

DEXTER COMMUNITY SCHOOLS

REPORT ON FINANCIAL STATEMENTS  
(with required supplementary and additional  
supplementary information)

JUNE 30, 2014

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November 4, 2014

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Dexter Community Schools

### 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 Dexter Community Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dexter Community Schools, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dexter Community Schools basic financial statements. The additional supplementary information, as identified in the table of contents, and schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2014, on our consideration of the Dexter Community 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 Dexter Community Schools' internal control over financial reporting and compliance.



LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**DEXTER COMMUNITY SCHOOLS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

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As administration of Dexter Community Schools, Counties of Washtenaw and Livingston, State of Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014.

**Financial Highlights**

- \* The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$14,829,747 (net position). Of this amount, \$4,605,201 (unrestricted net position) may be used to meet the District's ongoing obligations to taxpayers, students, and creditors.
- \* The District's total net position increased by \$113,454. The increase was primarily due to increased operating revenues and decreased operating costs.
- \* The general fund had a decrease in fund balance of \$390,103. At the end of the year, unassigned fund balance for the general fund was \$1,352,271, or 4%, of total general fund expenditures. Total fund balance for the general fund was \$6,183,340, or 18%, of total general fund expenditures.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The District-Wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District's most significant funds - the General Fund, Debt Retirement Fund, and the Capital Projects Fund. All other funds are presented in one column as non-major funds.

**Reporting the District as a Whole**

**The Statement of Net Position and Statement of Activities** - One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations. However, the School District's goal is to provide services to our students, not to generate profits as private-sector corporations do. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The statement of net position and the statement of activities present information about the following:

**Governmental Activities** - All of the District's basic services are considered to be governmental activities, including instruction, support services, community services, food services, and transfers to other local districts. Property taxes, intergovernmental revenues (unrestricted and restricted State Aid), and charges for services finance most of these activities. These two statements report the District's net position and changes therein. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the District.

The government-wide financial statements can be found on pages 1 - 2 of this report.

**DEXTER COMMUNITY SCHOOLS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

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### **Reporting the District's Most Significant Funds**

**Fund Financial Statements** - The fund financial statements provide detailed information about the most significant funds - not the District as a whole. The fund financial statements begin on page 3 and provide detailed information about the most significant funds. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The District's two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the notes to the financial statements. In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**Governmental Funds** - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 3 and 4 of this report.

**Fiduciary Funds** - The District is the fiduciary for various student group activities. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets.

The basic fiduciary fund financial statement can be found on page 5 of this report.

**Additional Information** - The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 6 - 24 of this report.

**DEXTER COMMUNITY SCHOOLS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

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**SUMMARY OF NET POSITION:**

The following summarizes the net position at the fiscal years ended June 30, 2014 and 2013:

<b><u>NET POSITION SUMMARY</u></b>		
	2014	2013
<b>ASSETS</b>		
Current Assets	\$19,628,894	\$22,147,412
Non-Current Assets	<u>108,683,586</u>	<u>110,658,256</u>
<b>TOTAL ASSETS</b>	<b>\$128,312,480</b>	<b>\$132,805,668</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charge on Refunding	465,176	585,888
<b>LIABILITIES</b>		
Current Liabilities	8,065,503	7,450,738
Non-Current Liabilities	<u>105,882,406</u>	<u>111,224,525</u>
Total Liabilities	<b>\$113,947,909</b>	<b>\$118,675,263</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	4,531,600	1,300,113
Restricted	5,692,946	8,394,039
Unrestricted	<u>4,605,201</u>	<u>5,022,141</u>
<b>TOTAL NET POSITION</b>	<b><u>\$14,829,747</u></b>	<b><u>\$14,716,293</u></b>

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The net position differs from fund balances and a reconciliation appears on page 3.

By far the largest portion of the District's net position reflects its investment in capital assets, and capital projects (i.e. land, buildings, vehicles, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position, \$5,692,946, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, these amounts are restricted for debt service, food service, and capital projects. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. The remaining balance of unrestricted net position \$4,605,201, may be used to meet the government's ongoing obligations to citizens and creditors.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see table above), which shows the changes in net position for fiscal year 2014.

**DEXTER COMMUNITY SCHOOLS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

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**RESULTS OF OPERATIONS:**

For the fiscal years ended June 30, 2014 and 2013, the District wide results of operations were:

	2014	2013
<b><u>REVENUES</u></b>		
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$2,506,680	\$2,513,541
Operating Grants	4,710,334	4,048,243
General Revenues		
Property Taxes	13,410,088	13,200,786
Grants and State Aid	22,312,960	22,607,398
Intermediate Sources	2,833,025	2,569,454
Other	284,164	303,481
Total Revenues	<u>\$46,057,251</u>	<u>\$45,242,903</u>
<b><u>EXPENSES</u></b>		
Instruction	23,508,679	24,232,477
Support Services	14,538,783	14,253,497
Community Services	2,090,107	1,947,235
Food Service	1,513,788	1,496,421
Interest on Long-Term Debt	4,292,440	4,492,031
Bond Issuance Costs	0	321,726
Total Expenses	<u>\$45,943,797</u>	<u>\$46,743,387</u>
<b><u>INCREASE (DECREASE) IN NET POSITION</u></b>	\$113,454	(\$1,500,484)
<b><u>NET POSITION - BEGINNING OF YEAR</u></b>	<u>14,716,293</u>	<u>16,216,777</u>
<b><u>NET POSITION - END OF YEAR</u></b>	<u>\$14,829,747</u>	<u>\$14,716,293</u>

The District's net position increased by \$113,454 during the current fiscal year. The increase in net position differs from the change in fund balances and a reconciliation appears on page 4.

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

**DEXTER COMMUNITY SCHOOLS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

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**General Fund Budgeting and Operating Highlights**

The School District's budgets are prepared according to Michigan law. The most significant budgeted funds are the General Fund and Debt Retirement Fund.

During the fiscal year ended June 30, 2014, the School District amended the budget of the General Fund twice. State law requires that the budget be amended to ensure that expenditures do not exceed appropriation. A schedule showing the School District's general fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The general fund actual revenue and other financing sources was \$33,470,764. That amount is less than the amended budget estimate of \$33,745,346. The variance was \$274,582, or less than 1%.

The actual expenditures and other financing uses of the general fund were \$33,860,867, which is below the amended budget estimate of \$35,419,452. The variance was \$1,558,585, or 4% favorable to the final amended budget. The variance was due to teaching supply expenditures deferred to the following school year, special education services required were less than anticipated, actual health benefit costs were below projected costs in the self-funded health benefits plan, temporary vacancies in instructional positions, and temporary vacancies in non-instructional positions.

The general fund had total revenues of \$33,470,764 and total expenditures of \$33,860,867 with a net reduction in fund balance of \$390,103 and an ending fund balance of \$6,183,340.

**Capital Asset and Debt Administration**

A. **Capital Assets**

The district's net investment in capital assets decreased by \$1,974,670 during the fiscal year. This can be summarized as follows:

	Balance Beginning	Additions	Deductions	Balance Ending
Capital Assets	\$159,867,459	\$2,867,890	\$0	\$162,735,349
Less: Accumulated Depreciation	(49,209,203)	(4,842,560)	0	(54,051,763)
<b><u>Net Investment Capital Assets</u></b>	<b><u>\$110,658,256</u></b>	<b><u>(\$1,974,670)</u></b>	<b><u>\$0</u></b>	<b><u>\$108,683,586</u></b>

Significant additions were the purchase of school buses and architectural and construction costs for the remodel and construction of existing sites and schools buildings. The current year additions were primarily funded with funds from the Capital Projects Fund.

**DEXTER COMMUNITY SCHOOLS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

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**Capital Asset and Debt Administration** (Continued)

B. **Debt, Principal Payments**

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance Beginning	Additions	Deductions	Principal Balance Ending
General Obligation Bonds	\$101,270,000	\$0	\$10,610,000	\$90,660,000
Unamortized Bond Premium	2,526,756	0	355,343	2,171,413
School Bond Loan Fund	6,147,275	5,638,474	0	11,785,749
Compensated Absences	1,280,494	0	15,250	1,265,244
<b>Total Long-Term Debt</b>	<b>\$111,224,525</b>	<b>\$5,638,474</b>	<b>\$10,980,593</b>	<b>\$105,882,406</b>

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements as they become due. The School is required to begin repaying the debt at the point where the School District's State Taxable Valuation times its levy will be in excess of its interest and principal requirements. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of \$282,868 has been assessed for the year ended June 30, 2014, and is included in the amount owing the State at that date. The balance payable at June 30, 2014 was \$11,785,749. These bonds were partially refunded with the proceeds from the 2012 Series B Refunding Bonds.

