

Dexter  
Community  
Schools



Year Ended  
June 30, 2018

Financial  
Statements  
and  
Supplementary  
Information

# DEXTER COMMUNITY SCHOOLS

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	25
Statement of Fiduciary Assets and Liabilities - Agency Fund	26
Notes to Financial Statements	27
Required Supplementary Information	
MPERS Cost-Sharing Multiple-Employer Plan:	
Schedule of the District's Proportionate Share of the Net Pension Liability	54
Schedule of the District's Pension Contributions	55
Schedule of the District's Proportionate Share of the Net OPEB Liability	56
Schedule of the District's Other Postemployment Benefit Contributions	57
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds:	
Combining Balance Sheet	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	63
Schedule of Revenues and Other Financing Sources - General Fund	64
Schedule of Expenditures and Other Financing Uses - General Fund	65
Schedule of Bonds Issued and Outstanding (Unaudited)	69

**INDEPENDENT AUDITORS' REPORT**

October 18, 2018

Board of Education  
Dexter Community Schools  
Dexter, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Dexter Community Schools* (the "District"), as of and for the year ended June 30, 2018, 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.

*Independent Auditors' Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dexter Community Schools as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Implementation of GASB Statement No. 75*

As described in *Note 15*, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension and other postemployment benefit plan, as noted 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 District's basic financial statements. The combining and individual fund financial statements and schedules 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 financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of bonds issued and outstanding is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated October 18, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 the District's internal control over financial reporting and compliance.

*Rehmann Lobson LLC*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

# DEXTER COMMUNITY SCHOOLS

## Management's 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, 2018.

### 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 \$49,535,228. The District is required to report its proportionate share of the MPSERS net pension and other postemployment liability on the statement of net position.
- The District's total net position increased by \$2,920,078. The increase was primarily due to capital assets acquisitions offsetting the related depreciation expense.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$53,522,697, an increase of \$43,669,684 in comparison with the prior year, which was largely attributable to the issuance of bonds to fund future capital projects and refund pre-existing debt.
- The general fund had an increase in fund balance of \$462,926. At the end of the current fiscal year, total fund balance for the general fund was \$6,988,495 or 17.6% of total general fund expenditures. The unassigned fund balance of the general fund was \$1,817,678 or 4.6% percent of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements, including management's discussion and analysis, required schedules for the pension and other postemployment benefits plan, combining statements for nonmajor funds, schedule of general fund revenues and other financing sources, and schedule of general fund expenditures and other financing uses.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business. These statements are presented on a full accrual basis, which means that all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the District are recorded, regardless of when related cash is received or paid.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference being *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

# DEXTER COMMUNITY SCHOOLS

## Management's Discussion and Analysis

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated leave).

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the District include instruction, supporting services, community services, and food services. The District has no business-type activities as of and for the year ended June 30, 2018.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, debt retirement fund, 2008 capital projects fund, and 2017 capital projects fund. Data from the other governmental funds are combined into a single, aggregated presentation. These funds include the special revenue funds (i.e., food service and community service). Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided herein to demonstrate compliance with those budgets.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for the government-wide financial statements. The District has one Agency fund included in its Fiduciary funds.

# DEXTER COMMUNITY SCHOOLS

## Management's Discussion and Analysis

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension and other postemployment benefits plan immediately following the notes to the financial statements. The combining statements in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District reported a deficit net position of \$49,535,228 at June 30, 2018. This deficit balance is due to the requirement to report the District's proportionate share of the MPSERS net pension and other postemployment liabilities on the statement of net position.

A portion of the District's net position reflects its investment in capital assets net of related debt (e.g., land, buildings and improvements, machinery and equipment, vehicles and buses, less any related debt used to acquire those assets that is still outstanding). The District uses these capital assets to provide services to the students it serves; 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 needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to other external restrictions on how they may be used. The remaining balance of unrestricted net position, when available, may be used to meet the District's ongoing obligations to its general programs.

	Net Position	
	2018	2017
<b>Assets</b>		
Current and other assets	\$ 65,415,380	\$ 18,550,957
Capital assets, net	107,596,853	100,544,034
<b>Total assets</b>	<u>173,012,233</u>	<u>119,094,991</u>
<b>Deferred outflows of resources</b>	<u>18,279,007</u>	<u>10,142,159</u>
<b>Liabilities</b>		
Current and other liabilities	101,371,181	71,352,125
Long-term debt	134,938,980	87,806,913
<b>Total liabilities</b>	<u>236,310,161</u>	<u>159,159,038</u>
<b>Deferred inflows of resources</b>	<u>4,516,307</u>	<u>468,827</u>
<b>Net position</b>		
Net investment in capital assets	44,302,851	40,456,319
Restricted	1,856,997	953,050
Unrestricted (deficit)	(95,695,076)	(71,800,084)
<b>Total net position</b>	<u>\$ (49,535,228)</u>	<u>\$ (30,390,715)</u>

# DEXTER COMMUNITY SCHOOLS

## Management's Discussion and Analysis

	Change in Net Position	
	2018	2017
Revenues		
Program revenues:		
Charges for services	\$ 3,427,273	\$ 3,593,145
Operating grants and contributions	12,193,962	10,827,506
General revenues:		
Property taxes - operations	4,522,738	4,553,171
Property taxes - debt service	10,749,573	10,436,672
Grants and contributions not restricted to specific programs	23,917,781	23,266,152
Unrestricted investment earnings	520,043	44,202
Other revenues	418,135	487,037
Total revenues	<u>55,749,505</u>	<u>53,207,885</u>
Expenses		
Instruction	24,772,642	22,027,844
Supporting services	15,721,628	14,249,303
Community services	2,874,694	2,894,030
Food services	1,440,022	1,311,446
Interest on long-term debt	3,217,951	3,694,723
Unallocated depreciation	4,802,490	4,560,363
Outgoing transfers and other uses	-	99,205
Total expenses	<u>52,829,427</u>	<u>48,836,914</u>
Change in net position	2,920,078	4,370,971
Net position, beginning of year	(30,390,715)	(34,761,686)
Restatement for implementation of GASB 75	<u>(22,064,591)</u>	<u>-</u>
Net position, end of year	<u>\$ (49,535,228)</u>	<u>\$ (30,390,715)</u>

# DEXTER COMMUNITY SCHOOLS

## Management's Discussion and Analysis

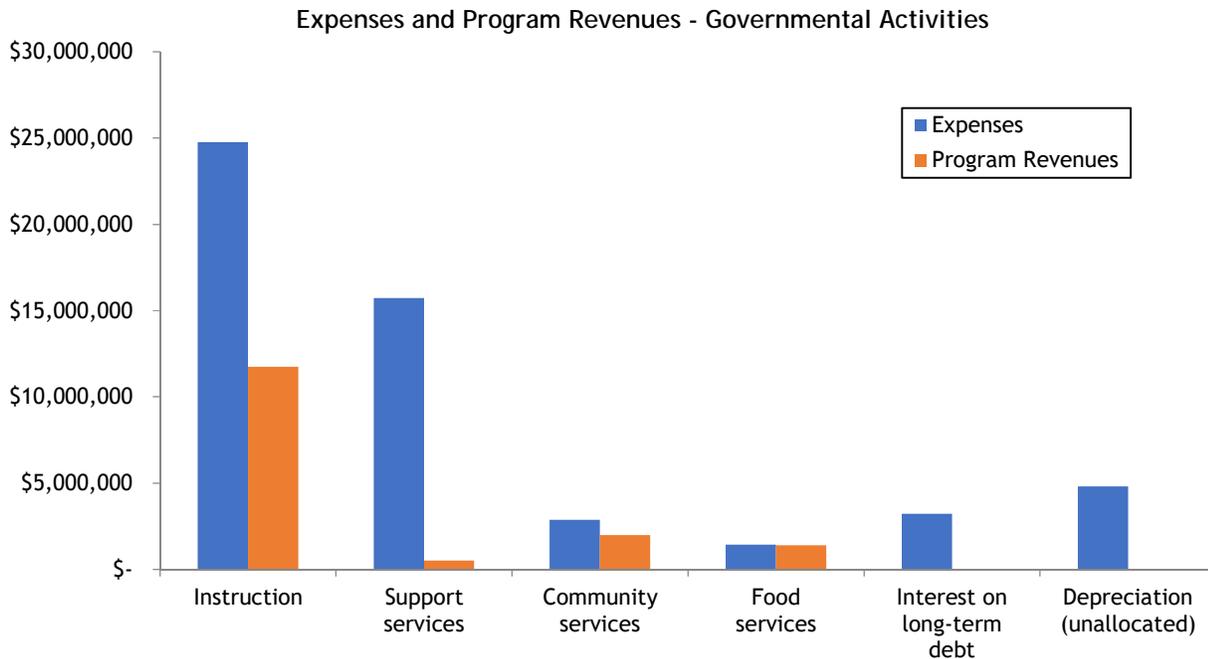
Governmental Activities. The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The net position differs from fund balances and a reconciliation appears on page 20.

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

An additional portion of the District's net position, \$1,847,806 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.

