

DEXTER COMMUNITY SCHOOLS

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

JUNE 30, 2015

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October 26, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2015, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 13 to the financial statements, Dexter Community Schools implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress and employer contributions for the pension plan, 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 October 26, 2015, 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



Lewis
& Knopf
CPAs, PC

DEXTER COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

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, 2015.

Financial Highlights

- * The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$34,823,185 (net position).
- * The District's total net position increased by \$3,365,066. The increase was primarily due to the repayment of bond principal.
- * The general fund had a decrease in fund balance of \$52,872. At the end of the year, unassigned fund balance for the general fund was \$1,578,419, or 4%, of total general fund expenditures. Total fund balance for the general fund was \$6,130,468, or 17%, 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

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 - 26 of this report.

DEXTER COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF NET POSITION:

Net Pension Liability

During 2015, the District adopted two new accounting standards GASB's 68 and 71 related to the accounting and reporting of pensions. These new standards significantly impacted the District's Statement of Net Position and Statement of Activities as the District was required to report its proportionate share of unfunded pension liability of the Michigan retirement system for public schools. The District reported \$52,543,111 on its Statement of Net Position which caused the District's net position to have a deficit. The District also recognized \$353,591 on its Statement of Activities as additional retirement expense in the current year beyond its required contribution amount.

NET POSITION SUMMARY

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Other Assets	\$17,881,310	\$19,628,894
Capital Assets	<u>108,411,039</u>	<u>108,683,586</u>
<u>TOTAL ASSETS</u>	\$126,292,349	\$128,312,480
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>6,019,627</u>	<u>465,176</u>
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	\$132,311,976	\$128,777,656
<u>LIABILITIES</u>		
Other Liabilities	61,165,329	8,065,503
Long-Term Liabilities	<u>100,161,170</u>	<u>105,882,406</u>
Total Liabilities	\$161,326,499	\$113,947,909
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>5,808,662</u>	<u>0</u>
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	\$167,135,161	\$113,947,909
<u>NET POSITION</u>		
Net Investment in Capital Assets	30,522,639	4,531,600
Restricted	226,140	5,692,946
Unrestricted	<u>(65,571,964)</u>	<u>4,605,201</u>
<u>TOTAL NET POSITION</u>	<u><u>(\$34,823,185)</u></u>	<u><u>\$14,829,747</u></u>

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.

DEXTER COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF NET POSITION: (Continued)

An additional portion of the District's net position, \$226,140 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 and food service. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due.

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

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2015 and 2014, the District wide results of operations were:

	<u>2015</u>	<u>2014</u>
<u>REVENUES</u>		
Program Revenues:		
Charges for Services	\$3,638,785	\$2,506,680
Operating Grants	<u>5,690,944</u>	<u>4,710,334</u>
Total Program Revenues	\$9,329,729	\$7,217,014
General Revenues		
Property Taxes	13,945,076	13,410,088
Grants and State Aid	22,538,505	22,312,960
Interdistrict Sources	2,979,154	2,833,025
Other	<u>466,983</u>	<u>284,164</u>
Total General Revenues	<u>\$39,929,718</u>	<u>\$38,840,237</u>
Total Revenues	\$49,259,447	\$46,057,251
<u>EXPENSES</u>		
Instruction	23,786,162	23,508,679
Support Services	13,050,052	14,538,783
Community Services	2,999,909	2,090,107
Food Service	1,772,602	1,513,788
Outgoing Transfers and Other Uses	136,845	0
Interest on Long-Term Debt	<u>4,148,811</u>	<u>4,292,440</u>
Total Expenses	<u>\$45,894,381</u>	<u>\$45,943,797</u>
<u>INCREASE IN NET POSITION</u>	\$3,365,066	\$113,454
<u>NET POSITION - BEGINNING OF YEAR - AS RESTATED</u>	<u>(38,188,251)</u>	<u>14,716,293</u>
<u>NET POSITION - END OF YEAR</u>	<u><u>(\$34,823,185)</u></u>	<u><u>\$14,829,747</u></u>

The District's net position increased by \$3,365,056 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

General Fund Budgeting and Operating Highlights

The School District's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund.

During the fiscal year ended June 30, 2015, 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 \$35,537,572. That amount is less than the final budget estimate of \$36,097,828. The variance was \$560,256, or 1.5%. The variance was due to the reduction in the State pension unfunded liability pass-through to the local school districts.

The actual expenditures and other financing uses of the general fund were \$35,590,444, which is below the final budget estimate of \$37,075,561. The variance was \$1,485,117, or 4% favorable to the final 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, temporary vacancies in non-instructional positions, and the reduction in the State pension unfunded liability pass-through to the local school districts.

The general fund had total revenues of \$35,537,572 and total expenditures of \$35,590,444 with a net reduction in fund balance of \$52,872 and an ending fund balance of \$6,130,468.

Capital Asset and Debt Administration

A. Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2015 amounted to \$108,411,039 (net of accumulated depreciation). This investment in capital assets included land, building and improvements, machinery and equipment, and licensed vehicles. Capital assets at fiscal year-end included the following:

	Capital Assets (Net of Depreciation)	
	<u>2015</u>	<u>2014</u>
Land	\$5,822,892	\$5,722,874
Buildings and Improvements	97,894,765	99,527,179
Equipment and Furniture	2,553,426	1,317,603
Vehicles	<u>2,139,956</u>	<u>2,115,930</u>
<u>Total capital assets, net</u>	<u>\$108,411,039</u>	<u>\$108,683,586</u>

Additional information on the District's capital assets can be found in Note 5.

DEXTER COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration (Continued)

B. Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$100,161,170. Long-term debt at fiscal year-end included the following:

	Long-Term Debt	
	2015	2014
General Obligation Bonds	\$79,075,000	\$90,660,000
MI School Bond Loan Fund	17,944,749	11,785,749
Unamortized Premium	1,816,070	2,171,413
Compensated Absences	1,325,351	1,265,244
 Total Long-Term Debt	 \$100,161,170	 \$105,882,406

The District's total bonded debt decreased by \$11,585,000 during the current fiscal year due to the District making scheduled debt payments. Additional information on the District's long-term debt can be found in Note 7.

Economic Factors and Next Year's Budget

The following factors will affect the District in the future and were considered in preparing the District's budget for the 2015-16 fiscal year:

* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,693 per pupil for the 2015-16 fiscal year, a \$ 124 per pupil increase from 2014-15, based on information received from various educational organizations such as Michigan School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions with local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan will all affect this estimate before the final foundation allowance is known.

* Retirement Rate

The continuing cost of health insurance to current and potential retirees continues to drive the rate increase the Michigan School Employees Retirement System recommends to the legislature for approval. In 2015-16, the rate is anticipated to increase to 25.78% from 24.79% effective October 1, 2015. Additionally, the District will be required to pay 10.53%, for all wages earned October 1, 2015 and later, for the Unfunded Actuarial Accrued Liability (UAAL).

