is still in a deficit condition.

Recommendation – We recommend that District continues working towards eliminating the deficit and following it's deficit elimination plan.

Management's Response – see correction action plan at end of report.

2013-001 Finding was a repeat finding (included in 2012, 2011, 2010, and 2009)

Section III - Federal Award Findings and Questioned Costs

No matters were noted

East Detroit Public Schools
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2013

Finding 2012-1 Material Weakness, Noncompliance

Criteria – Section 102 of the State Aid Act does not allow for districts receiving funds under the act for to adopt or operate under a deficit budget.

Condition – The Board of Education adopted a budget that increased the deficit for the 2012 fiscal year, which is a violation of Michigan state law.

Context – The District continues to operate in a deficit position.

Cause/Effect – The district is not working toward eliminating the deficit in the general fund.

Recommendation – We recommend that budgets should be balanced before adopted.

See 2012-1 Finding, above is a repeat finding in the current year.

EAST DETROIT PUBLIC SCHOOLS / *ADMINISTRATIVE CENTER*

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EASTPOINTE, MI 48021

Joanne Lelekatch
Superintendent

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jlelekatch@eds.misd.net

November 4, 2013

Michigan Department of Education
PO Box 30008
Lansing, MI 48909

East Detroit Public Schools submits the following corrective action plan for the year ended June 30, 2013.

2013-1 Material Weakness, Noncompliance

Finding: The Board of Education adopted a final amended budget that decreased the deficit for the 2013 fiscal year; however, the District was still in a deficit condition at year-end.

Corrective Action

The Board of Education of East Detroit Public Schools has reported the District's deficit condition to the State of Michigan and has completed a Deficit Elimination Plan with the State of Michigan. The District's 2013-2014 budget decreases the fund deficit and complies with the latest Deficit Elimination Plan.

Sincerely,

Joanne C. Lelekatch

Joanne Lelekatch
Superintendent

YEO & YEO
CPAs & Business Consultants

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November 5, 2013

Management and the Board of Education
East Detroit Public Schools
Eastpointe, Michigan

We have completed our audit of the financial statements of East Detroit Public Schools as of and for the year ended June 30, 2013, and have issued our report dated November 5, 2013. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Other Comments

We discussed these matters with various personnel in the District during the audit. We will meet with you on November 11, 2013 to discuss these matters.

These communications are intended solely for the information and use of management, the Board of Education, and others within the District, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.
Flint, Michigan

Appendix I
Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and OMB Circular A-133 as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 7, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies are described in Note 1 of the financial statements. The District has adopted Government Accounting Standards *Statement No. 63*, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position,* and No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. We noted no transactions entered into by the District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the East Detroit Public Schools financial statements were:

(1) Management's estimate of the useful lives of fixed assets, which is based on the length of time management believes those assets will provide some economic benefit in the future.
(2) The calculation of compensated absences, which is based on the number of accumulated days of paid leave for each employee, current rates of pay, and current policies regarding payment of accumulated leave time.
(3) Incurred but not reported health, vision, and dental insurance claims are based on historical data and information from the insurance provider.

Disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were more than trivial.

There were no uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report we had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplemental Information

With respect to the required supplemental information accompanying the financial statements, which includes management's discussion and analysis and budgetary comparison information, we 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.

Report on Other Supplemental Information

With respect to the supplemental information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplemental information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Appendix II

Other Comments

In planning and performing our audit of the financial statements of East Detroit Public Schools as of and for the year ended June 30, 2013, we considered East Detroit Public Schools's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of an issue that is a potential opportunity for additional revenue. This letter does not affect our report dated November 5, 2013, on the financial statements of East Detroit Public Schools. Our comment and recommendation regarding the matter is:

The District became eligible for an extra six cent reimbursement per meal beginning October 1, 2012, but did not timely apply for the full amount of reimbursement available. We recommend such opportunities for additional revenue be taken advantage of in a timely manner in the future.