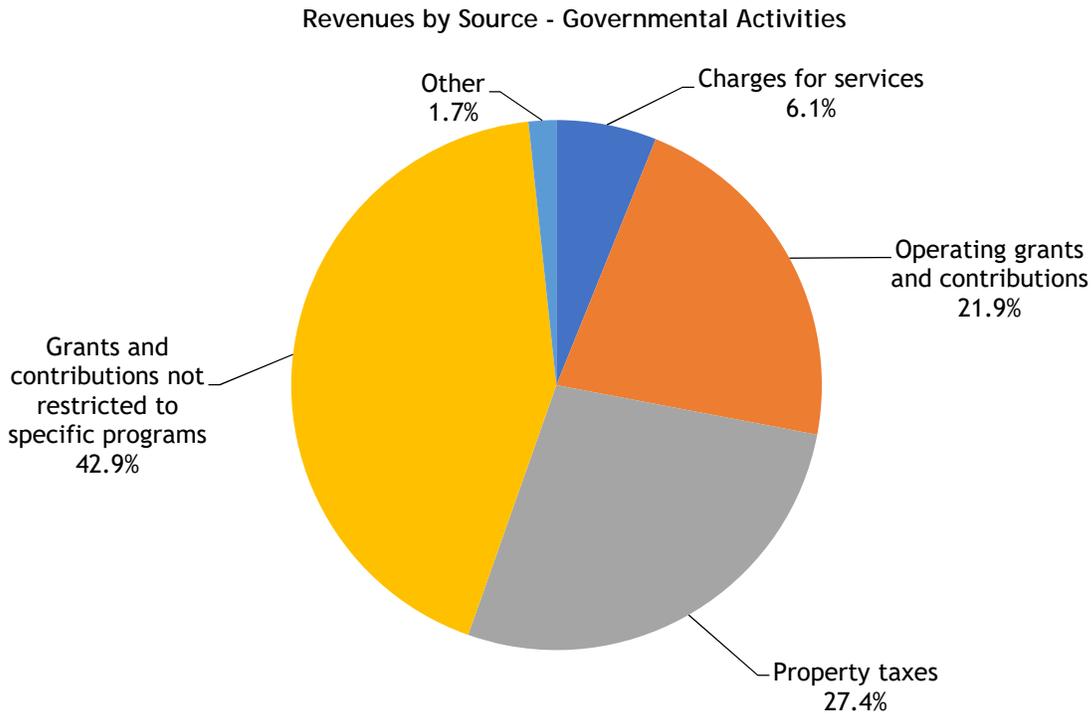
The results of this year's operations for the School District as a whole are reported in the statement of activities (see table), which shows the changes in net position for the fiscal year. The District's net position increased by \$2,920,077 during the current fiscal year. The increase in net position differs from the change in fund balances and a reconciliation appears on page 24.

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's Discussion and Analysis



### Financial Analysis of the Government's Funds

The School District's budgets are prepared according to Michigan law. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The most significant budgeted fund is the General Fund.

During the fiscal year ended June 30, 2018, the School District amended the budget of the General Fund three times. State law requires that the budget be amended to ensure that expenditures do not exceed appropriation. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund shows the District's general fund original and final budget amounts compared with amounts actually paid and received is provided in these financial statements.

**Governmental Funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,817,678, while the total fund balance was \$6,988,495. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent 4.6% and 17.6%, respectively, of total general fund expenditures.

# DEXTER COMMUNITY SCHOOLS

## Management's Discussion and Analysis

The fund balance of the District's general fund increased by \$462,926, or 7.1% from the prior year. The largest revenue source in this fund is state revenue which includes primarily state aid. Expenditures consist primarily of costs associated with instruction and related supporting activities.

The debt retirement fund balance increased by \$418,342 to \$1,847,806. Millage rates are determined annually to ensure that the District accumulates sufficient resources to pay annual bond issue-related debt service. The debt retirement fund balance is restricted to pay debt service obligations.

There was no remaining 2008 capital projects fund balance as a result of expenditures on voter approved projects. The 2017 capital projects fund balance was \$44,329,467.

### General Fund Budgetary Highlights

Several major variables are not fully known at the time of budget preparation. Changes in student count, state foundation and state categorical grants have the largest impact. The original budget is prepared to meet our obligation in good faith. Further information and decisions continue to be made after the budget hearing and original budget adoption. Amendments to the original adopted budget are passed in order to reflect changes in information and circumstances. The changes between the original adopted and final amended budgets were:

- The final budget was amended with a 3.1% increase in revenues over the original budget.
- Budgeted expenditures were amended for an overall increase of 4.6%.

In accordance with State statute, the District is prohibited from amending the budget after year-end. As the District's books are not closed for accounting purposes at that point, a certain level of estimation is required in determining actual need. Some of the more significant differences between the final amended budget and the actual financial results were:

- The general fund actual revenue and other financing sources was \$40,695,150. That amount is more than the final budget estimate of \$40,618,364. The variance was \$76,786, or 0.2% favorable to the final budget.
- The actual expenditures and other financing uses of the general fund were \$40,232,224, which is below the final budget estimate of \$41,554,101. The variance was \$1,321,877, or 3.2% 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, reduced payroll taxes due to increased employee contributions for health coverage, temporary vacancies in instructional positions and temporary vacancies in non-instructional positions.
- The general fund had total revenues of \$40,473,062 and total expenditures of \$39,694,309 with a net increase in fund balance of \$462,926 and an ending fund balance of \$6,988,495.

# DEXTER COMMUNITY SCHOOLS

## Management's Discussion and Analysis

### Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2018 amounted to \$107,596,853 (net of accumulated depreciation). Significant additions included renovations and additions to the District's facilities, being funded through voter-approved bond issues. Capital assets at year-end included the following:

	Capital Assets (Net of Depreciation)	
	2018	2017
Land	\$ 5,853,892	\$ 5,822,892
Construction in progress	9,530,799	-
Buildings and improvements	87,704,239	90,661,321
Machinery and equipment	3,087,140	2,642,629
Vehicles and buses	1,420,783	1,417,192
Total capital assets, net	<u>\$ 107,596,853</u>	<u>\$ 100,544,034</u>

Additional information on the District's capital assets can be found in Note 7 of this report.

### Long-term Debt

	Long-term Debt	
	2018	2017
General obligation bonds	\$ 101,995,000	\$ 60,595,000
Unamortized premiums and discounts	6,100,918	1,207,452
School Loan Revolving Fund	25,356,005	24,582,787
Compensated absences	1,487,057	1,421,674
	<u>\$ 134,938,980</u>	<u>\$ 87,806,913</u>

At the end of the current fiscal year, the District had total long-term debt outstanding of \$134,938,980. The District's total debt increased by \$47,132,067 during the current fiscal year as a result of the issuance of \$70,615,000 in new bonds for future capital projects and to refund pre-existing debt. An additional \$773,218 was also added to the School Loan Revolving Fund balance, representing accrued interest on the outstanding balance. These increases were offset by the refunding of \$22,095,000 of previously issued bonds, as well as normal debt service payments.

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

# DEXTER COMMUNITY SCHOOLS

## Management's Discussion and Analysis

### Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2018-19 fiscal year:

- **Foundation Allowance**  
The Board of Education and administration agreed to an estimated foundation allowance of \$8,055 per pupil for the 2018-19 fiscal year, a \$150 per pupil increase from 2017-18, 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 and the current economic climate in the State of Michigan will affect this estimate before the final foundation allowance is known.
- **Pupil Count**  
The Board of Education and administration agreed to an estimated pupil count of 3,662 for the 2018-19 fiscal year, a 35 per pupil increase from 2017-18, based on information received from Middle Cities Education Association and the District's own pupil projections.
- **Retirement Rate**  
The Michigan School Employees Retirement System recommends a retirement rate to the legislature for approval. In 2018-19, the rate is anticipated to increase to 26.18% from 25.56% effective October 1, 2018. Additionally, the District will be required to pay 12.21%, for all wages earned October 1, 2018 and later, for the Unfunded Actuarial Accrued Liability (UAAL).

### Requests for Information

This financial report is designed to provide a general overview of the District'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 financial information should be addressed to:

Sharon Raschke, Chief Financial Officer  
Dexter Community Schools  
7714 Ann Arbor Street  
Dexter, MI 48130  
Telephone: (734) 424-4100  
Email: [raschkes@dexterschools.org](mailto:raschkes@dexterschools.org)

## BASIC FINANCIAL STATEMENTS

# DEXTER COMMUNITY SCHOOLS

## Statement of Net Position June 30, 2018

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 2,043,542
Investments	57,348,949
Receivables	5,904,114
Other assets	118,775
Capital assets not being depreciated	15,384,691
Capital assets being depreciated, net	<u>92,212,162</u>
<b>Total assets</b>	<u>173,012,233</u>
<b>Deferred outflows of resources</b>	
Deferred charge on advance bond refundings, net	472,449
Deferred pension amounts	16,200,186
Deferred other postemployment benefit amounts	<u>1,606,372</u>
<b>Total deferred outflows of resources</b>	<u>18,279,007</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	7,576,588
Unearned revenue	4,663,833
Long-term debt:	
Due within one year	5,563,160
Due in more than one year	129,375,820
Net pension liability	66,388,499
Net other postemployment benefit liability	<u>22,742,261</u>
<b>Total liabilities</b>	<u>236,310,161</u>
<b>Deferred inflows of resources</b>	
Deferred pension amounts	3,747,453
Deferred other postemployment benefit amounts	<u>768,854</u>
<b>Total deferred inflows of resources</b>	<u>4,516,307</u>
<b>Net position</b>	
Net investment in capital assets	44,302,851
Restricted for:	
Food service operations	356,929
Debt service	1,500,068
Unrestricted (deficit)	<u>(95,695,076)</u>
<b>Total net position</b>	<u>\$ (49,535,228)</u>

The accompanying notes are an integral part of these financial statements.

# DEXTER COMMUNITY SCHOOLS

## Statement of Activities

For the Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities</b>				
Instruction	\$ 24,772,642	\$ 132,910	\$ 11,605,034	\$ (13,034,698)
Supporting services	15,721,628	334,118	172,159	(15,215,351)
Community services	2,874,694	1,935,765	43,698	(895,231)
Food services	1,440,022	1,024,480	373,071	(42,471)
Interest on long-term debt	3,217,951	-	-	(3,217,951)
Unallocated depreciation	4,802,490	-	-	(4,802,490)
<b>Total governmental activities</b>	<b>\$ 52,829,427</b>	<b>\$ 3,427,273</b>	<b>\$ 12,193,962</b>	<b>(37,208,192)</b>
<b>General revenues</b>				
Property taxes - operations				4,522,738
Property taxes - debt service				10,749,573
Grants and contributions not restricted to specific programs				23,917,781
Unrestricted investment earnings				520,043
Gain on sale of capital assets				33,677
Other revenues				384,458
<b>Total general revenues</b>				<b>40,128,270</b>
<b>Change in net position</b>				<b>2,920,078</b>
Net position, beginning of year, as restated				(52,455,306)
<b>Net position, end of year</b>				<b>\$ (49,535,228)</b>

The accompanying notes are an integral part of these financial statements.