The District's total long-term debt decreased by \$5,342,119 during the current fiscal year.

State statutes limit the amount of general obligation debt that a School District may issue to 15 percent of its total assessed valuation (Taxable Value). The current debt limitation for Dexter Community Schools is significantly in excess of the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 8 on pages 15 - 17 of this report.

**DEXTER COMMUNITY SCHOOLS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

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**Economic Factors and Next Year's Budgets and Rates**

On March 15, 1994, the electors of the State of Michigan approved a ballot proposition to amend the State Constitution of 1963, in part, to increase the state sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in order to reduce reliance on local property taxes for school operating purposes and to equalize the per pupil finance resource disparities among school districts. The State aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation guarantee beginning in fiscal year 1994-1995. The Legislature has appropriated funds to establish a foundation guarantee in 2013-2014 of \$7,519 per pupil for Dexter Community Schools, based upon the District's 1993-1994 revenue. In following years the foundation guarantee may be adjusted by an index based upon the change in revenues to the state school aid fund and change in the total number of pupils statewide and the spread between the high and low pupil guarantee will be reduced. The foundation guarantee consists of the locally raised property taxes plus State aid. The source of revenues for the State's contribution to the foundation allowance is derived from a mix of taxing sources, including but not limited to, a statewide property tax of six mills on all property (homestead and non-homestead), a real estate transfer tax, a state sales and use tax, an income tax, gambling revenue, and a tobacco/liquor tax. The funding status for education is volatile.

The following factors were considered in preparing District's budgets for the 2014-2015 fiscal year:

- \* Foundation allowance of \$7,602.
- \* Student enrollment increase of 29 students.
- \* State aid membership count based on 90% September and 10% subsequent February blend.
- \* Staff salary increase of 0%.

The Dexter Community Schools 2014/2015 adopted budget is as follows:

<u>REVENUE</u>	\$34,794,969
<u>EXPENDITURES</u>	<u>35,417,368</u>
<u>NET (UNDER) BUDGET</u>	<u>(\$622,399)</u>

**Requests for Information**

This financial report is designed to provide a general overview of the Dexter Community School's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Sharon Raschke  
Chief Financial Officer  
Dexter Community Schools  
7714 Ann Arbor St.  
Dexter, Michigan 48130  
Telephone (734) 424-4100  
Fax (734) 424-4111  
Email: raschkes@dexterschools.org

## **BASIC FINANCIAL STATEMENTS**

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
STATEMENT OF NET POSITION  
JUNE 30, 2014

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	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$7,945,029
Investments	5,888,561
Receivables:	
Accounts Receivable	321,267
Taxes Receivable	345,719
Due from Other Governmental Units	5,024,160
Inventory	32,303
Prepaid Expenditures	71,855
Capital Assets, Not Being Depreciated - Land	5,722,874
Capital Assets, Net of Accumulated Depreciation	<u>102,960,712</u>
<b>TOTAL ASSETS</b>	<b>\$128,312,480</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Charge on Refunding	465,176
<b>LIABILITIES</b>	
Accounts Payable	309,827
Due to Other Governmental Units	187,285
Due to Internal Fund	3,519
Accrued Expenditures	2,303,240
Salaries Payable	2,174,095
Unearned Revenue	3,087,537
Non-Current Liabilities - Due in One Year	11,940,343
Non-Current Liabilities - Due in More than One Year	<u>93,942,063</u>
<b>TOTAL LIABILITIES</b>	<b>\$113,947,909</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	4,531,600
Restricted	5,692,946
Unrestricted	<u>4,605,201</u>
<b>TOTAL NET POSITION</b>	<b><u>\$14,829,747</u></b>

See notes to the financial statements.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

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<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Change in Net Position</u>
Governmental Activities:				
Instruction	\$23,508,679	\$22,399	\$4,239,962	(\$19,246,318)
Support Services	14,538,783	176,750	0	(14,362,033)
Community Services	2,090,107	1,227,285	107,663	(755,159)
Food Service	1,513,788	1,080,246	362,709	(70,833)
Interest - Long-Term Obligations	4,292,440	0	0	(4,292,440)
<b>Total Governmental Activities:</b>	<b><u>\$45,943,797</u></b>	<b><u>\$2,506,680</u></b>	<b><u>\$4,710,334</u></b>	<b><u>(\$38,726,783)</u></b>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				3,851,089
Property Taxes, Levied for Debt Retirement				9,558,999
State Sources - Unrestricted				22,312,960
Intermediate Sources				2,833,025
Investment Earnings				12,201
Miscellaneous				271,963
Total General Revenues and Transfers				<u>\$38,840,237</u>
<b>Change in Net Position</b>				<u>\$113,454</u>
Net Position - Beginning of Year				<u>14,716,293</u>
<b>Net Position - End of Year</b>				<u>\$14,829,747</u>

See notes to the financial statements.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

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	General Fund	Debt Retirement Fund	Capital Projects Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$7,142,986	\$458,843	\$0
Investments	1,082,484	0	4,806,077
Accounts Receivable	304,087	0	0
Taxes Receivable	341,512	4,207	0
Due from Other Funds	75,541	0	105
Due from Other Governmental Units	4,962,591	0	0
Inventory	0	0	0
Prepaid Expenditures	71,855	0	0
<b>TOTAL ASSETS</b>	<b>\$13,981,056</b>	<b>\$463,050</b>	<b>\$4,806,182</b>
<b>LIABILITIES</b>			
Accounts Payable	\$251,944	\$14,350	\$0
Due to Other Funds	160,916	0	0
Due to Other Governmental Units	187,285	0	0
Accrued Expenditures	1,643,140	0	0
Salaries Payable	2,169,420	0	0
Unearned Revenue	3,385,011	0	0
Total Liabilities	\$7,797,716	\$14,350	\$0
<b>FUND BALANCES</b>			
Non-Spendable			
Inventory	0	0	0
Prepaid Expenditures	71,855	0	0
Restricted			
Capital Projects	0	0	4,806,182
Debt Retirement	0	448,700	0
Food Service	0	0	0
Committed	4,136,815	0	0
Assigned			
Community Service	0	0	0
Subsequent Year Expenditures	622,399	0	0
Unassigned	1,352,271	0	0
Total Fund Balances	<u>\$6,183,340</u>	<u>\$448,700</u>	<u>\$4,806,182</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$13,981,056</b>	<b>\$463,050</b>	<b>\$4,806,182</b>

See notes to the financial statements.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
RECONCILIATION OF TOTAL GOVERNMENTAL  
FUND BALANCES TO NET POSITION OF  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

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Non-Major Governmental Funds	Total Governmental Funds	Total Governmental Fund Balances:	\$11,876,286
Amounts reported for governmental activities in the statement of net assets are different because:			
\$343,200	\$7,945,029		
0	5,888,561		
17,180	321,267		
0	345,719		
156,627	232,273		
61,569	5,024,160		
32,303	32,303		
0	71,855		
<u>\$610,879</u>	<u>\$19,861,167</u>		
Other long-term assets not available to pay current period expenditures; therefore unavailable in the funds			
			345,719
Accrued Interest on Long-Term Debt			
\$43,533	\$309,827		(658,614)
74,876	235,792		
0	187,285		
1,486	1,644,626		
4,675	2,174,095		
48,245	3,433,256		
<u>\$172,815</u>	<u>\$7,984,881</u>		
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
		Bonds Payable	\$90,660,000
		Unamortized Premium	2,171,413
		School Bond Loan Fund	11,785,749
		Compensated Absences Payable	<u>1,265,244</u>
		Total Long-Term Liabilities	(105,882,406)
32,303	32,303		
0	71,855	Unavailable Amount on Bond Refunding	<u>465,176</u>
0	4,806,182		
0	448,700		
317,647	317,647	<u>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</u>	<u>\$14,829,747</u>
0	4,136,815		
88,114	88,114		
0	622,399		
0	1,352,271		
<u>\$438,064</u>	<u>\$11,876,286</u>		
<u>\$610,879</u>	<u>\$19,861,167</u>		