The Dexter Community Schools 2015/2016 adopted budget is as follows:

<u>REVENUE</u>	\$35,787,094
 <u>EXPENDITURES</u>	 36,404,978
 <u>NET (UNDER) BUDGET</u>	 (\$617,884)

DEXTER COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

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, 2015

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$9,202,354
Investments	2,740,811
Receivables:	
Accounts Receivable	147,412
Taxes Receivable	244,278
Due from Other Governmental Units	5,431,467
Due from Internal Fund	16,186
Inventory	12,990
Prepaid Expenditures	85,812
Capital Assets, Not Being Depreciated - Land	5,822,892
Capital Assets, Net of Accumulated Depreciation	102,588,147
<u>TOTAL ASSETS</u>	\$126,292,349
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Charge on Refunding Related to Pensions	344,464
	5,675,163
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	\$6,019,627
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	\$132,311,976
<u>LIABILITIES</u>	
Accounts Payable	444,218
Due to Other Governmental Units	472,705
Accrued Expenditures	1,839,836
Salaries Payable	2,213,143
Unearned Revenue	3,652,316
Non-Current Liabilities - Due in One Year	11,984,340
Non-Current Liabilities - Due in More than One Year	88,176,830
Net Pension Liability	52,543,111
<u>TOTAL LIABILITIES</u>	\$161,326,499
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Pensions	5,808,662
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	\$167,135,161
<u>NET POSITION</u>	
Net Investment in Capital Assets	30,522,639
Restricted	226,140
Unrestricted	(65,571,964)
<u>TOTAL NET POSITION</u>	(\$34,823,185)

See notes to the financial statements.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u> <u>Activities</u>
		<u>Charges For</u> <u>Services</u>	<u>Program</u> <u>Specific</u> <u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Expense)</u> <u>Revenue and</u> <u>Change in</u> <u>Net Position</u>
Governmental Activities:				
Instruction	\$23,786,162	\$210,302	\$5,215,332	(\$18,360,528)
Support Services	13,050,052	143,820	60,185	(12,846,047)
Community Services	2,999,909	2,068,616	77,280	(854,013)
Food Service	1,772,602	1,216,047	338,147	(218,408)
Outgoing Transfers and Other Uses	136,845	0	0	(136,845)
Interest - Long-Term Obligations	4,148,811	0	0	(4,148,811)
<u>Total Governmental Activities:</u>	<u>\$45,894,381</u>	<u>\$3,638,785</u>	<u>\$5,690,944</u>	<u>(\$36,564,652)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				4,115,816
Property Taxes, Levied for Debt Retirement				9,829,260
State Sources - Unrestricted				22,538,505
Interdistrict Sources				2,979,154
Investment Earnings				8,311
Miscellaneous				458,672
Total General Revenues and Transfers				<u>\$39,929,718</u>
Change in Net Position				<u>\$3,365,066</u>
Net Position - Beginning of Year - As Restated				<u>(38,188,251)</u>
<u>Net Position - End of Year</u>				<u>(\$34,823,185)</u>

See notes to the financial statements.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Debt Retirement Fund	Capital Projects Fund
<u>ASSETS</u>			
Cash and Cash Equivalents	\$8,494,208	\$422,817	\$0
Investments	82,605	0	2,658,206
Accounts Receivable	45,236	0	0
Taxes Receivable	202,660	41,618	0
Due from Other Funds	162,093	0	0
Due from Other Governmental Units	5,231,050	0	0
Inventory	0	0	0
Prepaid Expenditures	85,812	0	0
<u>TOTAL ASSETS</u>	<u>\$14,303,664</u>	<u>\$464,435</u>	<u>\$2,658,206</u>
<u>LIABILITIES</u>			
Accounts Payable	\$393,804	\$3,384	\$0
Due to Other Funds	20,062	0	0
Due to Other Governmental Units	472,682	0	0
Accrued Expenditures	1,245,631	0	0
Salaries Payable	2,213,143	0	0
Unearned Revenue	3,827,874	0	0
Total Liabilities	<u>\$8,173,196</u>	<u>\$3,384</u>	<u>\$0</u>
<u>FUND BALANCES</u>			
Non-Spendable			
Inventory	0	0	0
Prepaid Expenditures	85,812	0	0
Restricted			
Capital Projects	0	0	2,658,206
Debt Retirement	0	461,051	0
Food Service	0	0	0
Committed	3,931,686	0	0
Assigned			
Community Service	0	0	0
Subsequent Year Expenditures	534,551	0	0
Unassigned	1,578,419	0	0
Total Fund Balances	<u>\$6,130,468</u>	<u>\$461,051</u>	<u>\$2,658,206</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$14,303,664</u>	<u>\$464,435</u>	<u>\$2,658,206</u>

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, 2015

Non-Major Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances:	\$9,609,019
		Amounts reported for governmental activities in the statement of net position are different because:	
\$285,329	\$9,202,354	Deferred Outflows of Resources - Related to Pensions	5,675,163
0	2,740,811	Deferred Inflows of Resources - Related to Pensions	(5,808,662)
102,176	147,412		
0	244,278	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
30,507	192,600	Cost of Assets	166,693,866
200,417	5,431,467	Accumulated Depreciation	<u>(58,282,827)</u>
12,990	12,990	Capital Assets - Net of Accumulated Depreciation	\$108,411,039
<u>0</u>	<u>85,812</u>		
<u>\$631,419</u>	<u>\$18,057,724</u>	Other long-term assets not available to pay current period expenditures; therefore unavailable in the funds	244,278
\$47,030	\$444,218		
156,352	176,414	Accrued Interest on Long-Term Debt	(594,205)
23	472,705		
0	1,245,631	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:	
0	2,213,143	Bonds Payable	\$79,075,000
68,720	3,896,594	Unamortized Premium	1,816,070
<u>\$272,125</u>	<u>\$8,448,705</u>	School Bond Loan Fund	17,944,749
		Compensated Absences Payable	<u>1,325,351</u>
12,990	12,990	Total Long-Term Liabilities	(100,161,170)
0	85,812		
0	2,658,206	Unavailable Amount on Bond Refunding	344,464
0	461,051		
249,934	249,934	Net Pension Liability	<u>(52,543,111)</u>
0	3,931,686		
96,370	96,370	<u>TOTAL NET POSITION -</u>	
0	534,551	<u>GOVERNMENTAL ACTIVITIES</u>	<u>(\$34,823,185)</u>
0	1,578,419		
<u>\$359,294</u>	<u>\$9,609,019</u>		
<u>\$631,419</u>	<u>\$18,057,724</u>		