# DEXTER COMMUNITY SCHOOLS

## Balance Sheet

Governmental Funds

June 30, 2018

	General Fund	Debt Retirement Fund	2017 Capital Projects Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 1,625,668	\$ 2,646	\$ -
Investments	8,669,030	1,838,508	46,841,411
Accounts receivable	55,222	3	-
Interest receivable	49,268	6,649	261,455
Due from other governments	5,465,622	-	-
Due from other funds	10,799	-	-
Inventory	-	-	-
Prepaid items	88,252	-	-
<b>Total assets</b>	<b>\$ 15,963,861</b>	<b>\$ 1,847,806</b>	<b>\$ 47,102,866</b>
<b>Liabilities</b>			
Accounts payable	\$ 157,996	-	2,773,399
Accrued liabilities	3,776,398	-	-
Due to other governments	488,702	-	-
Due to other funds	29,657	-	-
Unearned revenue	4,522,613	-	-
<b>Total liabilities</b>	<b>8,975,366</b>	<b>-</b>	<b>2,773,399</b>
<b>Fund balances</b>			
Nonspendable	88,252	-	-
Restricted	-	1,847,806	44,329,467
Committed	4,817,943	-	-
Assigned	264,622	-	-
Unassigned	1,817,678	-	-
<b>Total fund balances</b>	<b>6,988,495</b>	<b>1,847,806</b>	<b>44,329,467</b>
<b>Total liabilities and fund balances</b>	<b>\$ 15,963,861</b>	<b>\$ 1,847,806</b>	<b>\$ 47,102,866</b>

The accompanying notes are an integral part of these financial statements.



2008 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 415,228	\$ 2,043,542
-	-	57,348,949
-	-	55,225
-	-	317,372
-	65,895	5,531,517
-	29,657	40,456
-	11,037	11,037
-	19,486	107,738
<hr/>	<hr/>	<hr/>
\$ -	\$ 541,303	\$ 65,455,836
<hr/>	<hr/>	<hr/>
-	\$ 18,910	\$ 2,950,305
-	13,445	3,789,843
-	-	488,702
-	10,799	40,456
-	141,220	4,663,833
<hr/>	<hr/>	<hr/>
-	184,374	11,933,139
<hr/>	<hr/>	<hr/>
-	30,523	118,775
-	345,892	46,523,165
-	-	4,817,943
-	-	264,622
-	(19,486)	1,798,192
<hr/>	<hr/>	<hr/>
-	356,929	53,522,697
<hr/>	<hr/>	<hr/>
\$ -	\$ 541,303	\$ 65,455,836
<hr/>	<hr/>	<hr/>

## DEXTER COMMUNITY SCHOOLS

### Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2018

Fund balances - total governmental funds	\$ 53,522,697
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	15,384,691
Capital assets being depreciated, net	92,212,162
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(127,351,005)
Compensated absences	(1,487,057)
Unamortized bond premiums and discounts, net	(6,100,918)
Unamortized deferred charge on advance bond refunding	472,449
Accrued interest on bonds payable	(347,738)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, the net other postemployment benefit liability, and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(66,388,499)
Net other postemployment benefit liability	(22,742,261)
Deferred outflows related to the net pension liability	16,200,186
Deferred inflows related to the net pension liability	(3,747,453)
Deferred outflows related to the net other postemployment benefit liability	1,606,372
Deferred inflows related to the net other postemployment benefit liability	(768,854)
Net position of governmental activities	<u>\$ (49,535,228)</u>

The accompanying notes are an integral part of these financial statements.

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## DEXTER COMMUNITY SCHOOLS

### Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2018

	General Fund	Debt Retirement Fund	2017 Capital Projects Fund
<b>Revenues</b>			
Local sources	\$ 5,061,247	\$ 10,846,549	\$ 464,746
State sources	30,004,070	192,448	-
Federal sources	937,415	-	-
Interdistrict sources	4,470,330	-	-
<b>Total revenues</b>	<b>40,473,062</b>	<b>11,038,997</b>	<b>464,746</b>
<b>Expenditures</b>			
Current:			
Instruction	24,109,519	-	-
Supporting services	15,283,320	-	-
Community services	301,470	-	-
Food services	-	-	-
Debt service:			
Principal	-	7,120,000	-
Interest and fiscal charges	-	3,606,112	-
Capital outlay	-	-	10,171,354
<b>Total expenditures</b>	<b>39,694,309</b>	<b>10,726,112</b>	<b>10,171,354</b>
Revenues over (under) expenditures	778,753	312,885	(9,706,608)
<b>Other financing sources (uses)</b>			
Transfers in	183,271	-	-
Transfers out	(537,915)	-	-
Proceeds from sale of capital assets	38,817	-	-
Issuance of long-term debt	-	-	50,605,000
Issuance of refunding debt	-	20,010,000	-
Premium on issuance of long-term debt	-	-	3,431,075
Premium on issuance of refunding debt	-	2,574,843	-
Payments to refunding bond escrow agent	-	(22,479,386)	-
<b>Total other financing sources (uses)</b>	<b>(315,827)</b>	<b>105,457</b>	<b>54,036,075</b>
Net changes in fund balances	462,926	418,342	44,329,467
Fund balances, beginning of year	6,525,569	1,429,464	-
Fund balances, end of year	\$ 6,988,495	\$ 1,847,806	\$ 44,329,467

The accompanying notes are an integral part of these financial statements.



2008 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 136,618	\$ 2,967,630	\$ 19,476,790
-	115,118	30,311,636
-	404,013	1,341,428
-	115,644	4,585,974
<u>136,618</u>	<u>3,602,405</u>	<u>55,715,828</u>
-	-	24,109,519
-	-	15,283,320
-	2,542,634	2,844,104
-	1,408,541	1,408,541
-	-	7,120,000
-	-	3,606,112
<u>1,683,543</u>	<u>-</u>	<u>11,854,897</u>
<u>1,683,543</u>	<u>3,951,175</u>	<u>66,226,493</u>
<u>(1,546,925)</u>	<u>(348,770)</u>	<u>(10,510,665)</u>
-	537,915	721,186
-	(183,271)	(721,186)
-	-	38,817
-	-	50,605,000
-	-	20,010,000
-	-	3,431,075
-	-	2,574,843
-	-	(22,479,386)
<u>-</u>	<u>354,644</u>	<u>54,180,349</u>
(1,546,925)	5,874	43,669,684
<u>1,546,925</u>	<u>351,055</u>	<u>9,853,013</u>
<u>\$ -</u>	<u>\$ 356,929</u>	<u>\$ 53,522,697</u>

## DEXTER COMMUNITY SCHOOLS

### Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2018

Net changes in fund balances - total governmental funds \$ 43,669,684

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased/constructed	11,860,449
Depreciation expense	(4,802,490)
Proceeds from sale of capital assets	(38,817)
Gain on sale of capital assets	33,677

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but a reduction in long-term debt on the statement of net position.

Principal payments on long-term debt	7,120,000
Issuance of long-term debt	(50,605,000)
Issuance of refunding debt	(20,010,000)
Premium on issuance of long-term debt	(3,431,075)
Premium on issuance of refunding debt	(2,574,843)
Accrued interest on School Loan Fund added to principal	(773,218)
Payment to refunding bond escrow agent	22,479,386
Amortization of bond premiums and discounts, net	668,160
Amortization of deferred charge on advance bond refunding	(79,749)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in the net pension liability and related deferred amounts	(1,263,519)
Change in the net other postemployment benefit liability and related deferred amounts	159,848
Change in accrued interest payable on bonds	572,968
Change in compensated absences payable	(65,383)

Change in net position of governmental activities \$ 2,920,078

The accompanying notes are an integral part of these financial statements.

## DEXTER COMMUNITY SCHOOLS

### Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 5,123,420	\$ 5,130,767	\$ 5,061,247	\$ (69,520)
State sources	28,951,443	29,472,561	30,004,070	531,509
Federal sources	869,529	1,310,766	937,415	(373,351)
Interdistrict sources	4,189,505	4,465,678	4,470,330	4,652
<b>Total revenues</b>	<b>39,133,897</b>	<b>40,379,772</b>	<b>40,473,062</b>	<b>93,290</b>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Instruction</b>				
Basic programs	19,563,445	20,455,468	19,935,097	(520,371)
Added needs	4,040,415	4,240,136	4,174,422	(65,714)
<b>Supporting services</b>				
Student services	4,256,589	4,457,814	4,280,088	(177,726)
Instructional support	2,056,907	2,115,211	2,112,272	(2,939)
General administration	777,838	852,643	755,868	(96,775)
School administration	2,282,775	2,325,274	2,299,937	(25,337)
Business administration	678,381	690,210	635,688	(54,522)
Operation & maintenance of plant	3,513,190	3,652,043	3,426,946	(225,097)
Transportation	1,559,771	1,613,829	1,486,322	(127,507)
Other support services	284,456	289,745	286,199	(3,546)
Community services	206,766	314,457	301,470	(12,987)
<b>Total expenditures</b>	<b>39,220,533</b>	<b>41,006,830</b>	<b>39,694,309</b>	<b>(1,312,521)</b>
<b>Revenues over (under) expenditures</b>	<b>(86,636)</b>	<b>(627,058)</b>	<b>778,753</b>	<b>(1,405,811)</b>
<b>Other financing sources (uses)</b>				
Transfers in	229,106	218,592	183,271	(35,321)
Proceeds from sale of capital assets	20,000	20,000	38,817	18,817
Transfers out	(567,591)	(547,271)	(537,915)	9,356
<b>Total other financing sources (uses)</b>	<b>(318,485)</b>	<b>(308,679)</b>	<b>(315,827)</b>	<b>(7,148)</b>
<b>Net changes in fund balance</b>	<b>(405,121)</b>	<b>(935,737)</b>	<b>462,926</b>	<b>1,398,663</b>
Fund balance, beginning of year	6,525,569	6,525,569	6,525,569	-
<b>Fund balance, end of year</b>	<b>\$ 6,120,448</b>	<b>\$ 5,589,832</b>	<b>\$ 6,988,495</b>	<b>\$ 1,398,663</b>

The accompanying notes are an integral part of these financial statements.

