

Dexter
Community
Schools



Year Ended
June 30, 2019

Financial
Statements
and
Supplementary
Information

DEXTER COMMUNITY SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 11, 2019

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, 2019, 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, 2019, 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.

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 11, 2019 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

As administration of Dexter Community Schools (the "District"), 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, 2019.

Financial Highlights

- The liabilities and deferred inflows of resources of the District, as a whole, exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$48,457,047.
- The District's total net position increased by \$1,078,181.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$25,456,610, a decrease of \$28,066,087 in comparison with the prior year, which was largely attributable to the expenditure of bond proceeds for bonds issued in the previous fiscal year on pre-determined capital projects.
- The general fund had an increase in fund balance of \$920,890. At the end of the current fiscal year, total fund balance for the general fund was \$7,909,385 or 19.6% of total general fund expenditures. The unassigned fund balance of the general fund was \$1,724,780 or 4.3% 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, schedule of general fund revenues and other financing sources, schedule of general fund expenditures and other financing uses, and combining statements for nonmajor funds.

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.

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).

DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

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, 2019.

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 and fiduciary, 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 several 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, debt retirement, and 2017 capital projects funds. Data from the other governmental funds are combined into a single, aggregated presentation. These funds consist of 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 for the general fund 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.

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.

DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

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 MPERS pension and other postemployment benefits plan immediately following the notes to the financial statements. The schedule of general fund revenues and other financing sources, schedule of general fund expenditures and other financing uses, and combining statements for nonmajor 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 \$48,496,180 at June 30, 2019. This deficit balance is due to the requirement to report the District's proportionate share of the Michigan Public School Employee's Retirement System (MPERS) net pension and other postemployment benefits liabilities, as well as their related deferrals, on the statement of net position.

	Net Position	
	2019	2018
Assets		
Current and other assets	\$ 36,934,010	\$ 65,415,380
Capital assets, net	132,586,958	107,596,853
Total assets	<u>169,520,968</u>	<u>173,012,233</u>
Deferred outflows of resources	<u>31,760,264</u>	<u>18,279,007</u>
Liabilities		
Current and other liabilities	110,746,508	101,371,181
Long-term debt	128,007,733	134,938,980
Total liabilities	<u>238,754,241</u>	<u>236,310,161</u>
Deferred inflows of resources	<u>10,984,038</u>	<u>4,516,307</u>
Net position		
Net investment in capital assets	45,485,504	44,302,851
Restricted	2,097,156	1,856,997
Unrestricted (deficit)	(96,039,707)	(95,695,076)
Total net position	<u>\$ (48,457,047)</u>	<u>\$ (49,535,228)</u>

DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

	Change in Net Position	
	2019	2018
Revenues		
Program revenues:		
Charges for services	\$ 3,574,446	\$ 3,427,273
Operating grants and contributions	13,365,667	12,193,962
General revenues:		
Property taxes - operations	4,733,310	4,522,738
Property taxes - debt service	11,267,062	10,749,573
Grants and contributions not restricted to specific programs	24,547,692	23,917,781
Unrestricted investment earnings	142,765	520,043
Other revenues	452,033	418,135
Total revenues	<u>58,082,975</u>	<u>55,749,505</u>
Expenses		
Instruction	26,151,158	24,772,642
Supporting services	16,307,069	15,721,628
Community services	3,063,999	2,874,694
Food services	1,452,574	1,440,022
Interest on long-term debt	4,556,910	3,217,951
Unallocated depreciation	5,473,084	4,802,490
Total expenses	<u>57,004,794</u>	<u>52,829,427</u>
Change in net position	1,078,181	2,920,078
Net position, beginning of year	<u>(49,535,228)</u>	<u>(52,455,306)</u>
Net position, end of year	<u>\$ (48,457,047)</u>	<u>\$ (49,535,228)</u>

DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

Governmental Activities. The above analysis focuses on the net position of governmental activities. The change in net position of the District's governmental activities is discussed below. Because the focus of the net position of governmental activities, and the related changes in net position differ from the fund balances of governmental funds, and their related changes, reconciliations between the equity measures and related activity are included with the basic financial statements.

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, \$2,097,156 represents resources that are subject to external restrictions on how they may be used. In the case of the 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 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 \$1,078,181 during the current fiscal year.

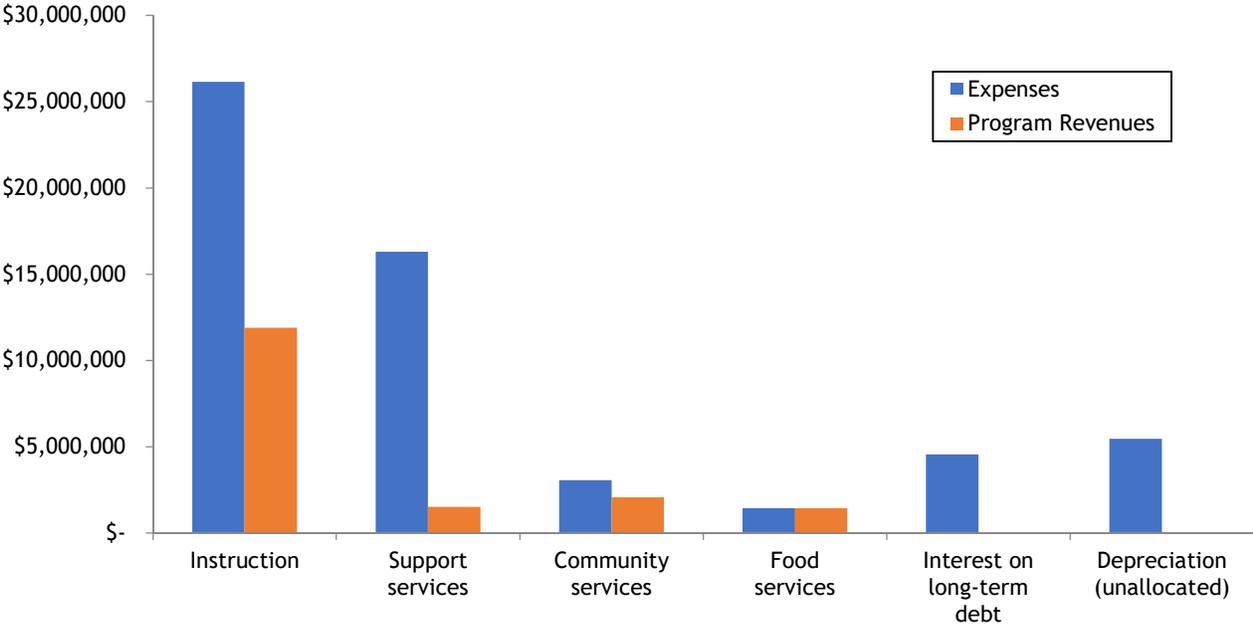
The net cost shows the financial burden that was placed on the State and the District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State Aid constitute the vast majority of the District's operating revenue sources, the Board of Education and administration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

During fiscal 2019, interest on long-term debt increased \$1,338,959, or 41.61% and unallocated depreciation increased by \$670,594, or 13.96% over the prior year levels. The interest expense increase was due to the issuance of school building and site bonds in the prior year. A large portion of the proceeds from those bonds was expended during the year on capital projects, as defined in the bond resolution, much of which were capitalized during the year and began to be depreciated.