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Fund	Debt Retirement Fund	Capital Projects Fund
<u>REVENUES</u>			
Local Sources	\$4,529,287	\$9,886,202	\$942
State Sources	26,894,774	0	0
Federal Sources	859,063	0	0
Interdistrict Sources	2,789,403	0	0
Total Revenues	<u>\$35,072,527</u>	<u>\$9,886,202</u>	<u>\$942</u>
<u>EXPENDITURES</u>			
Instruction	20,548,991	0	0
Student Services	3,517,833	0	0
Instructional Support	2,374,196	0	0
General Administration	780,784	0	0
School Administration	2,109,755	0	0
Business Administration	559,899	0	0
Operation & Maintenance of Plant	3,212,122	0	0
Transportation	1,471,155	0	0
Other Support Services	121,295	0	0
Community Services	2,225	0	0
Outgoing Transfers and Other Uses	136,845	0	0
Food Service	0	0	0
Debt Service			
Principal	0	11,585,000	0
Interest	0	3,951,683	0
Other	0	25,992	0
Capital Outlay	0	0	2,148,918
Total Expenditures	<u>\$34,835,100</u>	<u>\$15,562,675</u>	<u>\$2,148,918</u>
Excess (Deficiency) of Revenues (Under) Expenditures	\$237,427	(\$5,676,473)	(\$2,147,976)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	208,873	0	0
Transfers (Out)	(755,344)	0	0
Bond Proceeds	0	5,688,824	0
Other Reimbursements	256,172	0	0
Total Other Financing Sources (Uses)	<u>(\$290,299)</u>	<u>\$5,688,824</u>	<u>\$0</u>
Net Change in Fund Balance	(\$52,872)	\$12,351	(\$2,147,976)
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>6,183,340</u>	<u>448,700</u>	<u>4,806,182</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$6,130,468</u>	<u>\$461,051</u>	<u>\$2,658,206</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, 2015

Non-Major Governmental Funds	Total Governmental Funds		
		Total net change in fund balances - governmental funds	(\$2,267,267)
		Amounts reported for governmental activities in the statement of activities are different because:	
\$3,426,509	\$17,842,940		
137,513	27,032,287	Governmental funds report capital outlays as expenditures.	
338,099	1,197,162	However, in the statement of activities, the cost of those	
189,751	2,979,154	assets is allocated over their estimated useful lives as	
<u>\$4,091,872</u>	<u>\$49,051,543</u>	depreciation expense.	
		Capital Outlay	4,401,355
		Depreciation Expense	(4,666,379)
		Loss on Sale of Assets	<u>(7,523)</u>
0	20,548,991	Total	(272,547)
0	3,517,833		
0	2,374,196	Repayment of bond principal is an expenditure in	
0	780,784	the governmental funds, but the repayment reduces	
0	2,109,755	long-term liabilities in the statement of net position.	
0	559,899	This is the amount of repayments reported as	
0	3,212,122	expenditures in the governmental funds.	11,585,000
0	1,471,155		
0	121,295	Amortization of:	
2,997,684	2,999,909	Unavailable Amount of Refunding	(120,712)
0	136,845	Unamortized Premiums	355,343
1,772,602	1,772,602		
		Borrowing and Interest Accrued on Michigan School Bond Loan	(6,159,000)
0	11,585,000		
0	3,951,683	(Increase) in Compensated Absences	(60,107)
0	25,992		
0	2,148,918	Change in accrued interest on long-term liabilities	64,409
<u>\$4,770,286</u>	<u>\$57,316,979</u>		
(\$678,414)	(\$8,265,436)	Decrease in taxes and other receivables is recorded in the	
		Statement of Activities when incurred; it is not	
		reported in governmental funds until paid.	(101,441)
755,344	964,217		
(208,873)	(964,217)	Some expenses reported in the statement of activities do not	
0	5,688,824	require the use of current financial resources and, therefore,	
53,173	309,345	are not reported as expenditures in the governmental Funds.	
<u>\$599,644</u>	<u>\$5,998,169</u>	Pension Related Items	<u>341,388</u>
(\$78,770)	(\$2,267,267)		
438,064	11,876,286	<u>CHANGE IN NET POSITION OF</u>	
		<u>GOVERNMENTAL ACTIVITIES</u>	<u>\$3,365,066</u>
<u>\$359,294</u>	<u>\$9,609,019</u>		

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2015

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$825,571</u>
<u>TOTAL ASSETS</u>	<u><u>\$825,571</u></u>
<u>LIABILITIES</u>	
Due to General Fund	\$16,186
Due to Student Groups	<u>809,385</u>
<u>TOTAL LIABILITIES</u>	<u><u>\$825,571</u></u>

See notes to the financial statements.

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

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) GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by 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

The accounting and financial reporting treatment applied to the financial statements 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.

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The process of preparing financial statements in conformity 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 are 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.

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

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

When an expense is incurred for 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.

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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, funds received from the State, and program revenue charges to customers.

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) 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.

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) CASH AND CASH EQUIVALENTS/INVESTMENTS (Continued)

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.

F) 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.

G) 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.

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

H) 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.

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I) UNEARNED REVENUE

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.

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, 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 15). 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. The plan was terminated during the fiscal year.

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 that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has two items that qualify for reporting in this category. They are the deferred charge on refunding and pension contributions reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension contributions made after the plans measurement date, but before the fiscal year end. The amount is amortized in the plan year in which it applies.

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

<u>Governmental Activities:</u>	Balance Beginning	Additions	Deductions	Balance Ending
Deferred Charge on Refunding	\$465,176	\$0	\$120,712	\$344,464

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 has one item that qualifies for reporting in this category. It is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.

N) DEFINED BENEFIT PLAN

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

O) 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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P) 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.

Q) BUDGETARY INFORMATION

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.
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, 2015. The District does not consider these amendments to be significant.

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

2) DEPOSITS AND INVESTMENTS

As of June 30, 2015, 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	<u>2,740,809</u>	N/A	AAAm	<u>100.00%</u>
Total fair value	<u>\$ 2,740,811</u>			<u>100.00%</u>

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.

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, 2015, \$9,880,817 of the District's bank balance of \$10,422,961 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.

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.

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

Cash Agency Fund	\$ 825,571
Cash – District Wide	9,202,354
Investments – District Wide	<u>2,740,811</u>
<u>TOTAL</u>	<u>\$ 12,768,736</u>

The above amounts as previously reported in Note 2:

Deposits – Including Fiduciary Funds of \$825,571	\$ 10,025,350
Petty Cash	2,575
Investments	<u>2,740,811</u>
<u>TOTAL</u>	<u>\$ 12,768,736</u>

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

3) 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, 2015, 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

4) RECEIVABLES

Receivables at June 30, 2015, 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:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 4,836,984
Federal Grants	259,778
Other	334,705
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 5,431,467</u>

5) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Ending</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Land	\$5,722,874	\$100,018	\$0	\$5,822,892
Buildings and Improvements	146,982,386	2,080,173	0	149,062,559
Equipment and Furniture	6,084,720	1,813,191	0	7,897,911
Vehicles	3,945,369	407,973	(442,838)	3,910,504
Totals at Historical Cost	<u>\$162,735,349</u>	<u>\$4,401,355</u>	<u>(\$442,838)</u>	<u>\$166,693,866</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(47,455,207)	(3,712,587)	0	(51,167,794)
Equipment and Furniture	(4,767,117)	(577,368)	0	(5,344,485)
Vehicles	(1,829,439)	(376,424)	435,315	(1,770,548)
Total Accumulated Depreciation	<u>(\$54,051,763)</u>	<u>(\$4,666,379)</u>	<u>\$435,315</u>	<u>(\$58,282,827)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$108,683,586</u>	<u>(\$265,024)</u>	<u>(\$7,523)</u>	<u>\$108,411,039</u>

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

5) CAPITAL ASSETS (Continued)

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	\$ 3,578,559
Support Services	<u>1,087,820</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 4,666,379</u>

6) 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, 2015.

7) 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, 2015 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 of 3.25% to 5% per annum. The balance of the bonds at June 30, 2015 was \$30,665,000. Payments on this debt are recorded in the District’s Debt Retirement Fund.