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

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	General Fund	Debt Retirement Fund	Capital Projects Fund
<b>REVENUES</b>			
Local Sources	\$4,144,433	\$9,579,280	\$1,833
State Sources	25,714,430	0	0
Federal Sources	838,492	0	0
Interdistrict Sources	2,673,156	0	0
Total Revenues	<u>\$33,370,511</u>	<u>\$9,579,280</u>	<u>\$1,833</u>
<b>EXPENDITURES</b>			
Instruction	19,997,493	0	0
Student Services	3,401,751	0	0
Instructional Support	1,649,275	0	0
General Administration	686,289	0	0
School Administration	2,065,681	0	0
Business Administration	544,830	0	0
Operation & Maintenance of Plant	3,308,015	0	0
Transportation	1,505,770	0	0
Other Support Services	68,167	0	0
Community Services	1,853	0	0
Food Service	0	0	0
Debt Service			
Principal	0	10,610,000	0
Interest	0	4,265,135	0
Other	0	30,721	0
Capital Outlay	0	0	2,860,771
Total Expenditures	<u>\$33,229,124</u>	<u>\$14,905,856</u>	<u>\$2,860,771</u>
Excess (Deficiency) of Revenues (Under) Expenditures	\$141,387	(\$5,326,576)	(\$2,858,938)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	88,050	0	0
Transfers (Out)	(631,743)	0	0
Bond Proceeds	0	5,355,017	0
Other Reimbursements	12,203	0	0
Total Other Financing Sources (Uses)	<u>(\$531,490)</u>	<u>\$5,355,017</u>	<u>\$0</u>
Net Change in Fund Balance	(\$390,103)	\$28,441	(\$2,858,938)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>6,573,443</u>	<u>420,259</u>	<u>7,665,120</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$6,183,340</u>	<u>\$448,700</u>	<u>\$4,806,182</u>

See notes to the financial statements.

**DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

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Non-Major Governmental Funds	Total Governmental Funds	Total net change in fund balances - governmental funds	(\$3,166,075)
Amounts reported for governmental activities in the statement of activities are different because:			
\$2,482,633	\$16,208,179	Governmental funds report capital outlays as expenditures.	
166,372	25,880,802	However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation in the current period exceeded capital outlay.	(1,974,670)
304,000	1,142,492		
159,869	2,833,025		
<u>\$3,112,874</u>	<u>\$46,064,498</u>		
0	19,997,493	Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
0	3,401,751	This is the amount of repayments reported as expenditures in the governmental funds.	10,610,000
0	1,649,275		
0	686,289		
0	2,065,681		
0	544,830		
0	3,308,015		
0	1,505,770	Net Change - Unavailable Amount of Refunding	(120,712)
0	68,167		
2,088,254	2,090,107	Net Change - Unamortized Premiums	355,343
1,513,788	1,513,788	Net Change - Michigan School Bond Loan	(5,638,474)
0	10,610,000		
0	4,265,135	Decrease in Compensated Absences	15,250
0	30,721		
0	2,860,771	Change in accrued interest on long-term liabilities	52,242
<u>\$3,602,042</u>	<u>\$54,597,793</u>		
(\$489,168)	(\$8,533,295)	Decrease in taxes and other receivables is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.	(19,450)
631,743	719,793		
(88,050)	(719,793)	<b><u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u></b>	<b><u>\$113,454</u></b>
0	5,355,017		
0	12,203		
<u>\$543,693</u>	<u>\$5,367,220</u>		
<u>\$54,525</u>	<u>(\$3,166,075)</u>		
<u>383,539</u>	<u>15,042,361</u>		
<u>\$438,064</u>	<u>\$11,876,286</u>		

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2014

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ASSETS

Cash and Cash Equivalents	\$790,521
Due from General Fund	4,184
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TOTAL ASSETS

\$794,705

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LIABILITIES

Due to General Fund	\$665
Due to Student Groups	794,040
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TOTAL LIABILITIES

\$794,705

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**DEXTER COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A) DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

**B) REPORTING ENTITY**

The District is governed by an elected seven-member Board of Education. The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB 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 part of the District's reporting entity and which organizations are legally separate component units of the District. Based on application of the criteria, the District does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

**C) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue.

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

**D) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS

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1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

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

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

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

**Fund Financial Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the School District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, 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 School District.

Fiduciary fund statements are also 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 the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

**Debt Retirement Fund** - The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Building and Site Capital Projects Funds** - The Building and Site Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished. The District has complied with the applicable provision of §1351a of the Revised School Code.

**DEXTER COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D) **MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION** (Continued)

The School District reports the following fund types:

**Special Revenue Funds** - Special revenue funds are used to segregate, for administrative purposes, the transactions of the School District's food service and community service operations from General Fund revenue and expenditure accounts. The School District maintains full control of these funds. Any deficits generated by these activities are the responsibility of the General Fund. The main sources of revenue for these funds are food sales to pupils, free/reduced breakfast and lunch reimbursement from federal funds and funds received from the State.

**Student Activities Agency Fund** - The School District maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E) **BASIS OF ACCOUNTING/MEASUREMENT FOCUS**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conforming with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Governmental Fund Financial Statements**

All governmental fund types are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, revenues are recognized as soon as they are both measurable and available. Only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be "Available" if they are generally collected within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**DEXTER COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E) **BASIS OF ACCOUNTING/MEASUREMENT FOCUS** (Continued)

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports unearned revenue on its governmental funds balance sheet. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

F) **CASH AND CASH EQUIVALENTS/INVESTMENTS**

Cash and cash equivalents include amounts in demand deposits, certificates of deposit and cash on hand.

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

G) **INVENTORIES AND PREPAID COSTS**

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds, including commodities received from the United States Department of Agriculture, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

H) **CAPITAL ASSETS**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

**DEXTER COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

H) **CAPITAL ASSETS** (Continued)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years	
Furniture and Equipment	5 – 20 years	
Vehicles and Buses	5 – 10 years	

I) **INTERFUND BALANCES**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net position.

J) **COMPENSATED ABSENCES**

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

K) **LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

L) **SELF INSURANCE**

The District is self insured for health insurance. The District provide health insurance for its employees and eligible dependents. The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (See Note 14). Consistent with GAAP guidelines, in the governmental funds financial statements, the liability for self insured risks is recorded under the modified accrual basis of accounting.

**DEXTER COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

M) **DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of related debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

<u>Governmental Activities:</u>	Balance Beginning	Additions	Deductions	Balance Ending
Deferred Charge on Refunding	\$585,888	\$0	\$120,712	\$465,176

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period (s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any of this type of item.

N) **FUND BALANCE**

Fund balances for each of the District's governmental funds are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- \* Nonspendable fund balance - amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- \* Restricted fund balance - amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. The District's Capital Projects Fund, Debt Retirement Fund and Food Service balances are considered restricted.
- \* Committed fund balance – amounts that have been formally set aside by specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- \* Assigned fund balance - amounts the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The intent is expressed by the Board of Education.
- \* Unassigned fund balance - amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserve the right to selectively spend unassigned resources first to defer the use of these classified funds.

**DEXTER COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

O) **NET POSITION**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

P) **REVENUES**

Program Revenues – Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Q) **BUDGETARY INFORMATION**

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

**DEXTER COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Q) **BUDGETARY INFORMATION** (Continued)

4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year end June 30, 2014. The District does not consider these amendments to be significant.

2) **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS**

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

Budgetary comparison schedules were not presented for the Capital Projects Fund (a major fund) or the Debt Retirement Fund (major fund) because the District is not legally required to adopt a budget for these types of funds.

3) **DEPOSITS AND INVESTMENTS**

As of June 30, 2014, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF External Investment Pool - MICMS	\$2	N/A	AAAm	0.00%
MILAF External Investment Pool - MIMAX	5,888,559	N/A	AAAm	100.00%
Total fair value	\$ 5,888,561			100.00%

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

**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. As of June 30, 2014, \$8,714,140 of the District's bank balance of \$9,672,982 was exposed to custodial credit risk.