# DEXTER COMMUNITY SCHOOLS

## Statement of Fiduciary Assets and Liabilities

Agency Fund  
June 30, 2018

Assets	
Cash and cash equivalents	\$ 991,614
Accounts receivable	<u>1,382</u>
Total assets	<u>\$ 992,996</u>
Liabilities	
Accounts payable	\$ 1,818
Due to student groups	<u>991,178</u>
Total liabilities	<u>\$ 992,996</u>

The accompanying notes are an integral part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of Dexter Community Schools (the “District”), consistently applied in the preparation of the accompanying financial statements, is as follows:

#### The Reporting Entity

The District is governed by an elected seven-member Board of Education. As required by generally accepted accounting principles, these financial statements present the reporting entity of Dexter Community Schools. The criteria identified in GAAP, including financial accountability, have been utilized in identifying the District’s reporting entity, which includes no component units.

#### *Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the year ended June 30, 2018.

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

Separate financial statements are provided for governmental, 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.

#### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund follows the accrual basis of accounting, but does not have a measurement focus.

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. 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, are recorded only when payment is due.

Property taxes, State Aid, expenditure-driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all the financial resources of the District, except those accounted for and reported in another fund.

The *debt retirement fund* accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The *2017 capital projects fund* accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure in connection with the building and site bonds issued in 2017.

The *2008 capital projects fund* accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure in connection with the building and site bonds issued in 2008 and 2012.

Additionally, the District reports the following fund types:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *agency fund* accounts for resources held on behalf of other individuals and governments. The District maintains a Student Activities 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.

Restricted net position includes assets that are subject to restrictions beyond the District's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Cash and Cash Equivalents*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

### *Investments*

Investments consist of participation in an external investment pool. In accordance with GASB 79, some the District's shares are recorded at amortized cost and others are valued at each investment's net asset value, both if which approximate fair value.

State statutes authorize the District to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that are rated as investment grade by at least one standard rating service at the time of purchase.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

### *Receivables and Revenues*

The District follows the practice of recording receivables for revenues that have been earned but not yet received. Receivables consist primarily of State School Aid payments from the State of Michigan and Federal grant funds earned but not yet collected. No amounts have been identified as potentially uncollectible by management, and therefore, no amount has been recorded as a provision for bad debts.

### *Inventory*

Inventories consist of food items. All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed.

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Prepays*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

### *Capital Assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

	Years
Buildings and improvements	20-50
Furniture and equipment	5-20
Vehicles and buses	5-10

### *Deferred Outflows 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 reports deferred outflows for the deferred charge on advance bond refundings, which 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. The District also reports deferred outflows of resources related to the net pension and other postemployment benefit liabilities. A portion of these costs represent contributions to the plans subsequent to the plan measurement date.

### *Salaries Payable and Accrued Employee Benefits*

A liability is recorded at June 30 for amounts owed to teachers and other District employees who do not work during the summer when school is not in session, but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

### *Compensated Absences*

It is the District's policy to permit employees to accumulate various earned, but unused vacation, sick pay and severance benefits. These are accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

### *Deferred Inflows of Resources*

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 one or more future periods, and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources are related to the net pension and other postemployment benefit liabilities.

### *Unearned Revenue*

Unearned revenue consists of revenue received prior to the delivery of goods or services or the incurrence of qualifying expenditures.

### *Long-term Obligations*

In the government-wide financial statements long-term debt and other long term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the related bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts during the current period. The face amount of debt issued is reported as an other financing source. Discounts and premiums on debt issuances are reported as other financing uses and sources, respectively.

### *Property Taxes*

Property taxes are recognized as revenue in the general and debt service funds on a levy year basis. The 2017 levy amounts are recognized as current property tax revenue to the extent they are collected during the year or within sixty days after year end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues in the year collected. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Fund Equity*

Governmental funds report *nonspendable fund* balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund* balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify, or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The intent is expressed by the Board of Education. Unassigned fund balance is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance, but reserve the right to selectively spend unassigned resources first to defer the use of these classified funds.

### *Interfund Transactions*

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District. Balances outstanding at year-end are reported as due to/from other funds.

### *Pensions and Other Postemployment Benefits*

For purposes of measuring the net pension liability, the net other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires administration to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

### 2. ACCOUNTABILITY AND BUDGETARY COMPLIANCE

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The District considers the debt service payment schedule to be an adequate budgetary control for the debt service funds. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1.
2. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2018. Expenditures may not exceed appropriations at the function code level. The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

### 3. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding represented 74% of the District's general fund revenue during the 2018 fiscal year.

### 4. DEPOSITS AND INVESTMENTS

Cash and investments are comprised of the following at year-end:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 2,043,542	\$ 991,614	\$ 3,035,156
Investments	57,348,949	-	57,348,949
Total	<u>\$ 59,392,491</u>	<u>\$ 991,614</u>	<u>\$ 60,384,105</u>

Cash and investments are comprised of the following at year-end:

Checking and savings accounts	\$ 3,032,306
Investments	57,348,949
Cash on hand	<u>2,850</u>
Total	<u>\$ 60,384,105</u>

Cash and cash equivalents are comprised of deposits in various financial institutions located in Michigan. State policy limits the District's investing options to financial institutions located in Michigan. All accounts are in the name of the District and a specific fund or common account.

## DEXTER COMMUNITY SCHOOLS

### Notes to Financial Statements

The District chooses to disclose its investments by specifically identifying each. As of year-end, the District had the following investments:

	Maturity	Carrying Value	Rating
External investment pools:			
Michigan Liquid Asset Fund (MILAF):			
MILAF + Portfolio:			
Cash management class	N/A	\$ 102,515	AAAm S&P
MAX class	N/A	1,098,010	AAAm S&P
MILAF Term			
Michigan Term Series Sep 2019	07/26/18	4,500,000	AAAfK Kroll
Michigan Term Series Sep 2019	08/24/18	4,800,000	AAAfK Kroll
Michigan Term Series Sep 2019	09/07/18	2,563,162	AAAfK Kroll
Michigan Term Series Sep 2019	09/12/18	3,000,000	AAAfK Kroll
Michigan Term Series Sep 2019	09/26/18	2,600,000	AAAfK Kroll
Michigan Term Series Sep 2019	10/09/18	2,000,000	AAAfK Kroll
Michigan Term Series Sep 2019	10/23/18	1,511,800	AAAfK Kroll
Michigan Term Series Sep 2019	10/23/18	325,079	AAAfK Kroll
Michigan Term Series Sep 2019	10/23/18	4,050,000	AAAfK Kroll
Michigan Term Series Sep 2019	11/23/18	3,650,000	AAAfK Kroll
Michigan Term Series Sep 2019	01/22/19	5,300,000	AAAfK Kroll
Michigan Term Series Sep 2019	01/22/19	4,600,000	AAAfK Kroll
Michigan Term Series Sep 2019	02/25/19	3,500,000	AAAfK Kroll
Michigan Term Series Sep 2019	02/25/19	117,300	AAAfK Kroll
Michigan Term Series Sep 2019	03/15/19	1,000,000	AAAfK Kroll
Michigan Term Series Sep 2019	03/15/19	2,300,000	AAAfK Kroll
Federal Home Loan Bank Bond	09/26/19	4,977,325	AA+ S&P
Freddie Mac Note	05/01/20	989,214	AA+ S&P
U.S. Treasury Note	11/15/20	985,845	AA+ S&P
U.S. Treasury Note	04/30/21	980,100	AA+ S&P
U.S. Treasury Note	11/15/21	2,398,599	AA+ S&P
<b>Total</b>		<b>\$ 57,348,949</b>	

#### *Investment and Deposit Risk*

*Interest Rate Risk* - State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for the District's investments are indicated in the table above.

## DEXTER COMMUNITY SCHOOLS

### Notes to Financial Statements

*Credit Risk.* State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year-end, \$5,499,945 of the District's bank balance of \$5,749,945 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk - Investments.* For an investment, custodial credit risk 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 minimized this risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. The District is exposed to no custodial credit risk on its investments because they are held in the name of the District.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk.

#### Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

*Investments in Entities that Calculate Net Asset Value per Share.* The District holds shares in the Michigan Liquid Asset Fund (MILAF) Term Series whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year end, the net asset value of the District's investment in the MILAF Term Series was \$45,817,341. The investment pool had no unfunded commitments and requires a minimum investment of \$100,000.

The MILAF Term Series provides a fixed rate, fixed-term investment with a minimum maturity of 60 days and a maximum maturity of one year. The pool allows the District to set a specific redemption date upon initiation of the investment. Early redemptions are permitted; however, an early redemption fee would apply. The investment pool includes investments which the District does not control.

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

The investment pool invests primarily in high quality money market instruments, including certificate of deposits, commercial paper, and U.S. government and agency obligations, to protect the investment principal and provide liquidity.

The District has the following recurring fair value measurements as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	\$ -	\$ 4,364,544	\$ -	\$ 4,364,544
Freddie Mac Note	-	989,214	-	989,214
Federal Home Loan Bank Bond	-	4,977,325	-	4,977,325
	<u>\$ -</u>	<u>\$ 10,331,083</u>	<u>\$ -</u>	<u>10,331,083</u>

Assets carried at amortized cost:

External investment pools:

Michigan Liquid Asset Fund (MILAF):

MILAF + Portfolio:

Cash management class

102,515

MAX class

1,098,010

Assets carried at net asset value:

External investment pools:

Michigan Liquid Asset Fund (MILAF):

MILAF Term

45,817,341

Total investments

\$ 57,348,949

## 5. RECEIVABLES AND PAYABLES

Receivables in the government-wide financial statements at year-end are as follows:

	Governmental Activities
Accounts receivable	\$ 55,225
Interest receivable	317,372
Due from other governments	<u>5,531,517</u>
Totals	<u>\$ 5,904,114</u>

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

Accounts payable and accrued liabilities in the government-wide financial statements at year-end are as follows:

	Governmental Activities
Accounts payable	\$ 2,950,305
Accrued liabilities	3,789,843
Due to other governments	488,702
Interest payable on long-term debt	<u>347,738</u>
<b>Totals</b>	<b><u>\$ 7,576,588</u></b>

### 6. INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

At June 30, 2018, interfund receivables, and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 10,799	\$ 29,657
Nonmajor governmental funds	<u>29,657</u>	<u>10,799</u>
	<b><u>\$ 40,456</u></b>	<b><u>\$ 40,456</u></b>

The District often reports interfund balances between many of its funds. These interfund balances result primarily 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 system, and (3) payments between funds are made.