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, 2015 was \$6,680,000. 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 of 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, 2015 was \$5,410,000. 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, 2015 was \$4,820,000. Payments on this debt are recorded in the District’s Debt Retirement Fund.

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

7) GENERAL LONG-TERM DEBT (Continued)

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 \$470,176 has been assessed for the year ended June 30, 2015, and is included in the amount owing the State at that date. The balance payable at June 30, 2015 was \$17,944,749.

E) Debt service requirements at June 30, 2015, were as follows:

YEAR ENDED			
JUNE 30,	BONDS	INTEREST	TOTAL
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	5,560,000	2,199,757	7,759,757
2021-2025	26,345,000	7,209,231	33,554,231
2026-2028	14,625,000	1,410,750	16,035,750
<u>TOTAL</u>	<u>\$79,075,000</u>	<u>\$22,930,778</u>	<u>\$102,005,778</u>

F) CHANGES IN LONG-TERM LIABILITIES

<u>Governmental Activities:</u>	Balance Beginning	Additions	Deductions	Balance Ending	Amount Due in One Year
School Bond Loan Fund	\$11,785,749	\$6,159,000	\$0	\$17,944,749	\$0
Unamortized Premium	2,171,413	0	355,343	1,816,070	344,340
Building & Site Bonds	90,660,000	0	11,585,000	79,075,000	11,640,000
Compensated Absences	1,265,244	60,107	0	1,325,351	0
<u>Total Governmental Activities</u>	<u>\$105,882,406</u>	<u>\$6,219,107</u>	<u>\$11,940,343</u>	<u>\$100,161,170</u>	<u>\$11,984,340</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$3,951,683.

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

8) 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 \$2,524,478 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:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Future State Aid Adjustment for Prior Year DDA/TIFA Captures	\$2,524,478	\$0	\$2,524,478
Other	0	1,303,396	1,303,396
Fees and Prepaid Student Lunches	0	68,720	68,720
<u>TOTAL</u>	<u>\$2,524,478</u>	<u>\$1,372,116</u>	<u>\$3,896,594</u>

The District has also recognized \$68,425 as a prior period revenue adjustment for the receipt of overcaptures that were due from the DDA/TIFA.

9) COMMITTED FUND BALANCE

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

Athletic Facilities	\$300,000
Facilities	708,000
Health Benefit Claims	296,647
Instruction Equipment	1,073,644
New Programs - Implementation	83,333
Retirement/Severance	850,000
Supply Carryover	70,062
Technology	550,000
<u>TOTAL</u>	<u>\$3,931,686</u>

10) INTERFUND ACTIVITY

Interfund balances at June 30, 2015, consisted of the following:

		DUE FROM			
		General	Food	Community	
		Fund	Service	Service	Total
DUE TO	General Fund	\$0	\$0	\$20,062	\$20,062
	Food Service	9,212	0	0	9,212
	Community Service	136,695	10,445	0	147,140
	Trust & Agency	16,186	0	0	16,186
	<u>TOTAL</u>	<u>\$162,093</u>	<u>\$10,445</u>	<u>\$20,062</u>	<u>\$192,600</u>

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

10) INTERFUND ACTIVITY (Continued)

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.

11) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2015, consisted of the following:

TRANSFERS TO	TRANSFERS FROM			
	General Fund	Food Service	Community Service	Total
General Fund	\$0	\$111,696	\$97,177	\$208,873
Community Service	755,344	0	0	755,344
<u>TOTAL</u>	<u>\$755,344</u>	<u>\$111,696</u>	<u>\$97,177</u>	<u>\$964,217</u>

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.

12) RESTRICTED NET POSITION

Restricted net position consists of the following:

Debt Retirement	(\$133,154)
Food Service	262,924
Community Service	96,370
<u>TOTAL</u>	<u>\$226,140</u>

13) NEW ACCOUNTING STANDARDS

For the year ended June 30, 2015, the District implemented the following new pronouncements:

GASB statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Summary

GASB statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position an actuarial calculation. 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. The statement 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.

GASB statement No. 71 addressed the issue of contributions made to the defined benefit pension plan after the measurement date for the year in which GASB statement No. 68 is implemented. The effect is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of statement No. 68 in the accrual basis financial statements.

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

13) NEW ACCOUNTING STANDARDS (Continued)

The restatement of the beginning of the year net position is as follows:

Net Position as previously stated June 30, 2014	\$14,829,747
Adoption of GASB statement No. 68	
Net Pension Liability	(55,894,249)
Deferred Outflows Related to Pensions	<u>2,876,251</u>
 <u>NET POSITION AS RESTATED JUNE 30, 2014</u>	 <u><u>(\$38,188,251)</u></u>

14) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/orsschools/0,1607,7-206-36585-,00.html>.

Benefits Provided

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

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and 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 pension. Any changes to a member's pension 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 February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

14) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Regular Retirement (no reduction factor for age)

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation FAC.

Pension Plus

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 – Credited Service after the Transition Date times 1.5% times FAC.

Option 2 – Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 – Credited Service after the Transition Date times 1.25% times FAC.

Option 4 – None (Member will receive benefit through a Defined Contribution plan).

Final Average Compensation - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

Member Contributions

The majority of the members currently participate on a contributory basis, under a variety of options "Benefits Provided." Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer Contributions

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

The District's pension contributions for the year ended June 30, 2015 were equal to the required contribution total. Pension contributions were \$5,374,551, with \$4,565,378 specifically for the Defined Benefit Plan. These amounts include Section 147 contributions also.

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

14) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Contributions and Funding Status

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded(overfunded) actuarial accrued liability as of the September 30, 2014 valuation will be amortized over a 22 year period for the 2014 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2014.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	18.34 - 19.61%
Member Investment Plan	3.0 - 7.0%	18.34 - 19.61%
Pension Plus	3.0 - 6.4%	18.11%
Defined Contribution	0.0%	15.44 - 16.61%

The System may reconcile with actuarial requirements annually. If the system reconciles in a year, any funding excess or deficiency for pension benefits is smoothed over a maximum of 5 years, with at least one-fifth (20%) of the funding excess or deficiency included in the subsequent year's contribution. This payment is not recognized as a payable or receivable in the accounting records. If the System does not reconcile in a year, any funding excess or deficiency for pension benefits is accounted for in subsequent required contributions over the remaining amortization period. For fiscal year 2014, the System did not reconcile.

In May 1996, the Internal Revenue Service issued a private letter ruling allowing the System's members to purchase service credit and repay refunds using tax-deferred (pre-tax) dollars. The program was implemented in fiscal year 1998, and payments began in fiscal year 1999.

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members' paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). At September 30, 2014, there were 16,503 agreements. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2014. The average remaining length of a contract was approximately 6.0 years for 2014. The short-term receivable was \$29.7 million and the discounted long-term receivable was \$83.6 million at September 30, 2014.

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

14) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

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

Pension Liabilities

Measurement of the MPSERS Net Pension Liability

The plan's net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

MPSERS (Plan) Net Pension Liability—Non-University

Total Pension Liability	\$ 65,160,887,182
Plan Fiduciary Net Position	<u>43,134,384,072</u>
Net Pension Liability	\$ 22,026,503,110
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.20%
Net Pension Liability as a Percentage of Covered-Employee Payroll	250.11%

At June 30, 2015, the District reported a liability of \$52,543,111 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2014, the District's proportion was 0.23854 percent.