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**DEXTER COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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3) **DEPOSITS AND INVESTMENTS** (Continued)

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

Deposits – Including Fiduciary Funds of \$790,521	\$ 8,733,475
Petty Cash	2,075
Investments	<u>5,888,561</u>
<b><u>TOTAL</u></b>	<b><u>\$ 14,624,111</u></b>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 790,521
Cash – District Wide	7,945,029
Investments – District Wide	<u>5,888,561</u>
<b><u>TOTAL</u></b>	<b><u>\$ 14,624,111</u></b>

4) **PROPERTY TAXES**

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

For the year ended June 30, 2014, the District levied the following amounts per \$1,000 of assessed valuation:

General Fund – Non-Homestead	18.000 Mills
Debt Funds – Homestead and Non-Homestead	8.500 Mills

5) **INTERGOVERNMENTAL RECEIVABLES**

Receivables at June 30, 2014, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<b><u>GOVERNMENTAL ACTIVITIES</u></b>	<b><u>AMOUNT</u></b>
State Aid	\$ 4,692,690
Federal Grants	278,802
Other	<u>52,668</u>
<b><u>TOTAL GOVERNMENTAL ACTIVITIES</u></b>	<b><u>\$ 5,024,160</u></b>

**DEXTER COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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**6) CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance Beginning	Additions	Deductions	Balance Ending
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
Land	\$5,509,367	\$213,507	\$0	\$5,722,874
Buildings and Improvements	145,140,785	1,841,601	0	146,982,386
Equipment and Furniture	5,887,605	197,115	0	6,084,720
Vehicles	3,329,702	615,667	0	3,945,369
Totals at Historical Cost	<u>\$159,867,459</u>	<u>\$2,867,890</u>	<u>\$0</u>	<u>\$162,735,349</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(43,796,438)	(3,658,769)	0	(47,455,207)
Equipment and Furniture	(3,950,549)	(816,568)	0	(4,767,117)
Vehicles	(1,462,216)	(367,223)	0	(1,829,439)
Total Accumulated Depreciation	<u>(49,209,203)</u>	<u>(4,842,560)</u>	<u>\$0</u>	<u>(\$54,051,763)</u>
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
<b><u>CAPITAL ASSETS - NET</u></b>	<b><u>\$110,658,256</u></b>	<b><u>(\$1,974,670)</u></b>	<b><u>\$0</u></b>	<b><u>\$108,683,586</u></b>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated." Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 3,511,186
Support Services	<u>1,331,374</u>
<b><u>TOTAL DEPRECIATION EXPENSE</u></b>	<b><u>\$ 4,842,560</u></b>

**7) SHORT-TERM DEBT**

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes, and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2014.

**8) GENERAL LONG-TERM DEBT**

**A) 1998 SCHOOL BUILDING AND SITE BONDS**

On April 20, 1998, Dexter Community Schools issued School Building and Site Bonds, in the amount of \$69,600,000, with interest rates varying from 5.00% to 5.1% per annum. The balance of the bonds as of June 30, 2014 was \$31,500,000. Payments on this debt are recorded in the District's Debt Retirement Fund.

**B) 2008 BUILDING AND SITE AND REFUNDING BONDS**

On September 29, 2008, Dexter Community Schools issued \$59,780,000 in General Obligation – Unlimited Tax Bonds with interest rates varying from 3.25% to 5% per annum. The balance of the bonds at June 30, 2014 was \$35,145,000. Payments on this debt are recorded in the District's Debt Retirement Fund.

**DEXTER COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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8) **GENERAL LONG-TERM DEBT** (Continued)

C) **2012 BUILDING AND SITE AND REFUNDING BONDS**

On May 24, 2012, the District issued \$9,060,000 of General Obligation Refunding Bonds, Series 2012, with interest rates varying from 4.0% to 5.0% and annual maturities from May 2014 through May 2022. The District issued the bonds to refund \$11,450,000 of the outstanding 2003 Refunding Bond Issue which are due and payable May 1, 2014 through May 1, 2019, inclusive, with a variable interest rate of 2.5% to 5.0%. The balance at June 30, 2014 was \$8,365,000. Payments on this debt are recorded in the District's Debt Retirement Fund.

On May 24, 2012, Dexter Community Schools issued \$6,610,000 in General Obligation – Unlimited Tax Bonds with interest rates varying from 3.0% to 5.0% per annum. The bonds were issued for the purpose of remodeling and constructing additions to School District buildings, including energy conservation and security improvements; acquiring land and improving and developing sites, including playgrounds, playfields and outdoor athletic fields and facilities in the School District; furnishing refurbishing, equipping and reequipping School District buildings, including the acquisition of school buses; acquiring and installing technology equipment in School District buildings, including classroom technology and to pay a portion of the costs of issuing the Bonds. The balance of the bonds at June 30, 2014 was \$6,010,000. Payments on this debt are recorded in the District's Debt Retirement Fund.

On September 20, 2012, the District issued \$19,290,000 of General Obligation Refunding Bonds, Series 2012 B, with an average interest rate of 3.53%. The bonds consist of serial bonds bearing variable fixed rates from 0.58% to 1.27% with annual maturities from May 2014 through May 2016. The District issued the bonds to partially refund the Michigan School Bond Loan Fund. The balance of the bonds at June 30, 2014 was \$9,640,000. Payments on this debt are recorded in the District's Debt Retirement Fund.

D) **MICHIGAN SCHOOL BOND LOAN FUND**

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements as they become due. The School is required to begin repaying the debt at the point where the School District's Taxable Value times its levy will be in excess of its interest and principal requirements. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of \$282,868 has been assessed for the year ended June 30, 2014, and is included in the amount owing the State at that date. The balance payable at June 30, 2014 was \$11,785,749. These bonds were partially refunded with the proceeds from the 2012 Series B Refunding Bonds.

**DEXTER COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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8) **GENERAL LONG-TERM DEBT** (Continued)

E) Debt service requirements at June 30, 2014, were as follows:

YEAR ENDED			
JUNE 30,	BONDS	INTEREST	TOTAL
2015	\$11,585,000	\$3,951,683	\$15,536,683
2016	11,640,000	3,565,233	15,205,233
2017	6,840,000	3,163,019	10,003,019
2018	7,120,000	2,858,482	9,978,482
2019	6,945,000	2,524,306	9,469,306
2020-2024	27,030,000	8,457,238	35,487,238
2025-2028	19,500,000	2,362,500	21,862,500
<b><u>TOTAL</u></b>	<b><u>\$90,660,000</u></b>	<b><u>\$26,882,461</u></b>	<b><u>\$117,542,461</u></b>

F) **CHANGES IN LONG-TERM LIABILITIES**

Governmental Activities:	Balance Beginning	Additions	Deductions	Balance Ending	Amount Due in One Year
School Bond Loan Fund	\$6,147,275	\$5,638,474	\$0	\$11,785,749	\$0
Unamortized Premium	2,526,756	0	355,343	2,171,413	355,343
Building & Site Bonds	101,270,000	0	10,610,000	90,660,000	11,585,000
Compensated Absences	1,280,494	0	15,250	1,265,244	0
<b><u>Total Governmental Activities</u></b>	<b><u>\$111,224,525</u></b>	<b><u>\$5,638,474</u></b>	<b><u>\$10,980,593</u></b>	<b><u>\$105,882,406</u></b>	<b><u>\$11,940,343</u></b>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$4,265,135.

9) **UNEARNED REVENUE**

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The District has recorded approximately \$2,515,404 in unearned revenue to offset the amounts passed to the District from various taxing authorities for excess capture of DDA and TIFA taxes. These amounts will be due back to the State upon final determination of the amounts due for each taxing authority. At the end of the current fiscal year, the various components of unearned revenue are as follows:

	Unavailable	Unearned	Total
Due from DDA/TIFA Current Year	\$68,425	\$0	\$68,425
Future State Aid Adjustment for			
Prior Year DDA/TIFA Captures	2,515,404	0	2,515,404
Other	0	801,182	801,182
Fees and Prepaid Student Lunches	0	48,245	48,245
<b><u>TOTAL</u></b>	<b><u>\$2,583,829</u></b>	<b><u>\$849,427</u></b>	<b><u>\$3,433,256</u></b>

The District has also recognized \$84,222 as a prior period revenue adjustment for the receipt of overcaptures that were due from the DDA/TIFA.