For the year ended June 30, 2018, interfund transfers consisted of the following:

Transfers Out	Transfers In		Totals
	General Fund	Nonmajor Governmental Funds	
General fund	\$ -	\$ 537,915	\$ 537,915
Nonmajor governmental funds	<u>183,271</u>	-	<u>183,271</u>
	<b><u>\$ 183,271</u></b>	<b><u>\$ 537,915</u></b>	<b><u>\$ 721,186</u></b>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and (4) to cover direct and indirect costs paid by general fund on behalf of special revenue funds.

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

### 7. CAPITAL ASSETS

A summary of changes in capital assets activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 5,822,892	\$ 31,000	\$ -	\$ -	\$ 5,853,892
Construction in progress	-	9,530,799	-	-	9,530,799
	<u>5,822,892</u>	<u>9,561,799</u>	<u>-</u>	<u>-</u>	<u>15,384,691</u>
Capital assets, being depreciated:					
Buildings and improvements	149,148,159	707,120	-	-	149,855,279
Furniture and equipment	8,856,076	1,224,920	(6,892)	-	10,074,104
Vehicles and buses	3,656,828	366,610	(285,417)	-	3,738,021
	<u>161,661,063</u>	<u>2,298,650</u>	<u>(292,309)</u>	<u>-</u>	<u>163,667,404</u>
Less accumulated depreciation for:					
Buildings and improvements	(58,486,838)	(3,664,202)	-	-	(62,151,040)
Furniture and equipment	(6,213,447)	(775,269)	1,752	-	(6,986,964)
Vehicles and buses	(2,239,636)	(363,019)	285,417	-	(2,317,238)
	<u>(66,939,921)</u>	<u>(4,802,490)</u>	<u>287,169</u>	<u>-</u>	<u>(71,455,242)</u>
Total capital assets being depreciated, net	<u>94,721,142</u>	<u>(2,503,840)</u>	<u>(5,140)</u>	<u>-</u>	<u>92,212,162</u>
Governmental activities capital assets, net	<u>\$ 100,544,034</u>	<u>\$ 7,057,959</u>	<u>\$ (5,140)</u>	<u>\$ -</u>	<u>\$ 107,596,853</u>

Depreciation expense is reported as unallocated in the statement of activities.

At June 30, 2018, the District has approximately \$45,300,000 in commitments related to the construction in progress reported above.

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

### 8. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2018:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Building and site bonds	\$ 60,595,000	\$ 70,615,000	\$ (29,215,000)	\$ 101,995,000	\$ 4,895,000
Unamortized premiums and discounts	1,207,452	6,005,918	(1,112,452)	6,100,918	668,160
School Loan Revolving Fund	24,582,787	773,218	-	25,356,005	-
Compensated absences	1,421,674	65,383	-	1,487,057	-
<b>Total governmental activities</b>	<b>\$ 87,806,913</b>	<b>\$ 77,459,519</b>	<b>\$ (30,327,452)</b>	<b>\$ 134,938,980</b>	<b>\$ 5,563,160</b>

#### General obligation bonds

\$31,500,000, 1998 school building and site bonds due in annual installments of \$2,625,000 plus interest at 5.00-5.10% through 2028 \$ 26,250,000

\$6,610,000, 2012 building and site bonds due in amounts ranging from \$750,000 through \$1,050,000 plus interest at 3.00-4.00% through 2022 3,610,000

\$9,060,000, 2012 refunding bonds due in an annual installment of \$1,520,000 plus interest 4.00% through 2019 1,520,000

\$50,605,000 2017 school building and site bonds due in amounts ranging from \$760,000 through \$7,835,000 plus interest at 3.125-4.00% through 2034 50,605,000

\$20,010,000, 2017 refunding bonds due in amounts ranging from \$1,280,000 through \$4,010,000 plus interest at 4.00% through 2028 20,010,000

**Total** \$ 101,995,000

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

Future principal and interest payment requirements on outstanding installment debt are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 4,895,000	\$ 4,172,856	\$ 9,067,856
2020	3,510,000	3,950,806	7,460,806
2021	3,675,000	3,784,156	7,459,156
2022	8,415,000	3,621,406	12,036,406
2023	7,055,000	3,258,556	10,313,556
2024-2028	35,820,000	11,461,781	47,281,781
2029-2033	36,600,000	4,119,456	40,719,456
2034-2038	2,025,000	63,281	2,088,281
<b>Totals</b>	<b>\$ 101,995,000</b>	<b>\$ 34,432,298</b>	<b>\$ 136,427,298</b>

*Advance refunding.* During 2017, the District issued \$20,010,000 of 2017 Refunding Bonds to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments of \$22,095,000 of 2008 Refunding Bonds. As a result of the refunding, the bonds are considered defeased and the liability has been removed from the statement of net position. The refunding resulted in a savings of \$2,517,014 and an economic gain of \$2,714,606.

The State of Michigan school loan revolving funds represent amounts borrowed from the State of Michigan school bond loan program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the debt service requirements on the general obligation bonds. Changes to the school revolving loan funds for the year ended June 30, 2018, are as follows:

	School Loan Revolving Fund		
	Principal	Interest	Total
Beginning balance	\$ 24,582,787	\$ -	\$ 24,582,787
Additions	-	773,218	773,218
Ending balance	<u>\$ 24,582,787</u>	<u>\$ 773,218</u>	<u>\$ 25,356,005</u>

Compensated absences are expected to be liquidated by the general fund.

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

### 9. UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The District has recorded approximately \$2,587,319 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:

Future State Aid Adjustment	
for Prior Year DDA/TIFA Captures	\$ 2,587,319
Advances from ISD for Medicaid and	
Special Education Funding	1,935,294
Fees and prepaid student lunches	<u>141,220</u>
	<u>\$ 4,663,833</u>

### 10. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

#### *Plan Description*

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

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides qualified retirees with the option of receiving health, prescription drug, dental, and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available at the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

## DEXTER COMMUNITY SCHOOLS

### Notes to Financial Statements

#### *Pension Benefits Provided*

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

#### *Other Postemployment Benefits Provided*

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, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, 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 healthcare 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. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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 February 1, 2013.

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 stopped paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Contributions*

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 22-year period for the 2017 fiscal year.

The table below summarizes pension contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	17.89% - 19.03%
Member Investment Plan (MIP)	3.00% - 7.00%	17.89% - 19.03%
Pension Plus	3.00% - 6.40%	16.61% - 18.40%
Pension Plus 2	6.20%	19.74%
Defined Contribution	0.00%	13.54% - 15.27%

Required contributions to the pension plan from the District were \$6,467,637 for the year ended June 30, 2018.

The table below summarizes OPEB contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	5.91% - 7.67%
Personal Healthcare Fund (PHF)	0.00%	5.69% - 7.42%

Required contributions to the OPEB plan from the District were \$1,761,556 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$66,388,499 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, the District's proportion was 0.25619%, which was an increase of 0.00697% from its proportion measured as of September 30, 2016.

## DEXTER COMMUNITY SCHOOLS

### Notes to Financial Statements

For the year ended June 30, 2018, the District recognized pension expense of \$7,737,335. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 576,961	\$ 325,754	\$ 251,207
Changes in assumptions	7,273,388	-	7,273,388
Net difference between projected and actual earnings on pension plan investments	-	3,173,807	(3,173,807)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,342,380	247,892	2,094,488
	<u>10,192,729</u>	<u>3,747,453</u>	<u>6,445,276</u>
District contributions subsequent to the measurement date	6,007,457	-	6,007,457
	<u>6,007,457</u>	<u>-</u>	<u>6,007,457</u>
<b>Total</b>	<b><u>\$ 16,200,186</u></b>	<b><u>\$ 3,747,453</u></b>	<b><u>\$ 12,452,733</u></b>

An amount of \$6,007,457 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ 2,065,451
2020	3,010,962
2021	1,318,695
2022	<u>50,168</u>
<b>Total</b>	<b><u>\$ 6,445,276</u></b>

#### *OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2018, the District reported a liability of \$22,742,261 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the District's proportion was 0.25682%.

## DEXTER COMMUNITY SCHOOLS

### Notes to Financial Statements

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,522,889. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 242,138	\$ (242,138)
Net difference between projected and actual earnings on OPEB plan investments	-	526,716	(526,716)
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,671	-	7,671
	<u>7,671</u>	<u>768,854</u>	<u>(761,183)</u>
District contributions subsequent to the measurement date	1,598,701	-	1,598,701
	<u>1,598,701</u>	<u>-</u>	<u>1,598,701</u>
Total	<u>\$ 1,606,372</u>	<u>\$ 768,854</u>	<u>\$ 837,518</u>

An amount of \$1,598,701 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ (184,081)
2020	(184,081)
2021	(184,081)
2022	(184,081)
2023	<u>(24,859)</u>
Total	<u>\$ (761,183)</u>

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Actuarial Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2016 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	7.5%
Pension Plus plan (hybrid)	7.0%
OPEB plans	7.5%
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% Year 12
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.
Other OPEB assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5188 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.4744 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

## DEXTER COMMUNITY SCHOOLS

### Notes to Financial Statements

#### *Long-term Expected Return on Plan Assets*

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.60%	1.56%
Alternative investment pools	18.00%	8.70%	1.57%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	-0.10%	-0.01%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.00%	0.78%
Short-term investment pools	2.00%	-0.90%	-0.02%
	100.00%		5.45%
Inflation			2.05%
Investment rate of return			7.50%

#### *Discount Rate*

A discount rate of 7.5% was used to measure the total pension and OPEB liabilities (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension and OPEB plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

## DEXTER COMMUNITY SCHOOLS

### Notes to Financial Statements

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 86,482,133	\$ 66,388,499	\$ 49,470,939

#### *Sensitivity of District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net OPEB liability	\$ 26,637,761	\$ 22,742,261	\$ 19,436,202

#### *Sensitivity of District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate*

The following presents the District's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.5%)	Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net OPEB liability	\$ 19,259,638	\$ 22,742,261	\$ 26,696,537

#### *Pension and OPEB Plans Fiduciary Net Position*

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

#### *Payable to the Pension Plan*

At June 30, 2018, the District reported a payable of \$940,219 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2018.