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

For the year ended June 30, 2015, the District recognized pension expense of \$4,256,572. At June 30, 2015, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences Between Expected and Actual Experience	\$0	\$0
Changes of Assumptions	1,938,728	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	5,808,662
Changes in Proportion and Differences between Reporting Unit Contributions and Proportionate Share of Contributions	1,664	0
Reporting Unit Contributions Subsequent to the Measurement Date	<u>3,734,771</u>	<u>0</u>
<u>TOTAL</u>	<u><u>\$5,675,163</u></u>	<u><u>\$5,808,662</u></u>

\$5,675,163, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

14) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Pension Liabilities (Continued)

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending Sept. 30,</u>	<u>Amount</u>
2015	(\$947,723)
2016	(947,723)
2017	(947,723)
2018	<u>(1,025,554)</u>
<u>TOTAL</u>	<u><u>(\$3,868,723)</u></u>

Actuarial Assumptions

Investment rate of return - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 2.5%

Mortality assumptions - The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Male and Female Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. The final rates used include no margin for future mortality improvement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2014. An assumption experience study is performed every five years. The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2008 to September 30, 2013. As a result of this actuarial experience study, the actuarial assumptions were adjusted to more closely reflect actual experience.

The long-term expected rate of return on pension plan investments - The rate was 8% (7% Pension Plus Plan) net of investment and administrative expenses was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

14) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation*</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	4.8%
Alternate Investment Pools	18.0%	8.5%
International Equity	16.0%	6.1%
Fixed Income Pools	10.5%	1.5%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	15.5%	6.3%
Short Term Investment Pools	2.0%	(0.2)%
Total	100.0%	

* Long term rate of return does not include 2.5% inflation.

Discount rate - The discount rate used to measure the total pension liability was 8% (7% for Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	<u>1% Decrease Non-Hybrid/ Hybrid)* 7.0%/6.0%</u>	<u>Current Single Discount Rate Assumption Non-Hybrid/ Hybrid)* 8.0%/7.0%</u>	<u>1% Increase Non-Hybrid/ Hybrid)* 9.0%/8.0%</u>
Reporting Unit's proportionate share of the net pension liability	\$69,273,516	\$52,543,111	\$38,447,497

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2014 Comprehensive Annual Financial Report, available here: <http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>.

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

14) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Payables to the Pension Plan

The District had payables outstanding at June 30, 2015 to the defined benefit pension plan relating to contributions for July and August.

Contributions for July and August from ORS invoices (Included in Due to Other Governmental Units)	\$ 472,682
Contributions for July and August from Payroll Runs (Included in Accrued Expenses)	<u>571,072</u>
<u>TOTAL PAYABLES TO THE PENSION PLAN</u>	<u>\$ 1,043,754</u>

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.

Employer Contributions

The District postemployment healthcare contributions to MPSERS for the year ended June 30, 2015 were approximately \$724,168.

DEXTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

15) 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. On May 31, 2015, the Dexter Education Association terminated participation in the self-funded medical care benefits program and enrolled in a fully insured program through MESSA on June 1, 2015. The remaining District employees terminated participation in the self-funded medical care benefits program on June 30, 2015. Claims incurred in the self-funded medical care benefits program will continue to be paid during the run out period of 24 months. As of June 30, 2015, the estimated liability for incurred but not reported claims was approximately \$296,647.

REQUIRED SUPPLEMENTARY
INFORMATION

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>REVENUES</u>				
Local Sources	\$4,463,662	\$4,539,985	\$4,529,287	(\$10,698)
State Sources	26,362,687	27,314,840	26,894,774	(420,066)
Federal Sources	825,591	859,064	859,063	(1)
Total Revenues	<u>\$31,651,940</u>	<u>\$32,713,889</u>	<u>\$32,283,124</u>	<u>(\$430,765)</u>
<u>EXPENDITURES</u>				
Instruction	20,600,034	21,209,041	20,548,991	660,050
Student Services	3,668,057	3,711,293	3,517,833	193,460
Instructional Support	2,043,574	2,406,008	2,374,196	31,812
General Administration	804,170	817,073	780,784	36,289
School Administration	2,185,605	2,191,366	2,109,755	81,611
Business Administration	553,669	591,642	559,899	31,743
Operation & Maintenance of Plant	3,153,744	3,342,372	3,212,122	130,250
Transportation	1,705,764	1,644,240	1,471,155	173,085
Other Support Services	96,682	176,666	121,295	55,371
Community Services	2,553	3,307	2,225	1,082
Total Expenditures	<u>\$34,813,852</u>	<u>\$36,093,008</u>	<u>\$34,698,255</u>	<u>\$1,394,753</u>
Excess of Revenues Over Expenditures	(\$3,161,912)	(\$3,379,119)	(\$2,415,131)	\$963,988
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	<u>2,539,513</u>	<u>2,401,386</u>	<u>2,362,259</u>	<u>(39,127)</u>
	(\$622,399)	(\$977,733)	(\$52,872)	\$924,861
<u>FUND BALANCE - BEGINNING OF YEAR</u>			<u>6,183,340</u>	
<u>FUND BALANCE - END OF YEAR</u>			<u>\$6,130,468</u>	

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Reporting unit's proportion of net pension liability (%)									0.23854%	0.24352%
Reporting unit's proportionate share of net pension liability									\$52,543,111	\$56,887,534
Reporting unit's covered-employee payroll									\$20,490,109	\$21,158,531
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll									256.43%	268.86%
Plan fiduciary net position as a percentage of total pension liability									66.20%	62.68%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contributions									\$3,704,745	\$2,704,060
Contributions in relation to statutorily required contributions									<u>3,704,745</u>	<u>2,704,060</u>
Contribution deficiency (excess)									<u>\$0</u>	<u>\$0</u>
Reporting unit's covered-employee payroll									\$20,490,109	\$21,158,531
Contributions as a percentage of covered-employee payroll									18.08%	12.78%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

DEXTER COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end.

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

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

During the year, Dexter Community Schools did not have significant expenditure budget variances.

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

PENSION RELATED

Changes of benefit terms: There were no changes of benefit terms in 2015.

Changes of assumptions: There were no changes of benefit assumptions in 2015.