**DEXTER COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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**10) COMMITTED FUND BALANCE**

Portions of fund equity are committed for future specific uses as follows:

Athletic Facilities	\$200,000
Facilities	708,000
Health Benefit Claims	470,002
Instruction Equipment	1,073,644
New Programs - Implementation	166,667
New Programs - Start Up Costs	10,201
Retirement/Severance	850,000
Supply Carryover	108,301
Technology	<u>550,000</u>
<b><u>TOTAL</u></b>	<b><u>\$4,136,815</u></b>

**11) INTERFUND ACTIVITY**

Interfund balances at June 30, 2014, consisted of the following:

DUE TO	DUE FROM					Total
	General Fund	Food Service	Community Service	Capital Projects	Trust & Agency	
General Fund	\$0	\$7,980	\$148,647	\$105	\$4,184	\$160,916
Food Service	42,486	0	0	0	0	42,486
Community Service	32,390	0	0	0	0	32,390
Trust & Agency	<u>665</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>665</u>
<b><u>TOTAL</u></b>	<b><u>\$75,541</u></b>	<b><u>\$7,980</u></b>	<b><u>\$148,647</u></b>	<b><u>\$105</u></b>	<b><u>\$4,184</u></b>	<b><u>\$236,457</u></b>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**12) INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2014, consisted of the following:

TRANSFERS TO	TRANSFERS FROM			Total
	General Fund	Food Service	Total	
General Fund	\$0	\$88,050	\$88,050	
Community Service	<u>631,743</u>	<u>0</u>	<u>631,743</u>	
<b><u>TOTAL</u></b>	<b><u>\$631,743</u></b>	<b><u>\$88,050</u></b>	<b><u>\$719,793</u></b>	

Transfers are made to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**DEXTER COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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**13) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS**

**Plan Description** - The District participates in the statewide Michigan Public School Employees' Retirement System (MPSERS) plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111. It is also available at <http://www.michigan.gov/orsschools>.

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director who serves as Executive Secretary to the System's Board, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

**Benefit Provisions - Pension**

*Introduction*

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members. A DB member or Pension Plus hybrid plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

**Funding Policy**

*Member Contributions*

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990; contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

**DEXTER COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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13) **DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS** (Continued)

**Funding Policy** (Continued)

***Member Contributions*** (Continued)

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan Member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

***Employer Contributions***

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits on a prefunded basis. The School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPSERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the following table. The District contributions to MPSERS were equal to the required contribution for those years.

The School District's contributions to MPSERS are as follows:

Fiscal Year Ended June 30,	Contribution to MSPERS
2014	\$ 6,074,661
2013	5,434,784
2012	4,910,992

Included in the amounts paid above, the District received \$1,029,602 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPSERS. The District has recorded this amount as state revenue and additional pension expenditures/expenses for the years ended June 30, 2014 and 2013.

PA 464 Retirees Returning to Work, effective December 27, 2012 also requires applicable employer contributions to the defined benefit and defined contribution plans. These amounts if any are included in the amounts paid above.

**DEXTER COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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13) **DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS** (Continued)

<b>Fiscal Year 2014</b>							
Contribution rates  Public School Employee Pension Rates (FYE Sept. 30th)	Effective October 1, 2013						
	Basic MIP	Pension Plus	Pension Plus to PHF - First worked after 9/2/13	Pension Plus to DC with PHF First worked after 9/2/13	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
<b>DB Contributions</b>							
Pension Normal Cost	2.90%	2.67%	2.67%	0.00%	0.00%	0.00%	2.90%
Pension UAL	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%
Pension Early Retirement Incentive	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
<b>Pension Contributions - Total Rate</b>	<b>18.34%</b>	<b>18.11%</b>	<b>18.11%</b>	<b>15.44%</b>	<b>15.44%</b>	<b>15.44%</b>	<b>18.34%</b>
Health Normal Cost	0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%
Health UAL	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%
<b>Health Contributions - Total Rate</b>	<b>6.45%</b>	<b>6.45%</b>	<b>5.52%</b>	<b>5.52%</b>	<b>6.45%</b>	<b>5.52%</b>	<b>5.52%</b>
<b>Total</b>	<b>24.79%</b>	<b>24.56%</b>	<b>23.63%</b>	<b>20.96%</b>	<b>21.89%</b>	<b>20.96%</b>	<b>23.86%</b>
<b>DC Contributions</b>							
DC Employer Contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%
<b>Total</b>	<b>0.00%</b>	<b>1.00%</b>	<b>3.00%</b>	<b>5.00%</b>	<b>4.00%</b>	<b>6.00%</b>	<b>2.00%</b>
<b>Grand Total</b>	<b>24.79%</b>	<b>25.56%</b>	<b>26.63%</b>	<b>25.96%</b>	<b>25.89%</b>	<b>26.96%</b>	<b>25.86%</b>
<b>Fiscal Year 2013</b>							
Contribution rates  Public School Employee Pension Rates (FYE Sept. 30th)	Effective February 1, 2013						
	Basic MIP	Pension Plus	Pension Plus to PHF - First worked after 9/3/12	Pension Plus to DC with PHF First worked after 9/3/12	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
<b>Grand Total</b>	<b>24.32%</b>	<b>24.13%</b>	<b>26.20%</b>	<b>25.96%</b>	<b>25.89%</b>	<b>26.96%</b>	<b>25.39%</b>
<b>Fiscal Year 2013</b>							
Public School Employee Pension Rates (FYE Sept. 30th)	4 months ended 1/31/2013						
	First worked before 7/1/10	6/30/10 and 9/3/12	First worked between 6/30/10 and 9/3/12	Pension Plus and First worked after 9/3/12	Elected DC and First worked after 9/3/12		
<b>Total</b>	<b>25.36%</b>	<b>24.13%</b>	<b>23.20%</b>	<b>20.96%</b>			
<b>Fiscal Year 2012</b>							
Public School Employee Pension Rates (FYE Sept. 30th)	FY 2011 - 2012		11 months ended 9/30/11				
	First worked before 7/1/10	First worked after 6/30/10	First worked before 7/1/10	First worked after 6/30/10			
<b>Total</b>	<b>24.46%</b>	<b>23.23%</b>	<b>20.66%</b>	<b>19.16%</b>			

**DEXTER COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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13) **DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS** (Continued)

**Benefit Provisions - Other Postemployment**

***Introduction***

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

***Retiree Healthcare Reform of 2012***

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

**Other Information**

On June 28, 2010, the Michigan Court of Claims issued an injunction in response to a challenge to the authority of the State to require employees who began working before July 1, 2010, to contribute 3% of reportable wages to the retiree health care trust at MPSERS. As a result, the State has adjusted the contribution rate due on employees' wages paid between November 1, 2010 and September 30, 2011 to 20.66% for members who first worked prior to July 1, 2010 and 19.16% for Pension Plus members. In March 2011, the Court of Claims granted the plaintiffs' motions for summary disposition finding that the mandatory 3% contribution violated both the U.S. and Michigan constitutions. The State appealed the ruling to the Michigan Court of Appeals. The Court of Appeals accepted the appeal and ordered an expedited review. The Court of Appeals also granted the State's motion for a stay of proceedings and ordered that the 3% deduction continue to be collected and placed into an escrow account until further order of the Court.

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**NOTES TO FINANCIAL STATEMENTS**

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**13) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)**

**Other Information** (Continued)

On August 16, 2012 the State of Michigan Court of Appeals affirmed the trial court's orders granting summary dispositions in favor of the plaintiffs in each of the cases before it, terminating the stay ordered by this Court on March 18, 2011. The State of Michigan has appealed the decision to the Michigan Supreme Court. The Office of Retirement Services is instructing Michigan public school employers to continue withholding the 3% contribution. Should the plaintiffs prevail; the escrowed funds will be returned to the employees.

**14) RISK MANAGEMENT**

The District is exposed to various risks of loss in conducting its operations, from property and casualty, theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to M.A.I.S.L. Joint Management Trust and SET-SEG, Inc. Insurance Trust. The pools maintain loss funds and are also required by the terms of the participation agreements to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pools indicate that, should losses of the pools incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss funds have exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in these pools provide sufficient coverage to protect the District from significant adverse financial impact.

**Self Insurance**

Eligible District employees have an option to participate in the District's self-funded, comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions, and a separate bank account has been established with an ongoing \$25,000 balance to cover costs. The District has contracted with NGS CoreSource, a third-party administrator, to provide administrative services for this health care benefits program. As of June 30, 2014, the estimated liability for incurred but not reported claims was approximately \$470,002.