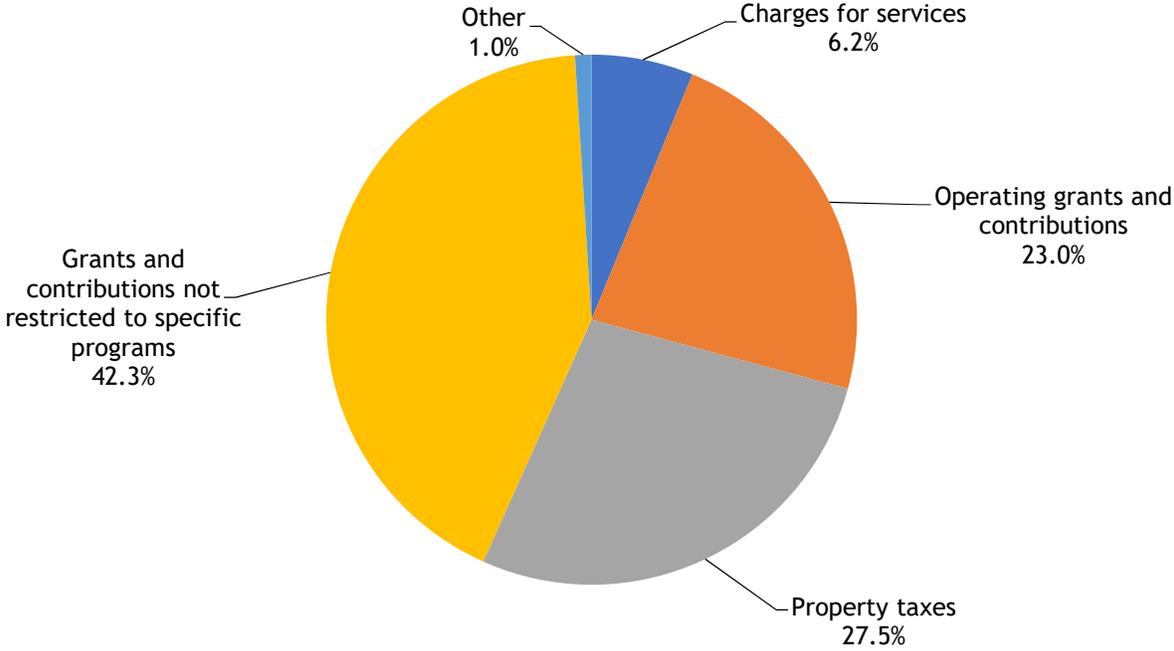
DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

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

During the fiscal year ended June 30, 2019, the District amended the budget of the general fund two times. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The statement of revenues, expenditures and changes in fund balance - budget and actual - general fund, which presents the District's general fund original and final amended 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 \$1,724,780, while the total fund balance was \$7,909,385. 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 4.3% and 19.6%, respectively, of total general fund expenditures.

The fund balance of the District's general fund increased by \$920,890, or 13.2% 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 \$164,308 to \$2,012,114. 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.

The 2017 capital projects fund balance was \$15,055,601, a decrease of \$29,273,866 from the prior year. This decrease was caused by expenditure on capital projects of bond proceeds for debt issued in the prior fiscal year intended for this precise purpose.

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 0.8% increase in revenues over the original budget.
- Budgeted expenditures were amended for an overall decrease of \$84,998.

DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

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 \$41,998,056. That amount is less than the final budget estimate of \$42,197,765. The variance was \$199,709, or 0.5%.
- The actual expenditures and other financing uses of the general fund were \$41,077,166, which is below the final budget estimate of \$42,101,507. The variance was \$1,024,341, or 2.4% favorable to the final budget. The variance was due to teaching supply expenditures deferred to the following school year, special education services required were less than anticipated, reduced payroll taxes due to increased employee contributions for health coverage, reduced worker's compensation premiums due to favorable experience, temporary vacancies in instructional positions and temporary vacancies in non-instructional positions.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2019 amounted to \$132,586,958 (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)	
	2019	2018
Land	\$ 5,853,892	\$ 5,853,892
Construction in progress	844,270	9,530,799
Buildings and improvements	121,058,731	87,704,239
Machinery and equipment	3,721,358	3,087,140
Vehicles and buses	1,108,707	1,420,783
Total capital assets, net	<u>\$ 132,586,958</u>	<u>\$ 107,596,853</u>

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

DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

Long-term Debt

	Long-term Debt	
	2019	2018
General obligation bonds	\$ 97,100,000	\$ 101,995,000
Unamortized premiums and discounts	5,432,747	6,100,918
School Loan Revolving Fund	23,954,459	25,356,005
Compensated absences	1,520,527	1,487,057
	<u>\$ 128,007,733</u>	<u>\$ 134,938,980</u>

At the end of the current fiscal year, the District had total long-term debt outstanding of \$128,007,733. The District's total debt decreased by \$6,931,247 during the current fiscal year as a result of normal debt service payments. An additional \$822,354 in accrued interest was also added to the School Loan Revolving Fund balance, which was offset by District payments of \$2,223,900.

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

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2019-20 fiscal year:

- **Foundation Allowance**

The Board of Education and administration agreed to an estimated foundation allowance of \$8,223 per pupil for the 2019-20 fiscal year, a \$106 per pupil increase from 2018-19, 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 2019-20 fiscal year, a 26 per pupil increase from 2018-19, 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 2019-20, the rate is anticipated to increase to 27.50% from 26.18% effective October 1, 2019. Additionally, the District will be required to pay 12.41%, for all wages earned October 1, 2019 and later, for the Unfunded Actuarial Accrued Liability (UAAL).

DEXTER COMMUNITY SCHOOLS

Management's Discussion and Analysis

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

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BASIC FINANCIAL STATEMENTS

DEXTER COMMUNITY SCHOOLS

Statement of Net Position

June 30, 2019

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,522,784
Investments	24,918,254
Receivables	6,269,796
Other assets	223,176
Capital assets not being depreciated	6,698,162
Capital assets being depreciated, net	<u>125,888,796</u>
Total assets	<u>169,520,968</u>
Deferred outflows of resources	
Deferred charge on advance bond refundings, net	375,692
Deferred pension amounts	26,997,595
Deferred other postemployment benefit amounts	<u>4,386,977</u>
Total deferred outflows of resources	<u>31,760,264</u>
Liabilities	
Accounts payable and accrued liabilities	7,041,945
Unearned revenue	4,764,688
Long-term debt:	
Due within one year	4,037,631
Due in more than one year	123,970,102
Net pension liability (due in more than one year)	78,076,238
Net other postemployment benefit liability (due in more than one year)	<u>20,863,637</u>
Total liabilities	<u>238,754,241</u>
Deferred inflows of resources	
Deferred pension amounts	6,233,183
Deferred other postemployment benefit amounts	<u>4,750,855</u>
Total deferred inflows of resources	<u>10,984,038</u>
Net position	
Net investment in capital assets	45,485,504
Restricted for:	
Food service operations	414,275
Debt service	1,682,881
Unrestricted (deficit)	<u>(96,039,707)</u>
Total net position	<u>\$ (48,457,047)</u>