ADDITIONAL SUPPLEMENTARY
INFORMATION

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2015

	<u>Food Services Fund</u>	<u>Community Service Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$117,553	\$167,776	\$285,329
Accounts Receivable	70,546	31,630	102,176
Due from Other Funds	10,445	20,062	30,507
Due from Other Governmental Units	115,468	84,949	200,417
Inventory	12,990	0	12,990
<u>TOTAL ASSETS</u>	<u>\$327,002</u>	<u>\$304,417</u>	<u>\$631,419</u>
<u>LIABILITIES</u>			
Accounts Payable	\$10,573	\$36,457	\$47,030
Due to Other Funds	9,212	147,140	156,352
Due to Other Governmental Units	23	0	23
Unearned Revenue	44,270	24,450	68,720
Total Liabilities	\$64,078	\$208,047	\$272,125
<u>FUND BALANCES</u>			
Non-Spendable			
Inventory	12,990	0	12,990
Restricted			
Food Service	249,934	0	249,934
Assigned			
Community Service	0	96,370	96,370
Total Fund Balance	\$262,924	\$96,370	\$359,294
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$327,002</u>	<u>\$304,417</u>	<u>\$631,419</u>

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2015

	Food Services Fund	Community Service Fund	Total
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$1,216,047	\$0	\$1,216,047
Athletic Activities	0	472,076	472,076
Community Education	0	1,738,132	1,738,132
Earnings on Investments and Deposits	154	100	254
Total Local Sources	<u>\$1,216,201</u>	<u>\$2,210,308</u>	<u>\$3,426,509</u>
<u>State Sources</u>			
State Reimbursements	60,233	77,280	137,513
<u>Federal Sources</u>			
Federal Reimbursements	213,017	60,185	273,202
Commodities	64,897	0	64,897
Total Federal Sources	<u>\$277,914</u>	<u>\$60,185</u>	<u>\$338,099</u>
<u>Interdistrict Sources</u>			
Total Revenues	<u>189,751</u>	<u>0</u>	<u>189,751</u>
	<u>\$1,744,099</u>	<u>\$2,347,773</u>	<u>\$4,091,872</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	755,344	755,344
Other Transfers	53,173	0	53,173
Total Other Financing Sources	<u>\$53,173</u>	<u>\$755,344</u>	<u>\$808,517</u>
Total Revenues & Other Financing Sources	<u>\$1,797,272</u>	<u>\$3,103,117</u>	<u>\$4,900,389</u>
<u>EXPENDITURES</u>			
Salaries - Professional	105,648	439,613	545,261
Salaries - Non-Professional	466,662	792,610	1,259,272
Insurances	74,454	118,673	193,127
Fica, Retirement, Etc.	239,420	473,012	712,432
Other Benefits	924	9,854	10,778
Purchased Services	51,649	765,884	817,533
Supplies and Materials	754,324	392,057	1,146,381
Capital Outlay	72,416	485	72,901
Other	7,105	5,496	12,601
Total Expenditures	<u>\$1,772,602</u>	<u>\$2,997,684</u>	<u>\$4,770,286</u>
<u>OTHER FINANCING USES</u>			
Transfers to Other Funds	111,696	97,177	208,873
Total Expenditures and Other Financing Uses	<u>\$1,884,298</u>	<u>\$3,094,861</u>	<u>\$4,979,159</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>			
	(\$87,026)	\$8,256	(\$78,770)
<u>FUND BALANCE - BEGINNING OF YEAR</u>			
	349,950	88,114	438,064
<u>FUND BALANCE - END OF YEAR</u>			
	<u>\$262,924</u>	<u>\$96,370</u>	<u>\$359,294</u>

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, 2015

REVENUES FROMLocal Sources

Property Taxes	\$4,217,257
Earnings on Investments and Deposits	5,146
Tuition	68,710
Transportation	137,676
Rentals	6,144
Other Local Revenues	94,354
Total Revenues from Local Sources	<u>\$4,529,287</u>

State Sources

State Aid - Membership - Sec. 20	22,538,505
At Risk	126,581
Special Education	1,606,601
Grants from ISD	171,129
Other State Grants	2,451,958
Total Revenues from State Sources	<u>\$26,894,774</u>

Federal Sources

Title I	148,403
Title II - Teacher Principal Training	84,743
Special Ed	608,789
Grants from ISD	17,128
Total Revenues from Federal Sources	<u>\$859,063</u>

Interdistrict Sources

Total Revenues	<u>2,789,403</u>
	<u>\$35,072,527</u>

OTHER FINANCING SOURCES

Transfers from Other Funds	208,873
Other Reimbursements	256,172
Total Other Financing Sources	<u>\$465,045</u>

TOTAL REVENUES AND OTHER
FINANCING SOURCES

\$35,537,572

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2015

INSTRUCTION

BASIC PROGRAMS

Elementary

Salaries - Professional	\$5,310,591
Salaries - Non-Professional	93,893
Insurances	664,641
Fica, Retirement, Etc.	2,220,302
Purchased Services	183,279
Supplies and Materials	217,616
Other	24,800
Total Elementary	\$8,715,122

Middle/Junior High

Salaries - Professional	1,627,480
Salaries - Non-Professional	42,139
Insurances	207,075
Fica, Retirement, Etc.	686,624
Purchased Services	38,197
Supplies and Materials	42,304
Other	1,985
Total Middle/Junior High	\$2,645,804

High School

Salaries - Professional	3,381,841
Salaries - Non-Professional	172,896
Insurances	413,783
Fica, Retirement, Etc.	1,453,234
Purchased Services	89,898
Supplies and Materials	135,882
Other	183,362
Total High School	\$5,830,896

Total Basic Programs	\$17,191,822
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ADDED NEEDS

SPECIAL EDUCATION

Salaries - Professional	968,622
Salaries - Non-Professional	758,035
Insurances	149,951
Fica, Retirement, Etc.	714,653
Other Benefits	61
Purchased Services	80,817
Supplies and Materials	11,844
Other	112,785
Total Special Education	\$2,796,768

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2015

INSTRUCTION (Continued)

COMPENSATORY EDUCATION

Salaries - Professional	\$179,822
Salaries - Non-Professional	1,200
Insurances	21,263
Fica, Retirement, Etc.	73,652
Purchased Services	1,533
Supplies and Materials	246
Total Compensatory Education	\$277,716

VOCATIONAL EDUCATION

Salaries - Professional	65,248
Insurances	10,411
Fica, Retirement, Etc.	26,902
Purchased Services	1,500
Supplies and Materials	12,000
Other	166,624
Total Vocational Education	\$282,685

Total Added Needs	\$3,357,169
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<u>Total Instruction</u>	\$20,548,991
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SUPPORT SERVICES

STUDENT SERVICES

Salaries - Professional	2,200,938
Salaries - Non-Professional	32,274
Insurances	266,691
Fica, Retirement, Etc.	920,543
Purchased Services	83,037
Supplies and Materials	10,054
Capital Outlay	4,296
Total Student Services	\$3,517,833

INSTRUCTIONAL STAFF

Salaries - Professional	750,104
Salaries - Non-Professional	145,745
Insurances	126,947
Fica, Retirement, Etc.	356,674
Other Benefits	3,724
Purchased Services	367,599
Supplies and Materials	221,284
Capital Outlay	401,979
Other	140
Total Instructional Staff	\$2,374,196

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2015

SUPPORT SERVICES (Continued)

GENERAL ADMINISTRATION

Salaries - Professional	\$328,890
Salaries - Non-Professional	63,287
Insurances	36,228
Fica, Retirement, Etc.	171,717
Other Benefits	37,350
Purchased Services	118,060
Supplies and Materials	10,022
Other	15,230
Total General Administration	\$780,784

SCHOOL ADMINISTRATION

Salaries - Professional	865,940
Salaries - Non-Professional	400,341
Insurances	185,014
Fica, Retirement, Etc.	539,569
Other Benefits	49,354
Purchased Services	45,416
Supplies and Materials	18,154
Other	5,967
Total School Administration	\$2,109,755