**15) CONSTRUCTION COMMITMENT**

The District has a commitment on various construction projects related to its 2008 Bond Project. The total contract with Granger Construction is \$30,140,441. As of June 30, 2014, the remaining \$411,592 of the contract is committed to be expended to complete the project.

**16) GOVERNMENTAL REGULATION**

Substantially all of the school district's facilities are subject to federal, state and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does the school district expect such compliance to have, any material effect upon the capital expenditures, net revenue in excess of expenditures or financial condition of the school district. Management believes that its current practices and procedures for the control and disposition of such wastes comply with applicable federal, and state requirements.

**DEXTER COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

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**17) SUBSEQUENT EVENTS**

On July 1, 2014, the District took possession of donated real estate and building that was donated to the District by a local non-profit entity. The estimated value of the donation is \$1.3 million. The donated property will be used by the District for expanded Early Childhood Education programming beginning with the 2014-2015 fiscal year.

Management has evaluated subsequent events through the date of the auditor's opinion, the date on which the financial statements were available to be issued.

**18) UPCOMING ACCOUNTING PRONOUNCEMENT**

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, was issued by the GASB in June 2012 and will be effective for the District's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014

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	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	
<u>REVENUES</u>				
Local Sources	\$4,263,994	\$4,336,874	\$4,144,433	(\$192,441)
State Sources	24,561,894	25,805,201	25,714,430	(90,771)
Federal Sources	793,371	827,292	838,492	11,200
Total Revenues	\$29,619,259	\$30,969,367	\$30,697,355	(\$272,012)
<u>EXPENDITURES</u>				
Instruction	20,001,529	20,659,106	19,997,493	661,613
Student Services	3,482,583	3,585,295	3,401,751	183,544
Instructional Support	1,724,882	1,855,402	1,649,275	206,127
General Administration	686,315	783,929	686,289	97,640
School Administration	2,151,202	2,183,681	2,065,681	118,000
Business Administration	477,639	555,646	544,830	10,816
Operation & Maintenance of Plant	3,163,089	3,372,545	3,308,015	64,530
Transportation	1,523,947	1,707,815	1,505,770	202,045
Other Support Services	68,218	88,638	68,167	20,471
Community Services	2,553	2,553	1,853	700
Total Expenditures	\$33,281,957	\$34,794,610	\$33,229,124	\$1,565,486
Excess of Revenues Over Expenditures	(\$3,662,698)	(\$3,825,243)	(\$2,531,769)	\$1,293,474
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	2,052,450	2,151,137	2,141,666	(9,471)
<u>FUND BALANCE - BEGINNING OF YEAR</u>				6,573,443
<u>FUND BALANCE - END OF YEAR</u>				\$6,183,340

**ADDITIONAL SUPPLEMENTARY  
INFORMATION**

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
JUNE 30, 2014

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	Food Services Fund	Community Service Fund	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$338,967	\$4,233	\$343,200
Accounts Receivable	17,180	0	17,180
Due from Other Funds	7,980	148,647	156,627
Due from Other Governmental Units	43,274	18,295	61,569
Inventory	<u>32,303</u>	<u>0</u>	<u>32,303</u>
<b>TOTAL ASSETS</b>	<b><u>\$439,704</u></b>	<b><u>\$171,175</u></b>	<b><u>\$610,879</u></b>
<b>LIABILITIES</b>			
Accounts Payable	\$2,434	\$41,099	\$43,533
Due to Other Funds	42,486	32,390	74,876
Accrued Expenditures	1,486	0	1,486
Salaries Payable	4,675	0	4,675
Unearned Revenue	<u>38,673</u>	<u>9,572</u>	<u>48,245</u>
Total Liabilities	<u>\$89,754</u>	<u>\$83,061</u>	<u>\$172,815</u>
<b>FUND BALANCES</b>			
Non-Spendable			
Inventory	32,303	0	32,303
Restricted			
Food Service	317,647	0	317,647
Assigned			
Community Service	<u>0</u>	<u>88,114</u>	<u>88,114</u>
Total Fund Balance	<u>\$349,950</u>	<u>\$88,114</u>	<u>\$438,064</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$439,704</u></b>	<b><u>\$171,175</u></b>	<b><u>\$610,879</u></b>

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2014

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	Food Services Fund	Community Service Fund	Total
<b>REVENUES</b>			
<u>Local Sources</u>			
Cafeteria Sales	\$1,080,246	\$0	\$1,080,246
Athletic Activities	0	269,211	269,211
Community Education	0	958,074	958,074
Earnings on Investments and Deposits	191	33	224
Other Local Revenues	40,113	134,765	174,878
Total Local Sources	<u>\$1,120,550</u>	<u>\$1,362,083</u>	<u>\$2,482,633</u>
<u>State Sources</u>			
State Reimbursements	58,709	107,663	166,372
<u>Federal Sources</u>			
Federal Reimbursements	228,310	0	228,310
Commodities	75,690	0	75,690
Total Federal Sources	<u>\$304,000</u>	<u>\$0</u>	<u>\$304,000</u>
<u>Interdistrict Sources</u>	<u>159,869</u>	<u>0</u>	<u>159,869</u>
Total Revenues	<u>\$1,643,128</u>	<u>\$1,469,746</u>	<u>\$3,112,874</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers from General Fund	0	631,743	631,743
Total Revenues & Other Financing Sources	<u>\$1,643,128</u>	<u>\$2,101,489</u>	<u>\$3,744,617</u>
<b>EXPENDITURES</b>			
Salaries - Professional	123,507	331,410	454,917
Salaries - Non-Professional	432,809	395,306	828,115
Insurances	54,374	61,844	116,218
Fica, Retirement, Etc.	204,793	277,102	481,895
Other Benefits	1,236	0	1,236
Purchased Services	41,421	712,822	754,243
Supplies and Materials	635,591	305,457	941,048
Capital Outlay	14,153	0	14,153
Other	5,904	4,313	10,217
Total Expenditures	<u>\$1,513,788</u>	<u>\$2,088,254</u>	<u>\$3,602,042</u>
<b>OTHER FINANCING USES</b>			
Transfers to Other Funds	88,050	0	88,050
Total Expenditures and Other Financing Uses	<u>\$1,601,838</u>	<u>\$2,088,254</u>	<u>\$3,690,092</u>
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>			
	\$41,290	\$13,235	\$54,525
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b><u>308,660</u></b>	<b><u>74,879</u></b>	<b><u>383,539</u></b>
<b>FUND BALANCE - END OF YEAR</b>	<b><u>\$349,950</u></b>	<b><u>\$88,114</u></b>	<b><u>\$438,064</u></b>

**INDIVIDUAL FUND SCHEDULES OF  
REVENUES, EXPENDITURES AND  
OTHER FINANCING SOURCES AND USES**

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
YEAR ENDED JUNE 30, 2014

## SCHEDULE 1

## REVENUES FROM

## Local Sources

Property Taxes	\$3,870,539
Earnings on Investments and Deposits	6,589
Tuition	22,399
Transportation	127,435
Rentals	49,315
Other Local Revenues	68,156
Total Revenues from Local Sources	<u>\$4,144,433</u>

## State Sources

State Aid - Membership - Sec. 20	22,312,960
At Risk	151,480
Special Education	1,661,320
Other State Grants	1,588,670
Total Revenues from State Sources	\$25,714,430

## Federal Sources

Title I	130,194
Technology Literacy	59,206
Special Ed	616,921
Grants from ISD	32,171
Total Revenues from Federal Sources	\$838,492

## Interdistrict Sources

**Total Revenues** **\$33,370,511**

## OTHER FINANCING SOURCES

Transfers from Other Funds	88,050
Other Reimbursements	12,203
<b>Total Other Financing Sources</b>	<b>\$100,253</b>

## TOTAL REVENUES AND OTHER FINANCING SOURCES

SCHEDULE 2

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2014

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INSTRUCTIONBASIC PROGRAMSElementary

Salaries - Professional	\$5,292,930
Salaries - Non-Professional	92,299
Insurances	711,144
Fica, Retirement, Etc.	1,970,820
Purchased Services	171,149
Supplies and Materials	278,747
Capital Outlay	6,363
Other	43,525
Total Elementary	\$8,566,977