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

DEXTER COMMUNITY SCHOOLS

Statement of Activities

For the Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 26,151,158	\$ 104,055	\$ 11,797,323	\$ (14,249,780)
Supporting services	16,307,069	383,565	1,136,977	(14,786,527)
Community services	3,063,999	2,031,784	43,698	(988,517)
Food services	1,452,574	1,055,042	387,669	(9,863)
Interest on long-term debt	4,556,910	-	-	(4,556,910)
Unallocated depreciation	5,473,084	-	-	(5,473,084)
Total governmental activities	<u>\$ 57,004,794</u>	<u>\$ 3,574,446</u>	<u>\$ 13,365,667</u>	<u>(40,064,681)</u>
General revenues				
Property taxes - operations				4,733,310
Property taxes - debt service				11,267,062
Grants and contributions not restricted to specific programs				24,547,692
Unrestricted investment earnings				142,765
Gain on sale of capital assets				26,746
Other revenues				425,287
Total general revenues				<u>41,142,862</u>
Change in net position				1,078,181
Net position, beginning of year				<u>(49,535,228)</u>
Net position, end of year				<u>\$ (48,457,047)</u>

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

DEXTER COMMUNITY SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2019

	General Fund	Debt Retirement Fund	2017 Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 4,924,405	\$ 52,369	\$ -
Investments	5,823,800	1,944,642	17,149,812
Accounts receivable	136,574	-	-
Interest receivable	45,122	15,198	98,090
Due from other governments	5,909,121	-	-
Due from other funds	9,643	-	-
Inventory	-	-	-
Prepaid items	77,671	-	124,490
Total assets	\$ 16,926,336	\$ 2,012,209	\$ 17,372,392
Liabilities			
Accounts payable	\$ 218,329	\$ 95	\$ 2,316,791
Accrued liabilities	3,626,935	-	-
Due to other governments	527,493	-	-
Due to other funds	10,283	-	-
Unearned revenue	4,633,911	-	-
Total liabilities	9,016,951	95	2,316,791
Fund balances			
Nonspendable	77,671	-	124,490
Restricted	-	2,012,114	14,931,111
Committed	6,106,934	-	-
Unassigned	1,724,780	-	-
Total fund balances	7,909,385	2,012,114	15,055,601
Total liabilities and fund balances	\$ 16,926,336	\$ 2,012,209	\$ 17,372,392

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



Nonmajor Governmental Funds	Total Governmental Funds
\$ 546,010	\$ 5,522,784
-	24,918,254
2,082	138,656
-	158,410
63,609	5,972,730
10,283	19,926
16,184	16,184
4,831	206,992
<u>\$ 642,999</u>	<u>\$ 36,953,936</u>
\$ 23,069	\$ 2,558,284
-	3,626,935
-	527,493
9,643	19,926
130,777	4,764,688
<u>163,489</u>	<u>11,497,326</u>
21,015	223,176
395,958	17,339,183
62,537	6,169,471
-	1,724,780
<u>479,510</u>	<u>25,456,610</u>
<u>\$ 642,999</u>	<u>\$ 36,953,936</u>

DEXTER COMMUNITY SCHOOLS

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2019

Fund balances - total governmental funds \$ 25,456,610

Amounts reported for *governmental activities* 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	6,698,162
Capital assets being depreciated, net	125,888,796

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and school loan revolving fund payable	(121,054,459)
Compensated absences	(1,520,527)
Unamortized bond premiums and discounts, net	(5,432,747)
Unamortized deferred charge on advance bond refunding	375,692
Accrued interest on bonds payable	(329,233)

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	(78,076,238)
Deferred outflows related to the net pension liability	26,997,595
Deferred inflows related to the net pension liability	(6,233,183)
Net other postemployment benefit liability	(20,863,637)
Deferred outflows related to the net other postemployment benefit liability	4,386,977
Deferred inflows related to the net other postemployment benefit liability	(4,750,855)

Net position of governmental activities \$ (48,457,047)

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, 2019

	General Fund	Debt Retirement Fund	2017 Capital Projects Fund
Revenues			
Local sources	\$ 5,523,512	\$ 11,407,875	\$ 833,705
State sources	30,677,364	199,808	-
Federal sources	1,181,872	-	-
Interdistrict sources	4,395,324	-	-
Total revenues	41,778,072	11,607,683	833,705
Expenditures			
Current:			
Instruction	24,846,672	-	-
Supporting services	15,381,697	-	-
Community services	224,768	-	-
Food services	-	-	-
Debt service:			
Principal	-	7,118,900	-
Interest and fiscal charges	-	4,324,475	-
Capital outlay	-	-	30,107,571
Total expenditures	40,453,137	11,443,375	30,107,571
Revenues over (under) expenditures	1,324,935	164,308	(29,273,866)
Other financing sources (uses)			
Transfers in	189,677	-	-
Transfers out	(624,029)	-	-
Proceeds from sale of capital assets	30,307	-	-
Total other financing sources (uses)	(404,045)	-	-
Net change in fund balances	920,890	164,308	(29,273,866)
Fund balances, beginning of year	6,988,495	1,847,806	44,329,467
Fund balances, end of year	\$ 7,909,385	\$ 2,012,114	\$ 15,055,601

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



Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,095,903	\$ 20,860,995
117,851	30,995,023
475,253	1,657,125
147,762	4,543,086
<u>3,836,769</u>	<u>58,056,229</u>
-	24,846,672
-	15,381,697
2,712,383	2,937,151
1,436,157	1,436,157
-	7,118,900
-	4,324,475
-	30,107,571
<u>4,148,540</u>	<u>86,152,623</u>
<u>(311,771)</u>	<u>(28,096,394)</u>
624,029	813,706
(189,677)	(813,706)
-	30,307
<u>434,352</u>	<u>30,307</u>
122,581	(28,066,087)
<u>356,929</u>	<u>53,522,697</u>
<u>\$ 479,510</u>	<u>\$ 25,456,610</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, 2019

Net changes in fund balances - total governmental funds \$ (28,066,087)

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	30,466,750
Depreciation expense	(5,473,084)
Proceeds from sale of capital assets	(30,307)
Gain on sale of capital assets	26,746

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	7,118,900
Accrued interest on School Loan Fund added to principal	(822,354)
Amortization of bond premiums and discounts, net	668,171
Amortization of deferred charge on advance bond refunding	(96,757)

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	(3,376,060)
Change in the net other postemployment benefit liability and related deferred amounts	677,228
Change in accrued interest payable on bonds	18,505
Change in compensated absences payable	(33,470)