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Payable to the OPEB Plan*

At June 30, 2018, the District reported a payable of \$193,580 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2018.

## 11. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Debt Retirement Fund	2017 Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>Nonspendable</b>					
Inventory	\$ -	\$ -	\$ -	\$ 11,037	\$ 11,037
Prepaid items	88,252	-	-	19,486	107,738
	<u>88,252</u>	<u>-</u>	<u>-</u>	<u>30,523</u>	<u>118,775</u>
<b>Restricted</b>					
Debt service	-	1,847,806	-	-	1,847,806
Food service program	-	-	-	345,892	345,892
Capital projects	-	-	44,329,467	-	44,329,467
	<u>-</u>	<u>1,847,806</u>	<u>44,329,467</u>	<u>345,892</u>	<u>46,523,165</u>
<b>Committed</b>					
Unspent supply carryover	161,739	-	-	-	161,739
Facilities, equipment and maintenance	874,000	-	-	-	874,000
Facilities, athletics	680,000	-	-	-	680,000
Performing arts equipment	120,000	-	-	-	120,000
Instructional materials and equipment	1,000,000	-	-	-	1,000,000
Technology	831,714	-	-	-	831,714
New buildings and spaces	300,490	-	-	-	300,490
Retirement and severance	850,000	-	-	-	850,000
	<u>4,817,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,817,943</u>
<b>Assigned</b>					
Subsequent year expenditures	264,622	-	-	-	264,622
<b>Unassigned</b>					
	<u>1,817,678</u>	<u>-</u>	<u>-</u>	<u>(19,486)</u>	<u>1,798,192</u>
<b>Total fund balances - governmental funds</b>					
	<u>\$ 6,988,495</u>	<u>\$ 1,847,806</u>	<u>\$ 44,329,467</u>	<u>\$ 356,929</u>	<u>\$ 53,522,697</u>

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

### 12. NET INVESTMENT IN CAPITAL ASSETS

The composition of the District's net investment in capital assets as of June 30, 2018, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 15,384,691
Capital assets being depreciated, net	<u>92,212,162</u>
	<u>107,596,853</u>
Related debt:	
Bonds	101,995,000
Premiums/discounts on bonds payable, net	6,100,918
Deferred loss on advance bond refundings, net	(472,449)
Unexpended bond proceeds	<u>(44,329,467)</u>
	<u>63,294,002</u>
Net investment in capital assets	<u>\$ 44,302,851</u>

### 13. BONDED CONSTRUCTION COSTS

#### *2008 Capital Projects Fund Compliance*

The 2008 Capital Projects Fund include capital project activities funded with proceeds from the 2008 and 2012 building and site bonds. For these activities, the District has complied with the applicable provisions of §1351a of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

#### *2017 Capital Projects Fund Compliance*

The 2017 Capital Projects Fund include capital project activities funded with proceeds from the 2017 building and site bonds. For these activities, the District has complied with the applicable provisions of §1351a of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

### 14. CONTINGENCIES

#### *Federal Grant Programs*

The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

# DEXTER COMMUNITY SCHOOLS

## Notes to Financial Statements

### *Risk Management*

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in and pays 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.

## 15. RESTATEMENT

The District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result of this change beginning net position of governmental activities was decreased by \$22,064,590.



## REQUIRED SUPPLEMENTARY INFORMATION

# DEXTER COMMUNITY SCHOOLS

## Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

### Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,			
	2015	2016	2017	2018
District's proportion of the net pension liability	0.23854%	0.25070%	0.24922%	0.25619%
District's proportionate share of the net pension liability	\$ 52,543,111	\$ 61,232,973	\$ 62,177,767	\$ 66,388,499
District's covered payroll	\$ 20,490,109	\$ 21,237,606	\$ 21,116,479	\$ 21,844,616
District's proportionate share of the net pension liability as a percentage of its covered payroll	256.43%	288.32%	294.45%	303.91%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	63.17%	63.27%	64.21%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

# DEXTER COMMUNITY SCHOOLS

## Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

### Schedule of the District's Pension Contributions

	Year Ended June 30,			
	2015	2016	2017	2018
Statutorily required contribution	\$ 3,704,745	\$ 4,836,283	\$ 5,956,455	\$ 6,467,637
Contributions in relation to the statutorily required contribution	<u>(3,704,745)</u>	<u>(4,836,283)</u>	<u>(5,956,455)</u>	<u>(6,467,637)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 21,188,803	\$ 20,993,350	\$ 21,652,765	\$ 22,283,619
Contributions as a percentage of covered payroll	17.48%	23.04%	27.51%	29.02%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

## DEXTER COMMUNITY SCHOOLS

### Required Supplementary Information

#### MPERS Cost-Sharing Multiple-Employer Plan

##### Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability

	Year Ended June 30, 2018
District's proportion of the net OPEB liability	0.25682%
District's proportionate share of the net OPEB liability	\$ 22,742,261
District's covered payroll	\$ 21,844,616
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	104.11%
Plan fiduciary net position as a percentage of the total OPEB liability	36.39%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

# DEXTER COMMUNITY SCHOOLS

## Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

### Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30, 2018
Statutorily required contribution	\$ 1,761,556
Contributions in relation to the statutorily required contribution	<u>(1,761,556)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered payroll	\$ 22,283,619
Contributions as a percentage of covered payroll	7.91%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

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## NONMAJOR GOVERNMENTAL FUNDS

# DEXTER COMMUNITY SCHOOLS

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2018

	Special Revenue		Total
	Food Service	Community Service	
<b>Assets</b>			
Cash and cash equivalents	\$ 375,684	\$ 39,544	\$ 415,228
Due from other governments	45,394	20,501	65,895
Due from other funds	-	29,657	29,657
Inventory	11,037	-	11,037
Prepaid items	-	19,486	19,486
<b>Total assets</b>	<b>\$ 432,115</b>	<b>\$ 109,188</b>	<b>\$ 541,303</b>
<b>Liabilities</b>			
Accounts payable	\$ 6,501	\$ 12,409	\$ 18,910
Accrued liabilities	5,454	7,991	13,445
Due to other funds	10,156	643	10,799
Unearned revenue	53,075	88,145	141,220
<b>Total liabilities</b>	<b>75,186</b>	<b>109,188</b>	<b>184,374</b>
<b>Fund balances</b>			
Nonspendable	11,037	19,486	30,523
Restricted	345,892	-	345,892
Unassigned	-	(19,486)	(19,486)
<b>Total fund balances</b>	<b>356,929</b>	<b>-</b>	<b>356,929</b>
<b>Total liabilities and fund balances</b>	<b>\$ 432,115</b>	<b>\$ 109,188</b>	<b>\$ 541,303</b>

## DEXTER COMMUNITY SCHOOLS

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds  
For the Year Ended June 30, 2018

	Special Revenue		Total
	Food Service	Community Service	
Revenues			
Local sources	\$ 1,026,509	\$ 1,941,121	\$ 2,967,630
State sources	71,420	43,698	115,118
Federal sources	301,651	102,362	404,013
Interdistrict sources	115,644	-	115,644
Total revenues	1,515,224	2,087,181	3,602,405
Expenditures			
Current:			
Community services	-	2,542,634	2,542,634
Food services	1,408,541	-	1,408,541
Total expenditures	1,408,541	2,542,634	3,951,175
Revenues over (under) expenditures	106,683	(455,453)	(348,770)
Other financing sources (uses)			
Transfers in	-	537,915	537,915
Transfers out	(100,809)	(82,462)	(183,271)
Total other financing sources (uses)	(100,809)	455,453	354,644
Net changes in fund balances	5,874	-	5,874
Fund balances, beginning of year	351,055	-	351,055
Fund balances, end of year	\$ 356,929	\$ -	\$ 356,929

# DEXTER COMMUNITY SCHOOLS

## Schedule of Revenues and Other Financing Sources

General Fund

For the Year Ended June 30, 2018

	Total
Revenues	
Local sources	
Property taxes	\$ 4,522,738
Earnings on investments and deposits	78,653
Tuition	132,910
Transportation	72,386
Rentals	134,437
Other local revenues	120,123
Total local sources	<u>5,061,247</u>
State sources	
State aid - membership - section 20	23,917,781
At risk	240,972
Special education	2,019,632
Other state grants	3,825,685
Total state sources	<u>30,004,070</u>
Federal sources	
Title I	93,558
Title II - Teacher Principal Training	65,734
Title III - Immigrant Students	4,063
Special Education	742,193
Special Education - Preschool	22,116
Student Support and Academic Enrichment Program	9,751
Total federal sources	<u>937,415</u>
Interdistrict sources	<u>4,470,330</u>
Total revenues	<u>40,473,062</u>
Other financing sources	
Transfers from other funds	183,271
Proceeds from sale of capital assets	38,817
Total other financing sources	<u>222,088</u>
Total revenues and other financing sources	<u><u>\$ 40,695,150</u></u>

# DEXTER COMMUNITY SCHOOLS

## Schedule of Expenditures and Other Financing Uses

General Fund

For the Year Ended June 30, 2018

	Total
Instruction	
Basic programs	
Elementary	
Salaries - professional	\$ 5,910,734
Salaries - non-professional	96,519
Insurances	924,768
FICA, retirement, etc.	2,799,845
Purchased services	367,838
Supplies and materials	158,312
Other	55
Total elementary	<u>10,258,071</u>
Middle/junior high	
Salaries - professional	1,862,339
Salaries - non-professional	63,945
Insurances	303,916
FICA, retirement, etc.	899,495
Purchased services	132,438
Supplies and materials	46,012
Other	1,840
Total middle/junior high	<u>3,309,985</u>
High school	
Salaries - professional	3,365,061
Salaries - non-professional	138,408
Insurances	519,475
FICA, retirement, etc.	1,647,985
Other benefits	7,707
Purchased services	346,860
Supplies and materials	96,941
Other	244,604
Total high school	<u>6,367,041</u>
Total basic programs	<u>19,935,097</u>
Added needs	
Special education	
Salaries - professional	1,078,468
Salaries - non-professional	956,474
Insurances	206,892
FICA, retirement, etc.	978,207
Purchased services	131,420
Supplies and materials	19,254
Other	176,660
Total special education	<u>3,547,375</u>

continued...