Middle/Junior High

Salaries - Professional	1,603,016
Salaries - Non-Professional	40,731
Insurances	232,480
Fica, Retirement, Etc.	610,641
Purchased Services	52,729
Supplies and Materials	40,111
Other	1,775
Total Middle/Junior High	\$2,581,483

High School

Salaries - Professional	3,444,332
Salaries - Non-Professional	182,206
Insurances	452,808
Fica, Retirement, Etc.	1,319,509
Purchased Services	197,194
Supplies and Materials	169,436
Other	92,813
Total High School	\$5,858,298

Summer Schoo]

Fica, Retirement, Etc.	18
Total Basic Programs	\$17,006,776

ADDED NEEDSSPECIAL EDUCATION

Salaries - Professional	863,277
Salaries - Non-Professional	643,393
Insurances	158,083
Fica, Retirement, Etc.	565,445
Other Benefits	122
Purchased Services	121,662
Supplies and Materials	17,931
Other	133,806
Total Special Education	\$2,503,719

SCHEDULE 2

(Continued)

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2014

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INSTRUCTION (Continued)COMPENSATORY EDUCATION

Salaries - Professional	\$187,175
Insurances	15,761
Fica, Retirement, Etc.	70,254
Purchased Services	444
Total Compensatory Education	<u>\$273,634</u>

VOCATIONAL EDUCATION

Salaries - Professional	25,218
Insurances	13,208
Fica, Retirement, Etc.	11,101
Purchased Services	1,500
Other	162,337
Total Vocational Education	<u>\$213,364</u>

Total Added Needs \$2,990,717Total Instruction\$19,997,493SUPPORT SERVICESSTUDENT SERVICES

Salaries - Professional	2,176,856
Salaries - Non-Professional	29,330
Insurances	287,489
Fica, Retirement, Etc.	817,215
Purchased Services	78,725
Supplies and Materials	12,136
Total Student Services	<u>\$3,401,751</u>

INSTRUCTIONAL STAFF

Salaries - Professional	747,520
Salaries - Non-Professional	119,707
Insurances	138,952
Fica, Retirement, Etc.	324,136
Purchased Services	200,012
Supplies and Materials	118,685
Other	263
Total Instructional Staff	<u>\$1,649,275</u>

**SCHEDULE 2**  
(Continued)

**DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**YEAR ENDED JUNE 30, 2014**

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**SUPPORT SERVICES** (Continued)

**GENERAL ADMINISTRATION**

Salaries - Professional	\$271,376
Salaries - Non-Professional	58,812
Insurances	43,257
Fica, Retirement, Etc.	132,348
Other Benefits	49,739
Purchased Services	109,311
Supplies and Materials	10,795
Other	10,651
Total General Administration	\$686,289

**SCHOOL ADMINISTRATION**

Salaries - Professional	866,124
Salaries - Non-Professional	406,851
Insurances	207,555
Fica, Retirement, Etc.	485,985
Other Benefits	52,988
Purchased Services	27,424
Supplies and Materials	9,679
Other	9,075
Total School Administration	\$2,065,681

**BUSINESS ADMINISTRATION**

Salaries - Professional	284,462
Salaries - Non-Professional	21,496
Insurances	45,090
Fica, Retirement, Etc.	117,145
Other Benefits	26,550
Purchased Services	31,359
Supplies and Materials	5,123
Other	13,605
Total Business Administration	\$544,830

**OPERATION AND MAINTENANCE OF PLANT**

Salaries - Professional	58,410
Salaries - Non-Professional	893,009
Insurances	238,789
Fica, Retirement, Etc.	351,717
Other Benefits	2,634
Purchased Services	708,392
Supplies and Materials	1,035,838
Capital Outlay	19,226
Total Operation and Maintenance of Plant	\$3,308,015

SCHEDULE 2  
(Continued)

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
YEAR ENDED JUNE 30, 2014

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SUPPORT SERVICES (Continued)

TRANSPORTATION

Salaries - Professional	\$51,480
Salaries - Non-Professional	729,859
Insurances	161,344
Fica, Retirement, Etc.	283,878
Other Benefits	3,825
Purchased Services	62,668
Supplies and Materials	209,805
Other	2,911
Total Transportation	\$1,505,770

OTHER SUPPORT SERVICES

Salaries - Non-Professional	40,703
Insurances	8,572
Fica, Retirement, Etc.	15,120
Purchased Services	1,760
Supplies and Materials	2,012
Total Transportation	\$68,167

Total Support Services \$13,229,778

COMMUNITY SERVICES

Purchased Services	1,853
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Total Expenditures \$33,229,124

OTHER FINANCING USES

Transfers to Other Funds	631,743
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TOTAL EXPENDITURES AND OTHER FINANCING USES

\$33,860,867

SCHEDULE 3

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
JUNE 30, 2014

DATE OF ISSUE - April 20, 1998

Original amount of issue - \$69,600,000

PAYMENT DATE	INTEREST RATE	PRINCIPAL REQUIREMENT	NOVEMBER	MAY	TOTAL PAYMENT
			INTEREST REQUIREMENT	INTEREST REQUIREMENT	
2014-2015			\$796,688	\$796,687	\$1,593,375
2015-2016			796,687	796,688	1,593,375
2016-2017	5.10%	2,625,000	796,688	796,687	4,218,375
2017-2018	5.10%	2,625,000	729,750	729,750	4,084,500
2018-2019	5.00%	2,625,000	662,813	662,812	3,950,625
2019-2020	5.00%	2,625,000	597,187	597,188	3,819,375
2020-2021	5.00%	2,625,000	531,562	531,563	3,688,125
2021-2022	5.00%	2,625,000	465,937	465,938	3,556,875
2022-2023	5.00%	2,625,000	400,313	400,312	3,425,625
2023-2024	5.10%	2,625,000	334,687	334,688	3,294,375
2024-2025	5.10%	2,625,000	267,750	267,750	3,160,500
2025-2026	5.10%	2,625,000	200,813	200,812	3,026,625
2026-2027	5.10%	2,625,000	133,875	133,875	2,892,750
2027-2028	5.10%	2,625,000	66,938	66,937	2,758,875
<b>TOTAL</b>		<b>\$31,500,000</b>	<b>\$6,781,688</b>	<b>\$6,781,687</b>	<b>\$45,063,375</b>

SCHEDULE 3  
(Continued)

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
JUNE 30, 2014

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DATE OF ISSUE - September 29, 2008

Original amount of issue - \$59,780,000

2008 BUILDING & SITE & REFUNDING BONDS

PAYMENT DATE	INTEREST RATE	PRINCIPAL REQUIREMENT	NOVEMBER INTEREST REQUIREMENT	MAY INTEREST REQUIREMENT	TOTAL PAYMENT
2014-2015	5.00%	\$4,480,000	\$819,022	\$819,022	\$6,118,044
2015-2016	5.00%	4,470,000	707,022	707,022	5,884,044
2016-2017	5.00%	2,050,000	595,272	595,272	3,240,544
2017-2018	5.00%	2,050,000	553,241	553,241	3,156,482
2018-2019	5.00%	2,050,000	501,991	501,990	3,053,981
2019-2020	5.00%	2,050,000	450,741	450,741	2,951,482
2020-2021	5.00%	2,245,000	406,928	406,928	3,058,856
2021-2022	4.25%	2,250,000	360,000	360,000	2,970,000
2022-2023	4.25%	2,250,000	312,187	312,188	2,874,375
2023-2024	5.00%	2,250,000	264,375	264,375	2,778,750
2024-2025	5.00%	2,250,000	208,125	208,125	2,666,250
2025-2026	4.50%	2,250,000	151,875	151,875	2,553,750
2026-2027	4.50%	2,250,000	101,250	101,250	2,452,500
2027-2028	4.50%	2,250,000	50,625	50,625	2,351,250
<b>TOTAL</b>		<b>\$35,145,000</b>	<b>\$5,482,654</b>	<b>\$5,482,654</b>	<b>\$46,110,308</b>