Change in net position of governmental activities \$ 1,078,181

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Local sources	\$ 5,179,999	\$ 5,488,955	\$ 5,523,512	\$ 34,557
State sources	30,144,511	30,190,030	30,677,364	487,334
Federal sources	1,617,426	1,661,926	1,181,872	(480,054)
Interdistrict sources	4,671,385	4,613,128	4,395,324	(217,804)
Total revenues	41,613,321	41,954,039	41,778,072	(175,967)
Expenditures				
Current:				
Instruction:				
Basic programs	20,641,315	20,764,004	20,345,923	(418,081)
Added needs	4,260,250	4,483,770	4,500,749	16,979
Total instruction	24,901,565	25,247,774	24,846,672	(401,102)
Supporting services:				
Student services	4,512,244	4,152,035	4,023,151	(128,884)
Instructional support	2,145,790	2,420,531	2,393,026	(27,505)
General administration	871,756	625,580	568,145	(57,435)
School administration	2,623,592	2,468,946	2,418,330	(50,616)
Business administration	681,561	714,455	682,629	(31,826)
Operation & maintenance of plant	3,636,661	3,676,888	3,461,144	(215,744)
Transportation	1,628,386	1,554,175	1,477,811	(76,364)
Other support services	286,925	352,504	357,461	4,957
Total supporting services	16,386,915	15,965,114	15,381,697	(583,417)
Community services	274,433	265,027	224,768	(40,259)
Total expenditures	41,562,913	41,477,915	40,453,137	(1,024,778)
Revenues over expenditures	50,408	476,124	1,324,935	(848,811)
Other financing sources (uses)				
Transfers in	223,716	223,726	189,677	(34,049)
Transfers out	(558,746)	(623,592)	(624,029)	(437)
Proceeds from sale of capital assets	20,000	20,000	30,307	10,307
Total other financing sources (uses)	(315,030)	(379,866)	(404,045)	(24,179)
Net change in fund balance	(264,622)	96,258	920,890	824,632
Fund balance, beginning of year	6,988,495	6,988,495	6,988,495	-
Fund balance, end of year	\$ 6,723,873	\$ 7,084,753	\$ 7,909,385	\$ 824,632

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

DEXTER COMMUNITY SCHOOLS

Statement of Fiduciary Assets and Liabilities

Agency Fund
June 30, 2019

Assets	
Cash and cash equivalents	\$ 1,110,845
Accounts receivable	<u>4,885</u>
Total assets	<u>\$ 1,115,730</u>
Liabilities	
Accounts payable	\$ 43,566
Due to student groups	<u>1,072,164</u>
Total liabilities	<u>\$ 1,115,730</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, 2019.

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.

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.

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.

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

Investments

Investments consist of U.S. Treasury notes and U.S. Government Agency notes that are valued at fair value. In addition, the District participates in an external investment pool. In accordance with GASB 79, some the District's shares in that pool are recorded at amortized cost and others are valued at each investment's net asset value, both of 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 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.

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.

DEXTER COMMUNITY SCHOOLS

Notes to 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.

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.

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

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 2018 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, 2019. 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.

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2019, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund			
Instruction:			
Added needs	\$ 4,483,770	\$ 4,500,749	\$ 16,979
Supporting services:			
Other support services	352,504	357,461	4,957

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 73% of the District's general fund revenue during the 2019 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	\$ 5,522,784	\$ 1,110,845	\$ 6,633,629
Investments	24,918,254	-	24,918,254
Total	\$ 30,441,038	\$ 1,110,845	\$ 31,551,883

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

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

Checking and savings accounts	\$ 3,988,446
Certificates of deposit (due in less than 1 year)	2,642,632
Investments	24,918,254
Cash on hand	<u>2,551</u>
Total	<u>\$ 31,551,883</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.

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	\$ 82,436	AAAm S&P
MAX class	N/A	1,068,873	AAAm S&P
MILAF Term			
Michigan Term Series Sep 2020	9/10/2019	2,800,000	AAAFk Kroll
Michigan Term Series Sep 2020	10/10/2019	2,500,000	AAAFk Kroll
Michigan Term Series Sep 2020	10/23/2019	1,944,597	AAAFk Kroll
Michigan Term Series Sep 2020	7/22/2019	2,400,000	AAAFk Kroll
Michigan Term Series Sep 2020	8/21/2019	2,400,000	AAAFk Kroll
Michigan Term Series Sep 2020	10/18/2019	1,200,000	AAAFk Kroll
Federal Home Loan Bank Bond	9/26/2019	5,050,312	AA+ S&P
Freddie Mac Note	5/1/2020	1,004,233	AA+ S&P
U.S. Treasury Note	11/15/2021	2,465,974	AA+ S&P
U.S. Treasury Note	4/30/2021	998,316	AA+ S&P
U.S. Treasury Note	11/15/2020	<u>1,003,513</u>	AA+ S&P
Total		<u>\$ 24,918,254</u>	

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

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.

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, \$7,894,874 of the District's bank balance of \$8,394,874 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.

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

At year end, the net asset value of the District's investment in the MILAF Term Series was \$13,244,597. 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.

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, 2019:

	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	\$ -	\$ 4,467,803	\$ -	\$ 4,467,803
Freddie Mac Note	-	1,004,233	-	1,004,233
Federal Home Loan Bank Bond	-	5,050,312	-	5,050,312
	<u>\$ -</u>	<u>\$ 10,522,348</u>	<u>\$ -</u>	<u>10,522,348</u>
Assets carried at amortized cost:				
External investment pools:				
Michigan Liquid Asset Fund (MILAF):				
MILAF + Portfolio:				
Cash management class				82,436
MAX class				1,068,873
Assets carried at net asset value:				
External investment pools:				
Michigan Liquid Asset Fund (MILAF):				
MILAF Term				<u>13,244,597</u>
Total investments				<u>\$ 24,918,254</u>

5. RECEIVABLES AND PAYABLES

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

	Governmental Activities
Accounts receivable	\$ 138,656
Interest receivable	158,410
Due from other governments	<u>5,972,730</u>
Totals	<u>\$ 6,269,796</u>

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

	Governmental Activities
Accounts payable	\$ 2,558,284
Accrued liabilities	3,626,935
Due to other governments	527,493
Interest payable on long-term debt	<u>329,233</u>
Totals	<u>\$ 7,041,945</u>

6. INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

At June 30, 2019, interfund receivables, and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 9,643	\$ 10,283
Nonmajor governmental funds	<u>10,283</u>	<u>9,643</u>
	<u>\$ 19,926</u>	<u>\$ 19,926</u>

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, 2019, interfund transfers consisted of the following:

Transfers Out	Transfers In		Totals
	General Fund	Nonmajor Governmental Funds	
General fund	\$ -	\$ 624,029	\$ 624,029
Nonmajor governmental funds	<u>189,677</u>	<u>-</u>	<u>189,677</u>
	<u>\$ 189,677</u>	<u>\$ 624,029</u>	<u>\$ 813,706</u>

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.