BUSINESS ADMINISTRATION

Salaries - Professional	287,314
Salaries - Non-Professional	12,736
Insurances	29,243
Fica, Retirement, Etc.	125,450
Other Benefits	28,050
Purchased Services	41,518
Supplies and Materials	10,681
Other	24,907
Total Business Administration	\$559,899

OPERATION AND MAINTENANCE OF PLANT

Salaries - Professional	58,410
Salaries - Non-Professional	903,694
Insurances	214,293
Fica, Retirement, Etc.	395,903
Other Benefits	1,574
Purchased Services	719,358
Supplies and Materials	905,567
Capital Outlay	13,323
Total Operation and Maintenance of Plant	\$3,212,122

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2015

SUPPORT SERVICES (Continued)

TRANSPORTATION

Salaries - Professional	\$51,480
Salaries - Non-Professional	731,386
Insurances	99,151
Fica, Retirement, Etc.	320,090
Other Benefits	4,471
Purchased Services	99,887
Supplies and Materials	161,380
Other	3,310
Total Transportation	\$1,471,155

OTHER SUPPORT SERVICES

Salaries - Non-Professional	54,701
Insurances	16,268
Fica, Retirement, Etc.	26,418
Purchased Services	18,536
Supplies and Materials	2,929
Other	2,443
Total Transportation	\$121,295

Total Support Services	\$14,147,039
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COMMUNITY SERVICES

Purchased Services	745
Supplies and Materials	1,480
Total Community Services	\$2,225

Total Expenditures	\$34,698,255
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OTHER FINANCING USES

Transfers to Other Funds	755,344
Transfers to Other Districts	136,845
Total Other Financing Uses	\$892,189

<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	\$35,590,444
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DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2015

DATE OF ISSUE - April 20, 1998

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

1998 SCHOOL BUILDING AND SITE 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>
2015-2016		\$0	\$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
<u>TOTAL</u>		<u>\$31,500,000</u>	<u>\$5,985,000</u>	<u>\$5,985,000</u>	<u>\$43,470,000</u>

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2015

DATE OF ISSUE - September 29, 2008

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

2008 BUILDING & SITE & 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>
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
<u>TOTAL</u>		<u>\$30,665,000</u>	<u>\$4,663,632</u>	<u>\$4,663,632</u>	<u>\$39,992,264</u>

DATE OF ISSUE - May 24, 2012

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

2012 BUILDING & SITE 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>
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
<u>TOTAL</u>		<u>\$5,410,000</u>	<u>\$447,500</u>	<u>\$447,500</u>	<u>\$6,305,000</u>

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2015

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>
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
<u>TOTAL</u>		<u>\$6,680,000</u>	<u>\$338,650</u>	<u>\$338,650</u>	<u>\$7,357,300</u>

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>
2015-2016	1.27%	<u>\$4,820,000</u>	<u>\$30,607</u>	<u>\$30,607</u>	<u>\$4,881,214</u>

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Project Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2014	Prior Year Expenditures	Current Year Expenditures	Adjustments	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2015
U.S. DEPARTMENT OF EDUCATION									
Passed Through Michigan Department of Education:									
Improving Basic Programs Title I	84.010								
Improving Basic Programs Title I (13-14)		141530-1314	\$130,194	\$56,627	\$130,194	\$0	\$0	\$56,627	\$0
Improving Basic Programs Title I (14-15)		151530-1415	148,403	0	0	148,403	0	113,047	35,356
Total Improving Basic Programs Title I			<u>\$278,597</u>	<u>\$56,627</u>	<u>\$130,194</u>	<u>\$148,403</u>	<u>\$0</u>	<u>\$169,674</u>	<u>\$35,356</u>
Teacher/Principal Training & Recruiting	84.367								
Title IIA (13-14)		140520-1314	59,206	8,201	59,206	0	0	8,201	0
Title IIA (14-15)		150520-1314	84,743	0	0	84,743	0	69,254	15,489
Teacher/Principal Training & Recruiting			<u>\$143,949</u>	<u>\$8,201</u>	<u>\$59,206</u>	<u>\$84,743</u>	<u>\$0</u>	<u>\$77,455</u>	<u>\$15,489</u>
Total Passed Through Michigan Department of Education			<u>\$422,546</u>	<u>\$64,828</u>	<u>\$189,400</u>	<u>\$233,146</u>	<u>\$0</u>	<u>\$247,129</u>	<u>\$50,845</u>
Passed Through Washtenaw County ISD									
Special Education - Grants to States									
IDEA (13-14)	84.027A	140450-1314	616,921	202,774	616,921	0	0	202,774	0
IDEA (14-15)	84.027A	150450-1415	608,789	0	0	608,789	0	412,896	195,893
Special Education Preschool (14-15)	84.173A	150460-1415	17,128	0	0	17,128	0	17,128	0
Total Special Education Cluster			<u>\$1,242,838</u>	<u>\$202,774</u>	<u>\$616,921</u>	<u>\$625,917</u>	<u>\$0</u>	<u>\$632,798</u>	<u>\$195,893</u>
Special Education - Grants for Infants and Families									
Title III - Early On (13-14)	84.181A	141340-190	11,200	11,200	11,200	0	0	11,200	0
Total Passed through Washtenaw County ISD			<u>\$1,254,038</u>	<u>\$213,974</u>	<u>\$628,121</u>	<u>\$625,917</u>	<u>\$0</u>	<u>\$643,998</u>	<u>\$195,893</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$1,676,584</u>	<u>\$278,802</u>	<u>\$817,521</u>	<u>\$859,063</u>	<u>\$0</u>	<u>\$891,127</u>	<u>\$246,738</u>
U.S. DEPARTMENT OF AGRICULTURE									
Passed Through Michigan Department of Education:									
School Breakfast Program	10.553	N/A	21,250	0	0	21,250	0	20,666	584
National School Lunch Program	10.555	N/A	191,767	0	0	191,767	0	186,980	4,787
National School Lunch Program - Entitlement Commodities		N/A	64,897	0	0	64,897	0	64,897	0
Total National School Lunch Program			<u>\$256,664</u>	<u>\$0</u>	<u>\$0</u>	<u>\$256,664</u>	<u>\$0</u>	<u>\$251,877</u>	<u>\$4,787</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE (NUTRITION CLUSTER)			<u>\$277,914</u>	<u>\$0</u>	<u>\$0</u>	<u>\$277,914</u>	<u>\$0</u>	<u>\$272,543</u>	<u>\$5,371</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES									
Drug Free Communities Grant (14-15)	93.276	IH79SP020328-01	125,000	0	0	60,185	0	52,516	7,669
TOTAL FEDERAL AWARDS			<u>\$2,079,498</u>	<u>\$278,802</u>	<u>\$817,521</u>	<u>\$1,197,162</u>	<u>\$0</u>	<u>\$1,216,186</u>	<u>\$259,778</u>

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

<u>FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>	<u>\$1,197,162</u>
<u>FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS</u>	
General Fund	\$859,063
Special Revenue Funds	<u>338,099</u>
<u>TOTAL</u>	<u>\$1,197,162</u>

- 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, 2015.