DATE OF ISSUE - May 24, 2012

Original amount of issue - \$6,610,000

2012 BUILDING & SITE BONDS

PAYMENT DATE	INTEREST RATE	PRINCIPAL REQUIREMENT	NOVEMBER INTEREST REQUIREMENT	MAY INTEREST REQUIREMENT	TOTAL PAYMENT
2014-2015	5.00%	\$600,000	\$120,950	\$120,950	\$841,900
2015-2016	5.00%	600,000	105,950	105,950	811,900
2016-2017	4.00%	600,000	90,950	90,950	781,900
2017-2018	4.00%	600,000	78,950	78,950	757,900
2018-2019	4.00%	750,000	66,950	66,950	883,900
2019-2020	4.00%	885,000	51,950	51,950	988,900
2020-2021	3.00%	1,050,000	34,250	34,250	1,118,500
2021-2022	4.00%	925,000	18,500	18,500	962,000
<b>TOTAL</b>		<b>\$6,010,000</b>	<b>\$568,450</b>	<b>\$568,450</b>	<b>\$7,146,900</b>

SCHEDULE 3  
(Continued)

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
JUNE 30, 2014

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DATE OF ISSUE - May 24, 2012

Original amount of issue - \$9,060,000

2012 REFUNDING BONDS

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2014-2015	5.00%	\$1,685,000	\$184,475	\$184,475	\$2,053,950
2015-2016	5.00%	1,750,000	142,350	142,350	2,034,700
2016-2017	4.00%	1,565,000	98,600	98,600	1,762,200
2017-2018	4.00%	1,845,000	67,300	67,300	1,979,600
2018-2019	4.00%	1,520,000	30,400	30,400	1,580,800
<b><u>TOTAL</u></b>		<b><u>\$8,365,000</u></b>	<b><u>\$523,125</u></b>	<b><u>\$523,125</u></b>	<b><u>\$9,411,250</u></b>

DATE OF ISSUE - September 20, 2012

Original amount of issue - \$19,290,000

2012 REFUNDING BONDS - SERIES B

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2014-2015	1.00%	\$4,820,000	\$54,707	\$54,707	\$4,929,414
2015-2016	1.27%	4,820,000	30,607	30,607	4,881,214
<b><u>TOTAL</u></b>		<b><u>\$9,640,000</u></b>	<b><u>\$85,314</u></b>	<b><u>\$85,314</u></b>	<b><u>\$9,810,628</u></b>

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Project Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2013	Prior Year Expenditures	Current Year Expenditures	Current Year Adjustments	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2014
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>									
Passed Through Michigan Department of Education:									
Improving Basic Programs Title I (13-14)	84.010	141530-1314	\$130,194	\$0	\$0	\$130,194	\$0	\$73,567	\$56,627
Teacher/Principal Training & Recruiting									
Title IIA (13-14)	84.367	140520-1314	59,206	0	0	59,206	0	51,005	8,201
Total Passed Through Michigan Department of Education			\$189,400	\$0	\$0	\$189,400	\$0	\$124,572	\$64,828
Passed Through Washtenaw County ISD									
Special Education - Grants to States									
IDEA (12-13)	84.027A	130450-1213	636,199	77,749	636,199	0	0	77,749	0
IDEA (13-14)	84.027A	140450-1314	616,921	0	0	616,921	0	414,147	202,774
Special Education Preschool (13-14)	84.173A	140460-1314	19,270	0	0	19,270	0	19,270	0
Total Special Education Cluster			\$1,272,390	\$77,749	\$636,199	\$636,191	\$0	\$511,166	\$202,774
Special Education - Grants for Infants and Families									
Title III - Early On	84.181A	141340-190	11,200	0	0	11,200	0	0	11,200
Total Passed through Washtenaw County ISD			\$1,283,590	\$77,749	\$636,199	\$647,391	\$0	\$511,166	\$213,974
Passed Through Monroe ISD									
Title III - Limited English Proficiency (13-14)	84.365A	13-0580	1,701	0	0	1,701	0	1,701	0
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			\$1,474,691	\$77,749	\$636,199	\$838,492	\$0	\$637,439	\$278,802
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>									
Passed Through Michigan Department of Education:									
School Breakfast Program	10.553	N/A	25,440	0	0	25,440	0	25,440	0
National School Lunch Program	10.555	N/A	202,568	0	0	202,568	0	202,568	0
National School Lunch Program - Entitlement Commodities		N/A	75,690	0	0	75,690	0	75,690	0
Total National School Lunch Program			\$278,258	\$0	\$0	\$278,258	\$0	\$278,258	\$0
Special Milk Program for Children	10.556	N/A	302	0	0	302	0	302	0
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE (NUTRITION CLUSTER)</b>			\$304,000	\$0	\$0	\$304,000	\$0	\$304,000	\$0
<b>TOTAL FEDERAL AWARDS</b>			\$1,778,691	\$77,749	\$636,199	\$1,142,492	\$0	\$941,439	\$278,802

**DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN**  
**NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2014**

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<u>FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>	
	<u>\$1,142,492</u>
<hr/>	
<u>FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS</u>	
General Fund	\$838,492
Special Revenue Funds	<u>304,000</u>
<b><u>TOTAL</u></b>	<b><u>\$1,142,492</u></b>

- 1) Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activity of Dexter Community Schools for the year ended June 30, 2014.

The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (*OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*). Because the schedule presents only a selected portion of the operations of Dexter Community Schools, it is not intended to and does not present the financial position or changes in net position of Dexter Community Schools.

- 2) Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.
- 3) The Nutrition Cluster program (10.553/10.555/10.556) was audited as a major program and represents 27% of expenditures. The District qualified for low risk auditee status.
- 4) The threshold for distinguishing Type A and Type B programs was \$300,000.
- 5) Management has utilized the Grants Auditors Report in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Grant Auditors Report have been reconciled in the attached reconciliation on page 38 of this report.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
RECONCILIATION OF "GRANT AUDITOR'S REPORT"  
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014

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Current Payments Per the Grant Auditor's Report	
Cash Management System	\$378,410
<u>Less:</u> Amounts recorded on Cash Management System but recorded by the District as receivables	
Title I (CFDA 84.010)	(25,528)
<u>Add:</u> Passed Through Washtenaw County ISD	
Special Education - State Grants (CFDA 84.027A)	\$491,896
Special Education - Preschool (CFDA 84.173A)	19,270
Total Passed Through Washtenaw County ISD	<u>511,166</u>
Passed Through Monroe ISD	
Title III - Limited English Proficiency (CFDA 84.365A)	1,701
Entitlement and Bonus Commodities	<u>75,690</u>
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>	<u>\$941,439</u>



November 4, 2014

**INDEPENDENT AUDITOR'S 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***

To the Board of Education of  
Dexter Community Schools

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 Dexter Community Schools, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Schools' basic financial statements, and have issued our report thereon dated November 4, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Schools' internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Dexter Community Schools  
Page 2  
November 4, 2014

**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.



LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



November 4, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education of  
Dexter Community Schools

**Report on Compliance for Each Major Federal Program**

We have audited 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 Schools' major federal programs for the year ended June 30, 2014. Schools' major federal programs are identified in the summary of auditor's 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 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 Schools' compliance.

***Opinion on Each Major Federal Program***

In our opinion, Dexter Community 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, 2014.

Dexter Community Schools  
Page 2  
November 4, 2014

**Report on Internal Control Over Compliance**

Management of Dexter Community 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 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 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.

  
LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

DEXTER COMMUNITY SCHOOLS – DEXTER, MICHIGAN  
SUMMARY OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency (ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency (ies) identified?  Yes  None reported

Type of auditor’s 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  No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553/10.555/10.556	Nutrition Cluster

Dollar threshold use to distinguish between type A and type B programs: \$ 300,000.00

Auditee qualified as low-risk auditee?  Yes  No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no findings for the current year.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings for the current year or prior year.



November 4, 2014

To the Board of Education of  
Dexter Community Schools

We have audited the financial statements of Dexter Community Schools as of and for the year ended June 30, 2014 and have issued our report thereon dated November 4, 2014. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards***

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Dexter Community Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance considering such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the District's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the District, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify in our audit. Toward this end, we issued a separate letter dated November 4, 2014 regarding our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Dexter Community Schools  
Page 2  
November 4, 2014

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Dexter Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2014. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 estimate affecting the District's financial statements was:

Management's estimate of the lives of depreciable assets is based on standards published by the Association of School Business Officials. We evaluated the key factors and assumptions used to develop the estimate of depreciable lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statement disclosures are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

*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 us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Dexter Community Schools  
Page 3  
November 4, 2014

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 4, 2014.

*Management Consultations with Other Independent 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 governmental unit'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 Information in Documents Containing Audited Financial Statements*

We applied certain limited procedures to management's discussion and analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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 supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Dexter Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