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7. CAPITAL ASSETS

A summary of changes in capital assets activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 5,853,892	\$ -	\$ -	\$ -	\$ 5,853,892
Construction in progress	9,530,799	29,000,571	-	(37,687,100)	844,270
	<u>15,384,691</u>	<u>29,000,571</u>	<u>-</u>	<u>(37,687,100)</u>	<u>6,698,162</u>
Capital assets, being depreciated:					
Buildings and improvements	149,855,279	-	-	37,687,100	187,542,379
Furniture and equipment	10,074,104	1,466,179	(36,362)	-	11,503,921
Vehicles and buses	3,738,021	-	-	-	3,738,021
	<u>163,667,404</u>	<u>1,466,179</u>	<u>(36,362)</u>	<u>37,687,100</u>	<u>202,784,321</u>
Less accumulated depreciation for:					
Buildings and improvements	(62,151,040)	(4,332,608)	-	-	(66,483,648)
Furniture and equipment	(6,986,964)	(828,400)	32,801	-	(7,782,563)
Vehicles and buses	(2,317,238)	(312,076)	-	-	(2,629,314)
	<u>(71,455,242)</u>	<u>(5,473,084)</u>	<u>32,801</u>	<u>-</u>	<u>(76,895,525)</u>
Total capital assets being depreciated, net	<u>92,212,162</u>	<u>(4,006,905)</u>	<u>(3,561)</u>	<u>37,687,100</u>	<u>125,888,796</u>
Governmental activities capital assets, net	<u>\$ 107,596,853</u>	<u>\$ 24,993,666</u>	<u>\$ (3,561)</u>	<u>\$ -</u>	<u>\$ 132,586,958</u>

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

At June 30, 2019, the District has approximately \$18,200,000 in commitments related to the construction in progress reported above.

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8. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2019:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Building and site bonds	\$ 101,995,000	\$ -	\$ (4,895,000)	\$ 97,100,000	\$ 3,510,000
Unamortized premiums and discounts	6,100,918	-	(668,171)	5,432,747	527,631
School Loan Revolving Fund	25,356,005	822,354	(2,223,900)	23,954,459	-
Compensated absences	1,487,057	33,470	-	1,520,527	-
Total governmental activities	\$ 134,938,980	\$ 855,824	\$ (7,787,071)	\$ 128,007,733	\$ 4,037,631

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 \$ 23,625,000

\$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 2,860,000

\$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 \$ 97,100,000

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

Year Ended June 30,	Principal	Interest	Total
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	7,390,000	2,950,106	10,340,106
2025-2029	35,205,000	9,884,606	45,089,606
2030-2034	31,850,000	2,809,806	34,659,806
Totals	\$ 97,100,000	\$ 30,259,444	\$ 127,359,444

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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, 2019, are as follows:

	School Loan Revolving Fund		
	Principal	Interest	Total
Beginning balance	\$ 23,093,625	\$ 2,262,380	\$ 25,356,005
Additions	-	822,354	822,354
Deductions	(1,308,639)	(915,261)	(2,223,900)
Ending balance	<u>\$ 21,784,986</u>	<u>\$ 2,169,473</u>	<u>\$ 23,954,459</u>

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

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 \$2,646,332 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	\$ 2,646,332
Advances from ISD for Medicaid and	
Special Education Funding	1,849,185
Fees and prepaid student lunches	130,777
Other	138,394
	<u>\$ 4,764,688</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.

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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.

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.

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

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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.

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, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

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The table below summarizes pension contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	17.89% - 18.25%
Member Investment Plan (MIP)	3.00% - 7.00%	17.89% - 18.25%
Pension Plus	3.00% - 6.40%	16.46% - 16.61%
Pension Plus 2	6.20%	19.59% - 19.74%
Defined Contribution	0.00%	13.39% - 13.54%

For the year ended June 30, 2019, required and actual contributions from the District to the pension plan were \$6,953,000, which included \$2,899,908, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

The table below summarizes OPEB contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.67% - 7.93%
Personal Healthcare Fund (PHF)	0.00%	7.42% - 7.57%

For the year ended June 30, 2019, required and actual contributions from the District to the OPEB plan were \$1,961,551.

The table below summarizes defined contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2019, required and actual contributions from the District for those members with a defined contribution benefit were \$128,197.

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

At June 30, 2019, the District reported a liability of \$78,076,238 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the District's proportion was 0.25972%, which was an increase of 0.00353% from its proportion measured as of September 30, 2017.

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For the year ended June 30, 2019, the District recognized pension expense of \$10,785,685. At June 30, 2019, 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	\$ 362,288	\$ 567,366	\$ (205,078)
Changes in assumptions	18,082,392	-	18,082,392
Net difference between projected and actual earnings on pension plan investments	-	5,338,430	(5,338,430)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,031,022	327,387	1,703,635
	<u>20,475,702</u>	<u>6,233,183</u>	<u>14,242,519</u>
District contributions subsequent to the measurement date	6,521,893	-	6,521,893
	<u>6,521,893</u>	<u>-</u>	<u>6,521,893</u>
Total	<u>\$ 26,997,595</u>	<u>\$ 6,233,183</u>	<u>\$ 20,764,412</u>

An amount of \$6,521,893 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, 2020. 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
2020	\$ 5,938,681
2021	4,228,600
2022	2,944,258
2023	<u>1,130,980</u>
Total	<u>\$ 14,242,519</u>

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

At June 30, 2019, the District reported a liability of \$20,863,637 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. 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 0.26247% which was an increase of 0.00565% from its proportionate share measured as of September 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,098,272. At June 30, 2019, 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	\$ -	\$ 3,883,259	\$ (3,883,259)
Changes in assumptions	2,209,470	-	2,209,470
Net difference between projected and actual earnings on OPEB plan investments	-	801,839	(801,839)
Changes in proportion and differences between employer contributions and proportionate share of contributions	431,197	65,757	365,440
	<u>2,640,667</u>	<u>4,750,855</u>	<u>(2,110,188)</u>
District contributions subsequent to the measurement date	1,746,310	-	1,746,310
	<u>1,746,310</u>	<u>-</u>	<u>1,746,310</u>
Total	<u>\$ 4,386,977</u>	<u>\$ 4,750,855</u>	<u>\$ (363,878)</u>

An amount of \$1,746,310 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, 2020. 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
2020	\$ (531,548)
2021	(531,548)
2022	(531,548)
2023	(368,799)
2024	(146,745)
Total	<u>\$ (2,110,188)</u>

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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	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	7.05%
Pension Plus plan (hybrid)	7.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	7.15%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.0% Year 12
Mortality	RP-2014 Male and Female Healthy Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and 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.