# DEXTER COMMUNITY SCHOOLS

## Schedule of Expenditures and Other Financing Uses

General Fund

For the Year Ended June 30, 2018

	Total
Added needs (concluded)	
Compensatory education	
Salaries - professional	\$ 215,766
Insurances	27,165
FICA, retirement, etc.	101,841
Purchased services	246
Total compensatory education	<u>345,018</u>
Vocational education	
Salaries - professional	69,644
Insurances	13,802
FICA, retirement, etc.	32,654
Purchased services	1,500
Supplies and materials	2,150
Other	162,279
Total vocational education	<u>282,029</u>
Total added needs	<u>4,174,422</u>
Total instruction	<u>24,109,519</u>
Supporting services	
Student services	
Salaries - professional	2,522,711
Salaries - non-professional	42,494
Insurances	373,931
FICA, retirement, etc.	1,204,312
Purchased services	120,425
Supplies and materials	11,454
Capital outlay	2,761
Other	2,000
Total student services	<u>4,280,088</u>
Instructional staff	
Salaries - professional	889,929
Salaries - non-professional	112,711
Insurances	158,637
FICA, retirement, etc.	466,840
Other benefits	1,000
Purchased services	376,500
Supplies and materials	74,690
Capital outlay	12,698
Other	19,267
Total instructional staff	<u>2,112,272</u>

continued...

# DEXTER COMMUNITY SCHOOLS

## Schedule of Expenditures and Other Financing Uses

General Fund

For the Year Ended June 30, 2018

	Total
Supporting services (continued)	
General administration	
Salaries - professional	\$ 258,268
Salaries - non-professional	66,390
Insurances	32,970
FICA, retirement, etc.	165,978
Other benefits	46,082
Purchased services	171,779
Supplies and materials	5,512
Other	8,889
Total general administration	<u>755,868</u>
School administration	
Salaries - professional	902,471
Salaries - non-professional	426,100
Insurances	200,414
FICA, retirement, etc.	644,886
Other benefits	66,914
Purchased services	31,372
Supplies and materials	20,343
Other	7,437
Total school administration	<u>2,299,937</u>
Business administration	
Salaries - professional	310,645
Salaries - non-professional	11,934
Insurances	43,504
FICA, retirement, etc.	174,119
Other benefits	42,700
Purchased services	22,167
Supplies and materials	2,713
Other	27,906
Total business administration	<u>635,688</u>
Operation and maintenance of plant	
Salaries - professional	102,978
Salaries - non-professional	906,511
Insurances	235,532
FICA, retirement, etc.	479,345
Other benefits	100
Purchased services	753,502
Supplies and materials	931,645
Capital outlay	17,047
Other	286
Total operation and maintenance of plant	<u>3,426,946</u>

continued...

# DEXTER COMMUNITY SCHOOLS

## Schedule of Expenditures and Other Financing Uses

General Fund

For the Year Ended June 30, 2018

	Total
Supporting services (concluded)	
Transportation	
Salaries - professional	\$ 56,128
Salaries - non-professional	714,530
Insurances	113,884
FICA, retirement, etc.	366,175
Other benefits	2,893
Purchased services	71,617
Supplies and materials	158,566
Other	2,529
Total transportation	<u>1,486,322</u>
Other supporting services	
Salaries - professional	108,648
Salaries - non-professional	44,073
Insurances	21,781
FICA, retirement, etc.	74,851
Other benefits	5,772
Purchased services	27,142
Supplies and materials	1,544
Other	2,388
Total other supporting services	<u>286,199</u>
Total supporting services	<u>15,283,320</u>
Community services	
Salaries - professional	6,925
Salaries - non-professional	11,803
Insurances	470
FICA, retirement, etc.	8,198
Purchased services	131,718
Supplies and materials	142,356
Total community services	<u>301,470</u>
Total expenditures	39,694,309
Other financing uses	
Transfers to other funds	<u>537,915</u>
Total expenditures and other financing uses	<u>\$ 40,232,224</u>

concluded

## DEXTER COMMUNITY SCHOOLS

### Schedule of Bonds Issued and Outstanding (Unaudited)

1998 School and Building Site Bonds

June 30, 2018

Issue dated April 20, 1998 in the amount of \$ 69,600,000

Less:

Bonds paid in prior years 40,725,000

Bonds due and paid May 1, 2018 2,625,000

Balance outstanding - June 30, 2018 \$ 26,250,000

Due	Interest Rate (%)	Principal Due	November Interest Requirement	May Interest Requirement	Total
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>\$ 26,250,000</u>	<u>\$ 3,661,875</u>	<u>\$ 3,661,875</u>	<u>\$ 33,573,750</u>

continued...

## DEXTER COMMUNITY SCHOOLS

### Schedule of Bonds Issued and Outstanding (Unaudited)

2012 Building and Site Bonds

June 30, 2018

Issue dated May 24, 2012 in the amount of \$ 6,610,000

Less:

Bonds paid in prior years 2,400,000

Bonds due and paid May 1, 2018 600,000

Balance outstanding - June 30, 2018 \$ 3,610,000

Due	Interest Rate (%)	Principal Due	November Interest Requirement	May Interest Requirement	Total
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	1,850	1,850	928,700
		<u>\$ 3,610,000</u>	<u>\$ 155,000</u>	<u>\$ 155,000</u>	<u>\$ 3,920,000</u>

continued...

# DEXTER COMMUNITY SCHOOLS

## Schedule of Bonds Issued and Outstanding (Unaudited)

2012 Refunding Bonds

June 30, 2018

Issue dated May 24, 2012 in the amount of \$ 9,060,000

Less:

Bonds paid in prior years 5,695,000

Bonds due and paid May 1, 2018 1,845,000

Balance outstanding - June 30, 2018 \$ 1,520,000

Due	Interest Rate (%)	Principal Due	November Interest Requirement	May Interest Requirement	Total
2018 - 2019	4.00	<u>\$ 1,520,000</u>	<u>\$ 30,400</u>	<u>\$ 30,400</u>	<u>\$ 1,580,800</u>

continued...

## DEXTER COMMUNITY SCHOOLS

### Schedule of Bonds Issued and Outstanding (Unaudited)

2017 School Building and Site Bonds

June 30, 2018

Issue dated November 28, 2017 in the amount of \$ 50,605,000

Balance outstanding - June 30, 2018 \$ 50,605,000

Due	Interest Rate (%)	Principal Due	November Interest Requirement	May Interest Requirement	Total
2018 - 2019	4.00	\$ -	\$ 926,066	\$ 926,065	\$ 1,852,131
2019 - 2020	4.00	-	926,065	926,066	1,852,131
2020 - 2021	4.00	-	926,066	926,065	1,852,131
2021 - 2022	4.00	2,400,000	926,065	926,066	4,252,131
2022 - 2023	4.00	1,505,000	878,066	878,065	3,261,131
2023 - 2024	4.00	760,000	847,965	847,966	2,455,931
2024 - 2025	4.00	1,190,000	832,766	832,765	2,855,531
2025 - 2026	4.00	1,435,000	808,965	808,966	3,052,931
2026 - 2027	4.00	2,235,000	780,266	780,266	3,795,532
2027 - 2028	4.00	2,455,000	735,565	735,565	3,926,130
2028 - 2029	4.00	6,775,000	686,465	686,466	8,147,931
2029 - 2030	4.00	7,050,000	550,965	550,966	8,151,931
2030 - 2031	4.00	7,340,000	409,966	409,965	8,159,931
2031 - 2032	3.00	7,600,000	263,165	263,166	8,126,331
2032 - 2033	3.00	7,835,000	149,166	149,165	8,133,331
2033 - 2034	3.125	2,025,000	31,641	31,640	2,088,281
		<u>\$ 50,605,000</u>	<u>\$ 10,679,223</u>	<u>\$ 10,679,223</u>	<u>\$ 71,963,446</u>

continued...

# DEXTER COMMUNITY SCHOOLS

## Schedule of Bonds Issued and Outstanding (Unaudited)

2017 Refunding Bonds

June 30, 2018

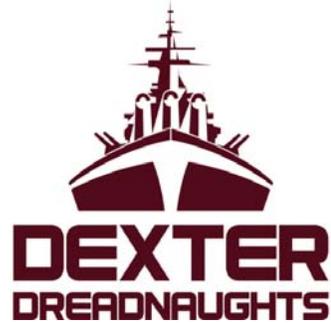
Issue dated November 28, 2017 in the amount of \$ 20,010,000

Balance outstanding - June 30, 2018 \$ 20,010,000

Due	Interest Rate (%)	Principal Due	November Interest Requirement	May Interest Requirement	Total
2018 - 2019	4.00	\$ -	\$ 400,200	\$ 400,200	\$ 800,400
2019 - 2020	4.00	-	400,200	400,200	800,400
2020 - 2021	4.00	-	400,200	400,200	800,400
2021 - 2022	4.00	2,465,000	400,200	400,200	3,265,400
2022 - 2023	4.00	2,925,000	350,900	350,900	3,626,800
2023 - 2024	4.00	4,005,000	292,400	292,400	4,589,800
2024 - 2025	4.00	3,905,000	212,300	212,300	4,329,600
2025 - 2026	4.00	4,010,000	134,200	134,200	4,278,400
2026 - 2027	4.00	1,280,000	54,000	54,000	1,388,000
2027 - 2028	4.00	1,420,000	28,400	28,400	1,476,800
		<u>\$ 20,010,000</u>	<u>\$ 2,673,000</u>	<u>\$ 2,673,000</u>	<u>\$ 25,356,000</u>

concluded

Dexter  
Community  
Schools



Year Ended  
June 30, 2018

Single Audit Act  
Compliance

# DEXTER COMMUNITY SCHOOLS

## Table of Contents

	<u>Page</u>
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	4
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	7
Schedule of Findings and Questioned Costs	9
Summary Schedule of Prior Audit Findings	12



INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE

October 18, 2018

Board of Education  
Dexter Community Schools  
Dexter, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Dexter Community Schools* (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 18, 2018 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Rehmann Robson LLC*