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 Special Education Cluster program (84.027/84.173) was audited as a major program and represents 52% 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 43 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, 2015

Current Payments Per the Grant Auditor's Report		\$400,313
Cash Management System		
<u>Add:</u> Amounts recorded on Cash Management System in the prior year but recorded by the District as revenue in the current year		
Title I (CFDA 84.010)	\$32,124	
Title II A (CFDA 84.367)	22,338	
		54,462
<u>Add:</u> Passed Through Washtenaw County ISD		
Special Education - State Grants (CFDA 84.027A)	\$615,670	
Special Education - Preschool (CFDA 84.173A)	17,128	
Title III - Early On (CFDA 84.181)	11,200	
Total Passed Through Washtenaw County ISD		643,998
Drug Free Communities Grant (CFDA93.276)		52,516
Entitlement and Bonus Commodities		64,897
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>		<u>\$1,216,186</u>



October 26, 2015

**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, 2015, and the related notes to the financial statements, which collectively comprise Dexter Community Schools' basic financial statements, and have issued our report thereon dated October 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dexter Community 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 Dexter Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Dexter Community 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 and therefore, during our audit we did not identify any deficiencies in control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. This significant deficiency is identified as finding 2015-001 in the accompany schedule of findings and questioned costs.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dexter Community 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
October 26, 2015

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 & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



October 26, 2015

**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 Dexter Community 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 Dexter Community Schools' major federal programs for the year ended June 30, 2015. Dexter Community 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 Dexter Community 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 Dexter Community 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 Dexter Community 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, 2015.

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 Dexter Community 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 Dexter Community 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, 2015

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? Yes No

DEXTER COMMUNITY SCHOOLS – DEXTER, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY – KNOWN FRAUD -

2015-001 Technology Inventory

Condition: The District's internal control policies and procedures related to technology safeguarding and inventory control were not properly managed by those responsible for its implementation and monitoring. The result of this failure in control resulted in District technology devices to be misappropriated by District personnel.

Criteria: Internal controls should be in place and properly monitored that provide reasonable assurance that technology assets purchased are properly inventoried and that the physical whereabouts of the items are known. Internal controls should also be in place to provide reasonable assurance that items that are replaced, returned or sold are properly removed from inventory and are properly reflected in the District's fixed asset value recorded on its government-wide financial statements. These controls should be designed and monitored to prevent the theft or other misappropriation of the District's technology devices (proper safeguarding of assets).

Cause: The District's control policies and procedures related to technology in that were in place prior to fiscal year 2012, were reviewed by the District at the end of that fiscal year when a change in supervisory personnel took place. As a result of that review and the financial statement finding that it produced, the District adopted additional internal control policies and procedures related to technology during fiscal year 2013 after this issue was identified in the fiscal year 2012 audit. However, the new supervisor responsible for the implementation of these controls and the individual's direct supervisor did not implement or properly monitor the situation after the enhanced policies and procedures were put in place. As a result of the control failures in this situation, District technology devices were improperly removed from the District premises.

Effect: Because the responsibility for implementation of controls fell to the perpetrator and monitoring of the control system was not effective, technology assets were misappropriated. The District has recovered many of the items, the employee involved in the misappropriation resigned, and the matter was turned over to law enforcement. The legal process is proceeding through the courts in the affected jurisdictions.

Recommendation: The District should continually monitor and review its revised internal control systems in this area.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the findings and the auditor's recommendations.

The District did develop and implement appropriate internal control policies and procedures as indicated above after the fiscal year 2012 audit was completed. When anomalies were identified by secondary internal controls within the accounting department, it was apparent that the District's primary controls were compromised due to the role (supervisor) the embezzler had within the control system. Upon further investigation by the District, and others, the District identified the source of the impropriety and immediately responded. The employee resigned and the matter was turned over to law enforcement. After the resignation of this individual, the District performed a physical inventory of this area and has re-examined the control policies and procedures related to technology with an emphasis on proper monitoring.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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



October 26, 2015

To the Board of Education of
Dexter Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dexter Community Schools for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 23, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Dexter Community Schools are described in Note 1 to the financial statements. During 2015, the District implemented Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*. The application of existing policies was not changed during 2015. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Estimates have been used to calculate the unfunded pension liability.

Management's estimate in calculating the liability for employee compensated absences. The estimated liability is approximately \$1,325,00. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of capital assets used by management in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require 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 each opinion unit's 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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 26, 2015.

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 Matters

We applied certain limited procedures to required supplementary information (RSI) which are required and supplement 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.

Dexter Community Schools
Page 3
October 26, 2015

We were engaged to report on the other 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.

We were not engaged to report on the statistical information, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express or provide any assurance on it.

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

OTHER ITEMS RELATED TO FUTURE ACCOUNTING AND COMPLIANCE MATTERS

Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board ("The GASB") has issued Statement No. 72 *Fair Value Measurements and Applications*. Statement 72 provides guidance for accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The guidance establishes a three level hierarchy of inputs for valuation of fair value. Statement 72 is effective for the year ending June 30, 2016.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. The first objective of this Statement is to provide the readers of the financial statements information about the effects of the pension-related transactions on the financial statements of state and local government employers. It will assist in assessing the relationship between a government's inflows of resources and its total cost (including pension expense) of providing government services each period in addition to providing information about the government's pension obligation. The second objective of this Statement is to improve the information about financial support provided by certain nonemployer entities for pensions that are provided to the employees of other entities that are not within the scope of Statement No. 68. These requirements are effective for the fiscal year ending June 30, 2017. The third objective is to improve the quality of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions that are not within the scope of Statement 68 and to clarify the application of certain provisions of Statement No. 67 and 68. These requirements are effective for the fiscal year ending June 30, 2016.

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) - defined benefit and defined contribution - administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

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

Michigan Specific Information

1. Pupil Membership Calculations

The formula has been changed for fiscal year 2016. The formula is no longer 90% of the October count and 10% of the **subsequent** February count. The formula for fiscal year 2016 is 90% of the October count and 10% of the **prior** February count

2. Instructional Time Requirement

The instructional time requirement for fiscal year 2016 remains at 1,098 hours. There continues to be a requirement to be in session a minimum number of days. Language in Section 101(3) of the State School Aid Act raises the required number of days to 175 days of instruction for fiscal year 2016. Districts can **no longer count up to 38 hours of professional development** as instructional time.

OTHER ITEMS RELATED TO FUTURE ACCOUNTING AND COMPLIANCE MATTERS (Continued)

Michigan Specific Information (Continued)

3. Budget Transparency

There are three new data elements that must be posted on transparency pages by LEAs, PSAs, and ISDs. The new data elements are:

- Current Board policy on the procurement of supplies, materials, and equipment
- Current Board policy on reimbursable expenses
- **Either** the accounts payable check register for last year **or** a Statement of Reimbursed Expenses for last year

The first time these new data elements need to be posted to your transparency page is December 1, 2015. If you choose to post the Statement of Reimbursed Expenses, it must include information for **both** employees and board members.

Language has also been added to the State School Aid Act (MCL 388.1618 Subsection 11), which imposes a state school aid penalty on those districts that do not comply with the Budget Transparency requirements. On December 1, 2015, the Michigan Department of Education will begin reviewing websites for compliance.