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Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5304 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.6018 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Long-term Expected Return on Pension plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of September 30, 2018, 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%	5.70%	1.60%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		5.66%
Inflation			2.30%
Risk adjustment			<u>-0.91%</u>
Investment rate of return			<u>7.05%</u>

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Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB 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 OPEB 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 OPEB plan's target asset allocation as of September 30, 2018, 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%	5.70%	1.60%
Private equity pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		<u>5.66%</u>
Inflation			2.30%
Risk adjustment			-0.81%
Investment rate of return			<u>7.15%</u>

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan) and 7.15%, respectively. The projection of cash flows used to determine these discount rates 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 7.05% (7.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 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 (6.05% / 6.00% / 5.00%)	Current Discount Rate (7.05% / 7.00% / 6.00%)	1% Increase (8.05% / 8.00% / 7.00%)
District's proportionate share of the net pension liability	\$ 102,508,070	\$ 78,076,238	\$ 57,777,357

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 7.15%, 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 (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net OPEB liability	\$ 25,046,372	\$ 20,863,637	\$ 17,345,446

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 (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net OPEB liability	\$ 17,160,111	\$ 20,863,637	\$ 25,112,337

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.

Payable to the Pension Plan

At June 30, 2019, the District reported a payable of \$998,748 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2019.

DEXTER COMMUNITY SCHOOLS

Notes to Financial Statements

Payable to the OPEB Plan

At June 30, 2019, the District reported a payable of \$204,770 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2019.

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
Nonspendable					
Inventory	\$ -	\$ -	\$ -	\$ 16,184	\$ 16,184
Prepaid items	77,671	-	124,490	4,831	206,992
	<u>77,671</u>	<u>-</u>	<u>124,490</u>	<u>21,015</u>	<u>223,176</u>
Restricted					
Debt service	-	2,012,114	-	-	2,012,114
Food service program	-	-	-	395,958	395,958
Capital projects	-	-	14,931,111	-	14,931,111
	<u>-</u>	<u>2,012,114</u>	<u>14,931,111</u>	<u>395,958</u>	<u>17,339,183</u>
Committed					
Unspent supply carryover	169,369	-	-	-	169,369
Employee off schedule payment	1,176,000	-	-	-	1,176,000
Facilities, equipment and maintenance	874,000	-	-	-	874,000
Facilities, athletics	770,000	-	-	-	770,000
Performing arts equipment	130,000	-	-	-	130,000
Instructional materials and equipment	1,000,000	-	-	-	1,000,000
Technology	837,075	-	-	-	837,075
New buildings and spaces	300,490	-	-	-	300,490
Retirement and severance	850,000	-	-	-	850,000
Community services	-	-	-	62,537	62,537
	<u>6,106,934</u>	<u>-</u>	<u>-</u>	<u>62,537</u>	<u>6,169,471</u>
Unassigned	1,724,780	-	-	-	1,724,780
Total fund balances - governmental funds	<u>\$ 7,909,385</u>	<u>\$ 2,012,114</u>	<u>\$ 15,055,601</u>	<u>\$ 479,510</u>	<u>\$ 25,456,610</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, 2019, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 6,698,162
Capital assets being depreciated, net	<u>125,888,796</u>
	<u>132,586,958</u>
Related debt:	
Bonds	97,100,000
Premiums/discounts on bonds payable, net	5,432,747
Deferred charge on advance bond refundings, net	(375,692)
Unexpended bond proceeds	<u>(15,055,601)</u>
	<u>87,101,454</u>
Net investment in capital assets	<u>\$ 45,485,504</u>

13. BONDED CONSTRUCTION COSTS

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.

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.

DEXTER COMMUNITY SCHOOLS

■ Notes to Financial Statements

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.



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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	2019
District's proportion of the net pension liability	0.23854%	0.25070%	0.24922%	0.25619%	0.25972%
District's proportionate share of the net pension liability	\$ 52,543,111	\$ 61,232,973	\$ 62,177,767	\$ 66,388,499	\$ 78,076,238
District's covered payroll	\$ 20,490,109	\$ 21,237,606	\$ 21,116,479	\$ 21,844,616	\$ 22,350,671
District's proportionate share of the net pension liability as a percentage of its covered payroll	256.43%	288.32%	294.45%	303.91%	349.32%
Plan fiduciary net position as a percentage of the total pension liability	66.20%	63.17%	63.27%	64.21%	62.38%

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	2019
Statutorily required contribution	\$ 3,704,745	\$ 4,836,283	\$ 5,956,455	\$ 6,467,637	\$ 6,953,030
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>	<u>(6,953,030)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 21,188,803	\$ 20,993,350	\$ 21,652,765	\$ 22,283,619	\$ 21,043,362
Contributions as a percentage of covered payroll	17.48%	23.04%	27.51%	29.02%	33.04%

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 Proportionate Share of the Net Other Postemployment Benefit Liability

	Year Ended June 30,	
	2018	2019
District's proportion of the net OPEB liability	0.25682%	0.26247%
District's proportionate share of the net OPEB liability	\$ 22,742,261	\$ 20,863,637
District's covered payroll	\$ 21,844,616	\$ 22,350,671
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	104.11%	93.35%
Plan fiduciary net position as a percentage of the total OPEB liability	36.39%	42.95%

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

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	2019
Statutorily required contribution	\$ 1,761,556	\$ 1,961,551
Contributions in relation to the statutorily required contribution	<u>(1,761,556)</u>	<u>(1,961,551)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 22,283,619	\$ 21,043,362
Contributions as a percentage of covered payroll	7.91%	9.32%

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

Schedule of Revenues and Other Financing Sources

General Fund

For the Year Ended June 30, 2019

	Total
Revenues	
Local sources	
Property taxes	\$ 4,733,310
Earnings on investments and deposits	141,584
Tuition	104,055
Transportation	97,192
Rentals	130,185
Other local revenues	317,186
Total local sources	<u>5,523,512</u>
State sources	
State aid - membership - section 20	24,547,692
At risk	279,618
Special education	2,153,069
Other state grants	3,696,985
Total state sources	<u>30,677,364</u>
Federal sources	
Title I	217,951
Title II - Teacher Principal Training	96,924
Title III - Immigrant Students	8,067
Special Education	821,775
Special Education - Preschool	26,906
Student Support and Academic Enrichment Program	10,249
Total federal sources	<u>1,181,872</u>
Interdistrict sources	<u>4,395,324</u>
Total revenues	<u>41,778,072</u>
Other financing sources	
Transfers from other funds	189,677
Proceeds from sale of capital assets	30,307
Total other financing sources	<u>219,984</u>
Total revenues and other financing sources	<u>\$ 41,998,056</u>

DEXTER COMMUNITY SCHOOLS

Schedule of Expenditures and Other Financing Uses

General Fund

For the Year Ended June 30, 2019

	Total
Instruction	
Basic programs	
Elementary	
Salaries - professional	\$ 6,035,260
Salaries - non-professional	143,884
Insurances	959,117
FICA, retirement, etc.	2,812,689
Purchased services	324,856
Supplies and materials	248,276
Other	6,814
Total elementary	<u>10,530,896</u>
Middle/junior high	
Salaries - professional	1,843,258
Salaries - non-professional	55,031
Insurances	308,511
FICA, retirement, etc.	876,612
Purchased services	93,472
Supplies and materials	52,923
Other	2,534
Total middle/junior high	<u>3,232,341</u>
High school	
Salaries - professional	3,542,170
Salaries - non-professional	151,788
Insurances	552,940
FICA, retirement, etc.	1,687,648
Other benefits	8,124
Purchased services	267,298
Supplies and materials	91,698
Other	281,020
Total high school	<u>6,582,686</u>
Total basic programs	<u>20,345,923</u>
Added needs	
Special education	
Salaries - professional	1,160,262
Salaries - non-professional	991,139
Insurances	209,230
FICA, retirement, etc.	1,018,189
Purchased services	181,890
Supplies and materials	25,454
Other	160,636
Total special education	<u>3,746,800</u>

continued...