# DEXTER COMMUNITY SCHOOLS

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Approved Grant Award Amount
<b>U.S. Department of Agriculture</b>				
Child Nutrition Cluster:				
National school lunch - breakfast	10.553	MDE	171970	\$ 22,074
National school lunch - breakfast	10.553	MDE	181970	18,672
National school lunch section 11 free and reduced	10.555	MDE	171960	189,870
National school lunch section 11 free and reduced	10.555	MDE	181960	163,992
Entitlement commodities (non-cash)	10.555	MDE	-n/a-	89,536
<b>Total U.S. Department of Agriculture</b>				
<b>U.S. Department of Education</b>				
Title I, Part A	84.010	MDE	181530-1718	93,558
Special Education Cluster:				
IDEA State Initiated Transition	84.027	WCISD	170450-1617	666,373
IDEA State Initiated Transition	84.027	WCISD	180450-1718	742,193
Special Education - Preschool	84.173	WCISD	180460-1718	22,116
Title III, Part A Immigrant Students	84.365	MDE	180570-1718	4,063
Title II, Part A	84.367	MDE	180520-1718	65,734
Student Support and Academic Enrichment Program	84.424	MDE	180750-1718	10,000
<b>Total U.S. Department of Education</b>				
<b>U.S. Department of Health and Human Services</b>				
Drug Free Communities Grants (2015-16)	93.276	Direct	1H79SP020328-02	125,000
Drug Free Communities Grants (2016-17)	93.276	Direct	5H79SP020328-03	125,000
Drug Free Communities Grants (2017-18)	93.276	Direct	6H79SP020328-04	125,000
<b>Total Federal Financial Assistance</b>				

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue June 30, 2017	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2018	Accrued (Unearned) Revenue June 30, 2018	Amounts Passed- Through to Subrecipients
\$ -	\$ 1,259	\$ 20,815	\$ 1,259	\$ -	\$ -
-	18,672	-	20,072	1,400	-
-	19,931	20,815	21,331	1,400	-
-	18,488	171,382	18,488	-	-
-	163,992	-	172,296	8,304	-
-	89,536	-	89,536	-	-
-	272,016	171,382	280,320	8,304	-
-	291,947	192,197	301,651	9,704	-
-	87,601	-	93,558	5,957	-
83,906	83,906	666,373	-	-	-
-	645,573	-	742,193	96,620	-
-	22,116	-	22,116	-	-
83,906	751,595	666,373	764,309	96,620	-
-	4,063	-	4,063	-	-
-	58,991	-	65,734	6,743	-
-	9,751	-	9,751	-	-
83,906	912,001	666,373	937,415	109,320	-
-	13,000	58,654	13,000	-	13,000
-	45,118	18,823	45,118	-	45,118
-	44,244	-	44,244	-	44,244
-	102,362	77,477	102,362	-	102,362
\$ 83,906	\$ 1,306,310	\$ 936,047	\$ 1,341,428	\$ 119,024	\$ 102,362

# DEXTER COMMUNITY SCHOOLS

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Dexter Community Schools (the "District") under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule.

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10% de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

### 3. PASS-THROUGH AGENCIES

The District receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
WCISD	Washtenaw County Intermediate School District



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

October 18, 2018

Board of Education  
Dexter Community Schools  
Dexter, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Dexter Community Schools* (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 18, 2018.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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*.

## 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 District'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.

*Rehmann Johnson LLC*

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 18, 2018

Board of Education  
Dexter Community Schools  
Dexter, Michigan

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

We have audited the compliance of *Dexter Community Schools* (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

*Independent Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for the District's major federal program 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 the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the District's 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 the major federal program. However, our audit does not provide a legal determination of the District's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

Management of the District 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the District's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

### *Purpose of this Report*

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



# DEXTER COMMUNITY SCHOOLS

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Significant deficiency(ies) identified? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Significant deficiency(ies) identified? \_\_\_\_\_ yes  X  none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes  X  no

Identification of major programs:

#### CFDA Number

#### Name of Federal Program or Cluster

84.027, and 84.173

Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

X  yes \_\_\_\_\_ no

# DEXTER COMMUNITY SCHOOLS

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

### SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

# DEXTER COMMUNITY SCHOOLS

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

DEXTER COMMUNITY SCHOOLS

**Summary Schedule of Prior Audit Findings**  
For the Year Ended June 30, 2018

None reported in prior year.



**INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

October 18, 2018

To the Board of Education  
Dexter Community Schools  
Dexter, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Dexter Community Schools* (the "District") as of and for the year ended June 30, 2018, and have issued our report thereon dated October 18, 2018. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated April 5, 2018, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the School District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated October 18, 2018.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on July 25, 2018.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

## Qualitative Aspects of the District's Significant Accounting Practices

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements.

As described in Note 15 to the financial statements, the District changed accounting policies related to accounting for other postemployment benefit ("OPEB") costs by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick banks and severance benefits.
- Management's estimate of potential repayments related to DDA/TIFA tax captures and advanced funds from Washtenaw ISD for Medicaid and Special Education equity.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units. In addition, the financial statements include net pension and other postemployment benefit liabilities and other related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards, but are not within the control of management.

### Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There was a significant audit adjustment, approved and posted by management, related to the recording of retainage payable in the District's 2017 capital projects fund.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the School District's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

### Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment B to this letter.

### Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the School District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the School District's auditors.

### Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. 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.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment A to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

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

Very truly yours,

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.

## DEXTER COMMUNITY SCHOOLS

### Attachment A - Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2018 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the District in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the District. For the complete text of these and other GASB standards, visit [www.gasb.org](http://www.gasb.org) and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

#### **GASB 83 ■ Certain Asset Retirement Obligations**

*Effective 06/15/2019 (your FY 2019)*

This standard addresses accounting and financial reporting for certain asset retirement obligations--legally enforceable liabilities associated with the retirement of a tangible capital asset. We do not expect this standard to have any significant effect on the District.

#### **GASB 84 ■ Fiduciary Activities**

*Effective 12/15/2019 (your FY 2020)*

This standard establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods. Due to the number of specific factors to consider, we will continue to assess the degree to which this standard may impact the District.

#### **GASB 87 ■ Leases**

*Effective 12/15/2020 (your FY 2021)*

This standard establishes a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

#### **GASB 88 ■ Certain Disclosures Related to Debt**

*Effective 06/15/2019 (your FY 2019)*

This standard provides guidance on note disclosures related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. We do not expect this standard to have any significant effect on the District.

#### **GASB 89 ■ Accounting for Interest Cost Incurred before the End of a Construction Period**

*Effective 12/15/2020 (your FY 2021)*

This standard eliminates the requirement for governments to capitalize interest during the construction period for business-type activities. As this simplifies the accounting for interest, early implementation is encouraged. We do not expect this standard to have any significant effect on the District.

## DEXTER COMMUNITY SCHOOLS

### ■ Attachment A - Upcoming Changes in Accounting Standards / Regulations For the June 30, 2018 Audit

#### GASB 90 ■ Majority Equity Interests *Effective 12/15/2019 (your FY 2020)*

This standard addresses situations in which a government acquires a majority of the equity interest in a legally separate organization, and whether such holdings should be reported as an investment or a component unit. We do not expect this standard to have any significant effect on the District.

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## DEXTER COMMUNITY SCHOOLS

### Attachment B - Management Representations

For the June 30, 2018 Audit

The following pages contain the written representations that we requested from management.



# DEXTER COMMUNITY SCHOOLS

7714 Ann Arbor Street, Dexter, Michigan 48130

[www.dexterschools.org](http://www.dexterschools.org)

(734) 424-4100

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October 18, 2018

Rehmann Robson  
2330 East Paris Ave. SE  
Grand Rapids, MI 49546

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Dexter Community Schools** (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and the budgetary comparison for the general fund of the District in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 18, 2018:

## Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 5, 2018, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

9. With regard to items reported at fair value:
  - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
10. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
11. All funds and activities are properly classified.
12. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
13. All components of net position and fund balance classifications have been properly reported.
14. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
15. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
16. All interfund and intra-entity transactions and balances have been properly classified and reported.
17. Deposit and investment risks have been properly and fully disclosed.
18. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
19. All required supplementary information is measured and presented within the prescribed guidelines.
20. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
21. We are responsible for the fair presentation of the District's proportionate share of the net pension liability and the net other postemployment benefit liability of the Michigan Public School Employees Retirement System (MPERS) and related amounts. We provided MPERS with complete and accurate information regarding the District's participation in the plan, and have reviewed the information provided by MPERS for inclusion in the District's financial statements.

#### Information Provided

22. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
23. All transactions have been recorded in the accounting records and are reflected in the financial statements.
24. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
25. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or

- c. Others where the fraud could have a material effect on the financial statements.
26. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
  27. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
  28. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
  29. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
  30. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
  31. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
  32. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
  33. There are no:
    - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
    - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
    - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
  34. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
  35. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
  36. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

## Supplementary Information in Relation to the Financial Statements as a Whole

37. With respect to the supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

## Required Supplementary Information

38. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

## Uniform Guidance (2 CFR 200)

39. With respect to federal awards, we represent the following to you:
- a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance.
  - b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
  - c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
  - d. The methods of measurement or presentation have not changed from those used in the prior period.
  - e. We believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
  - f. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
  - g. When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
  - h. We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
  - i. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant

- agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.
- j. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
  - k. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.
  - l. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
  - m. We have received no requests from a federal agency to audit one or more specific programs as a major program.
  - n. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
  - o. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the Uniform Guidance.
  - p. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
  - q. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
  - r. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
  - s. We have monitored subrecipients to determine if they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance.
  - t. We have issued management decisions timely after the receipt of subrecipients' auditor reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and have ensured that the subrecipients have taken the appropriate and timely corrective action on findings.
  - u. We have considered the results of subrecipients' audits and have made any necessary adjustments to our own books and records.

- v. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- w. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- x. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by the Uniform Guidance, and we are responsible for preparing and implementing a correction action plan for each audit finding.
- y. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- z. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- aa. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

*Sharon Raschke*

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Dr. Sharon Raschke, Chief Financial Officer