DEXTER COMMUNITY SCHOOLS

Schedule of Expenditures and Other Financing Uses

General Fund

For the Year Ended June 30, 2019

	Total
Instruction (concluded)	
Added needs (concluded)	
Compensatory education	
Salaries - professional	\$ 275,618
Insurances	38,515
FICA, retirement, etc.	131,810
Purchased services	980
Total compensatory education	<u>446,923</u>
Vocational education	
Salaries - professional	70,512
Insurances	14,338
FICA, retirement, etc.	32,500
Purchased services	3,700
Other	185,976
Total vocational education	<u>307,026</u>
Total added needs	<u>4,500,749</u>
Total instruction	<u>24,846,672</u>
Supporting services	
Student services	
Salaries - professional	2,346,520
Salaries - non-professional	41,038
Insurances	371,171
FICA, retirement, etc.	1,100,747
Purchased services	143,789
Supplies and materials	15,334
Capital outlay	1,552
Other	3,000
Total student services	<u>4,023,151</u>
Instructional staff	
Salaries - professional	1,010,959
Salaries - non-professional	117,128
Insurances	180,072
FICA, retirement, etc.	524,877
Other benefits	15,033
Purchased services	415,976
Supplies and materials	67,568
Capital outlay	23,135
Other	38,278
Total instructional staff	<u>2,393,026</u>

continued...

DEXTER COMMUNITY SCHOOLS

Schedule of Expenditures and Other Financing Uses

General Fund

For the Year Ended June 30, 2019

	Total
Supporting services (continued)	
General administration	
Salaries - professional	\$ 155,040
Salaries - non-professional	73,716
Insurances	23,274
FICA, retirement, etc.	115,582
Other benefits	34,000
Purchased services	148,612
Supplies and materials	3,762
Other	14,159
Total general administration	<u>568,145</u>
School administration	
Salaries - professional	961,412
Salaries - non-professional	420,859
Insurances	225,941
FICA, retirement, etc.	674,983
Other benefits	78,084
Purchased services	31,521
Supplies and materials	18,351
Other	7,179
Total school administration	<u>2,418,330</u>
Business administration	
Salaries - professional	314,105
Salaries - non-professional	11,890
Insurances	46,181
FICA, retirement, etc.	173,715
Other benefits	49,600
Purchased services	24,998
Supplies and materials	3,492
Other	58,648
Total business administration	<u>682,629</u>
Operation and maintenance of plant	
Salaries - professional	78,780
Salaries - non-professional	958,584
Insurances	271,196
FICA, retirement, etc.	480,152
Other benefits	700
Purchased services	763,850
Supplies and materials	849,085
Capital outlay	58,503
Other	294
Total operation and maintenance of plant	<u>3,461,144</u>

continued...

DEXTER COMMUNITY SCHOOLS

Schedule of Expenditures and Other Financing Uses

General Fund

For the Year Ended June 30, 2019

	Total
Supporting services (concluded)	
Transportation	
Salaries - professional	\$ 60,000
Salaries - non-professional	710,883
Insurances	100,177
FICA, retirement, etc.	357,647
Other benefits	4,374
Purchased services	87,790
Supplies and materials	153,879
Other	3,061
Total transportation	<u>1,477,811</u>
Other supporting services	
Salaries - professional	108,605
Salaries - non-professional	44,008
Insurances	23,118
FICA, retirement, etc.	74,463
Other benefits	12,445
Purchased services	91,996
Supplies and materials	848
Other	1,978
Total other supporting services	<u>357,461</u>
Total supporting services	<u>15,381,697</u>
Community services	
Salaries - professional	6,834
Salaries - non-professional	3,374
Insurances	161
FICA, retirement, etc.	4,681
Purchased services	88,594
Supplies and materials	121,124
Total community services	<u>224,768</u>
Total expenditures	40,453,137
Other financing uses	
Transfers to other funds	<u>624,029</u>
Total expenditures and other financing uses	<u>\$ 41,077,166</u>

concluded

DEXTER COMMUNITY SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2019

	Special Revenue		Total
	Food Service	Community Service	
Assets			
Cash and cash equivalents	\$ 403,110	\$ 142,900	\$ 546,010
Accounts receivable	2,082	-	2,082
Due from other governments	61,144	2,465	63,609
Due from other funds	-	10,283	10,283
Inventory	16,184	-	16,184
Prepaid items	2,133	2,698	4,831
Total assets	\$ 484,653	\$ 158,346	\$ 642,999
Liabilities			
Accounts payable	\$ 6,413	\$ 16,656	\$ 23,069
Due to other funds	9,254	389	9,643
Unearned revenue	54,711	76,066	130,777
Total liabilities	70,378	93,111	163,489
Fund balances			
Nonspendable	18,317	2,698	21,015
Restricted	395,958	-	395,958
Committed	-	62,537	62,537
Total fund balances	414,275	65,235	479,510
Total liabilities and fund balances	\$ 484,653	\$ 158,346	\$ 642,999

DEXTER COMMUNITY SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue		Total
	Food Service	Community Service	
Revenues			
Local sources	\$ 1,058,825	\$ 2,037,078	\$ 3,095,903
State sources	74,153	43,698	117,851
Federal sources	313,516	161,737	475,253
Interdistrict sources	147,762	-	147,762
Total revenues	1,594,256	2,242,513	3,836,769
Expenditures			
Current:			
Community services	-	2,712,383	2,712,383
Food services	1,436,157	-	1,436,157
Total expenditures	1,436,157	2,712,383	4,148,540
Revenues over (under) expenditures	158,099	(469,870)	(311,771)
Other financing sources (uses)			
Transfers in	-	624,029	624,029
Transfers out	(100,753)	(88,924)	(189,677)
Total other financing sources (uses)	(100,753)	535,105	434,352
Net changes in fund balances	57,346	65,235	122,581
Fund balances, beginning of year	356,929	-	356,929
Fund balances, end of year	\$ 414,275	\$ 65,235	\$ 479,510

**SCHEDULE OF BONDS ISSUED
AND OUTSTANDING**

DEXTER COMMUNITY SCHOOLS

Schedule of Bonds Issued and Outstanding (Unaudited)

1998 School and Building Site Bonds

June 30, 2019

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

Less:

Bonds paid in prior years 43,350,000

Bonds due and paid May 1, 2019 2,625,000

Balance outstanding - June 30, 2019 \$ 23,625,000

Due	Interest Rate (%)	Principal Due	November Interest Requirement	May Interest Requirement	Total
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	5.00	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>\$ 23,625,000</u>	<u>\$ 2,999,062</u>	<u>\$ 2,999,063</u>	<u>\$ 29,623,125</u>

continued...

DEXTER COMMUNITY SCHOOLS

Schedule of Bonds Issued and Outstanding (Unaudited)

2012 Building and Site Bonds

June 30, 2019

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

Less:

Bonds paid in prior years 3,000,000

Bonds due and paid May 1, 2019 750,000

Balance outstanding - June 30, 2019 \$ 2,860,000

Due	Interest Rate (%)	Principal Due	November Interest Requirement	May Interest Requirement	Total
2019 - 2020	4.00	\$ 885,000	\$ 51,950	\$ 51,950	\$ 988,900
2020 - 2021	4.00	1,050,000	34,250	34,250	1,118,500
2021 - 2022	3.00	925,000	1,850	1,850	928,700
		<u>\$ 2,860,000</u>	<u>\$ 88,050</u>	<u>\$ 88,050</u>	<u>\$ 3,036,100</u>

continued...

DEXTER COMMUNITY SCHOOLS

Schedule of Bonds Issued and Outstanding (Unaudited)

2017 School Building and Site Bonds

June 30, 2019

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

Balance outstanding - June 30, 2019 \$ 50,605,000

Due	Interest Rate (%)	Principal Due	November Interest Requirement	May Interest Requirement	Total
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	4.00	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	3.00	2,025,000	31,641	31,640	2,088,281
		<u>\$ 50,605,000</u>	<u>\$ 9,753,157</u>	<u>\$ 9,753,158</u>	<u>\$ 70,111,315</u>

continued...

DEXTER COMMUNITY SCHOOLS

Schedule of Bonds Issued and Outstanding (Unaudited)

2017 Refunding Bonds

June 30, 2019

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

Balance outstanding - June 30, 2019 \$ 20,010,000

Due	Interest Rate (%)	Principal Due	November Interest Requirement	May Interest Requirement	Total
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>\$ 2,272,800</u>	<u>\$ 2,272,800</u>	<u>\$ 24,555,600</u>

concluded

Dexter
Community
Schools



Year Ended
June 30, 2019

Single Audit Act
Compliance

DEXTER COMMUNITY SCHOOLS

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

October 11, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 11, 2019, 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.



DEXTER COMMUNITY SCHOOLS

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Approved Grant Award Amount
U.S. Department of Agriculture				
Child Nutrition Cluster:				
National school lunch - breakfast	10.553	MDE	181970	\$ 22,065
National school lunch - breakfast	10.553	MDE	191970	22,424
National school lunch section 11 free and reduced	10.555	MDE	181960	193,012
National school lunch section 11 free and reduced	10.555	MDE	191960	182,796
Entitlement commodities (non-cash)	10.555	MDE	-n/a-	85,587
Total U.S. Department of Agriculture				
U.S. Department of Education				
Title I, Part A	84.010	MDE	181530-1718	93,558
Title I, Part A	84.010	MDE	191530-1819	217,951
Special Education Cluster:				
IDEA State Initiated Transition	84.027	WCISD	180450-1718	742,193
IDEA State Initiated Transition	84.027	WCISD	190450-1819	821,775
Special Education - Preschool	84.173	WCISD	190460-1819	26,906
Title III, Part A Immigrant Students	84.365	MDE	190570-1819	4,003
Title III, Part A English Learners	84.365	MPS	190580-1819	4,118
Title II, Part A	84.367	MDE	180520-1718	65,734
Title II, Part A	84.367	MDE	190520-1819	96,924
Student Support and Academic Enrichment Program	84.424	MDE	180750-1718	10,000
Student Support and Academic Enrichment Program	84.424	MDE	190750-1819	10,000
Total U.S. Department of Education				
U.S. Department of Health and Human Services				
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	5H79SP020328-04	125,000
Drug Free Communities Grants (2018-19)	93.276	Direct	5H79SP020328-05	125,000

Total Federal Financial Assistance

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue June 30, 2018	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2019	Accrued (Unearned) Revenue June 30, 2019	Amounts Passed- Through to Subrecipients
\$ 1,400	\$ 3,393	\$ 20,072	\$ 1,993	\$ -	\$ -
-	21,042	-	22,424	1,382	-
<u>1,400</u>	<u>24,435</u>	<u>20,072</u>	<u>24,417</u>	<u>1,382</u>	<u>-</u>
8,304	29,020	172,296	20,716	-	-
-	172,526	-	182,796	10,270	-
-	85,587	-	85,587	-	-
<u>8,304</u>	<u>287,133</u>	<u>172,296</u>	<u>289,099</u>	<u>10,270</u>	<u>-</u>
9,704	311,568	192,368	313,516	11,652	-
5,957	5,957	93,558	-	-	-
-	194,330	-	217,951	23,621	-
<u>5,957</u>	<u>200,287</u>	<u>93,558</u>	<u>217,951</u>	<u>23,621</u>	<u>-</u>
96,620	96,620	742,193	-	-	-
-	690,405	-	821,775	131,370	-
-	26,906	-	26,906	-	-
<u>96,620</u>	<u>813,931</u>	<u>742,193</u>	<u>848,681</u>	<u>131,370</u>	<u>-</u>
-	4,003	-	4,003	-	-
-	4,064	-	4,064	-	-
-	8,067	-	8,067	-	-
6,743	6,743	65,734	-	-	-
-	83,586	-	96,924	13,338	-
<u>6,743</u>	<u>90,329</u>	<u>65,734</u>	<u>96,924</u>	<u>13,338</u>	<u>-</u>
-	249	9,751	249	-	-
-	10,000	-	10,000	-	-
-	10,249	9,751	10,249	-	-
<u>109,320</u>	<u>1,122,863</u>	<u>911,236</u>	<u>1,181,872</u>	<u>168,329</u>	<u>-</u>
-	2,311	122,689	2,311	-	2,311
-	2,405	122,595	2,405	-	2,405
-	80,756	44,244	80,756	-	80,756
-	76,265	-	76,265	-	76,265
-	161,737	289,528	161,737	-	161,737
<u>\$ 119,024</u>	<u>\$ 1,596,168</u>	<u>\$ 1,393,132</u>	<u>\$ 1,657,125</u>	<u>\$ 179,981</u>	<u>\$ 161,737</u>

DEXTER COMMUNITY SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2019. 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, or changes in net position of the District.

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.

2. 10% DE MINIMIS COST RATE

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
MPS	Monroe Public Schools



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 11, 2019

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, 2019, 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 11, 2019.

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 Lohman LLC

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

October 11, 2019

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, 2019. The District's major federal program is 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 audit 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 each 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 the District's major federal program for the year ended June 30, 2019.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. 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.

The image shows a handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

DEXTER COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

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, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

DEXTER COMMUNITY SCHOOLS

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

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, 2019

None reported in prior year.

