

DEXTER COMMUNITY SCHOOLS

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

YEAR ENDED JUNE 30, 2013

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>Independent Auditor's Report</b>	I - II
<b>Management's Discussion and Analysis</b>	III - IX
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Fiduciary Fund	
Statement of Fiduciary Net Position	5
Notes to the Financial Statements	6 – 27
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedules:	
General Fund	28
<b>Additional Supplementary Information</b>	
Combining Statements – Nonmajor Governmental Funds:	
Combining Balance Sheet	29
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	30
Special Revenue Funds	
Combining Balance Sheet	31
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	32
Individual Schedules of Revenues, Expenditures and Other Financing Uses:	
Schedule 1 - General Fund - Schedule of Revenues and Other Financing Sources	33
Schedule 2 - General Fund - Schedule of Expenditures and Other Financing Uses	34 – 37
Schedule 3 - Schedule of Bond Principal and Interest Requirements	38 – 40

**TABLE OF CONTENTS** (Continued)

Schedule of Expenditures of Federal Awards	41
Notes to Schedule of Expenditures of Federal Awards	42
Reconciliation of "Grant Auditor's Report" to the Schedule of Expenditures of Federal Awards	43
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based Upon an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44 – 45
Report on Compliance for Each Major Federal Award Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>	46 - 47
Schedule of Findings and Questioned Costs	48
Schedule of Prior Year Audit Findings	48



November 4, 2013

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Dexter Community Schools

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dexter Community Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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.

### Unmodified 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, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter - Change in Accounting Principle**

As discussed in Note 19 to the financial statements, the District implemented new accounting guidance, Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, and Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013, on our consideration of the Dexter Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dexter Community Schools' internal control over financial reporting and compliance.

*Lewis & Knopf, P.C.*

LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

-II-

Lewis   
& Knopf  
CPAs, PC

DEXTER COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

---

As administration of Dexter Community Schools, Counties of Washtenaw and Livingston, State of Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013.

**Financial Highlights**

- \* The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$14,716,293 (net position). Of this amount, \$5,022,141 (unrestricted net position) may be used to meet the District's ongoing obligations to taxpayers, students, and creditors.
- \* The District's total net position decreased by \$1,500,484. The decrease was primarily due to lower operating revenues and increased operating costs.
- \* The general fund had a decrease in fund balance of \$1,346,774. At the end of the year, unassigned fund balance for the general fund was \$177,086, or ½% percent, of total general fund expenditures. Total fund balance for the general fund was \$6,573,443, or 19 percent, of total general fund expenditures.

**Using this Annual Report**

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

**Reporting the District as a Whole**

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

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

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

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

DEXTER COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

---

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

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

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

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

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

**Additional Information** - The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 6 - 27 of this report.

DEXTER COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**SUMMARY OF NET POSITION:**

The following summarizes the net position at the fiscal years ended June 30, 2013 and 2012:

	2013	2012
<b><u>ASSETS</u></b>		
Current Assets	\$22,147,412	\$28,830,262
Non-Current Assets	110,658,256	109,884,308
<b><u>TOTAL ASSETS</u></b>	\$132,805,668	\$138,714,570
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred Charge on Refunding	585,888	980,426
<b><u>LIABILITIES</u></b>		
Current Liabilities	18,416,081	13,709,090
Long-Term Liabilities	100,259,182	109,577,579
Total Liabilities	\$118,675,263	\$123,286,669
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	1,300,113	7,677,105
Restricted - Debt Retirement, Food Service and Capital Projects	8,394,039	1,004,248
Unrestricted	5,022,141	7,726,974
<b><u>TOTAL NET POSITION</u></b>	\$14,716,293	\$16,408,327

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

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

An additional portion of the District's net position, \$728,919, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, these amounts are restricted for debt service, food service, and capital projects. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. The remaining balance of unrestricted net position \$5,022,141, may be used to meet the government's ongoing obligations to citizens and creditors.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see table above), which shows the changes in net position for fiscal year 2013.

DEXTER COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**RESULTS OF OPERATIONS:**

For the fiscal years ended June 30, 2013 and 2012, the District wide results of operations were:

	<u>2013</u>	<u>2012</u>
<b><u>REVENUES</u></b>		
<u>Revenues</u>		
Program Revenues:		
Charges for Services	\$2,631,441	\$3,079,833
Operating Grants	6,499,797	6,930,671
General Revenues		
Property Taxes	13,200,786	13,112,153
Grants and State Aid	22,607,398	22,878,371
Other	303,481	312,613
Total Revenues	<u>\$45,242,903</u>	<u>\$46,313,641</u>
 <b><u>EXPENSES</u></b>		
Instruction	24,232,477	23,260,972
Support Services	14,253,497	14,139,547
Community Services	1,947,235	1,967,605
Food Service	1,496,421	1,562,955
Interest on Long-Term Debt	4,492,031	5,250,971
Bond Issuance Costs	321,726	0
Total Expenses	<u>\$46,743,387</u>	<u>\$46,182,050</u>
 <b><u>INCREASE (DECREASE) IN NET POSITION</u></b>	(\$1,500,484)	\$131,591
 <b><u>BEGINNING NET POSITION - AS RESTATED</u></b>	<u>16,216,777</u>	<u>16,276,736</u>
 <b><u>ENDING NET POSITION</u></b>	<u>\$14,716,293</u>	<u>\$16,408,327</u>

The District's net position decreased by \$1,500,484 during the current fiscal year. The decrease in net position differs from the change in fund balances and a reconciliation appears on page 4.

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

DEXTER COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**General Fund Budgeting and Operating Highlights**

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

During the fiscal year ended June 30, 2013, the School District amended the budget of the General Fund twice. State law requires that the budget be amended to ensure that expenditures do not exceed appropriation. A schedule showing the School District's general fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The general fund actual revenue and other financing sources was \$32,904,147. That amount is less than the amended budget estimate of \$33,045,003. The variance was \$140,856, or less than ½%.

The actual expenditures and other financing uses of the general fund were \$34,250,922, which is below the amended budget estimate of \$35,109,062. The variance was \$858,140, or 2.4% favorable to the final amended budget. The variance was due to teaching supply expenditures were deferred to the following school year, special education services required were less than anticipated and temporary vacancies in non-instructional positions.

The general fund had total revenues of \$32,904,147 and total expenditures of \$34,250,922 with a net reduction in fund balance of \$1,346,775 and an ending fund balance of \$6,573,443.

**Capital Asset and Debt Administration**

A. Capital Assets

The district's net investment in capital assets increased by \$773,948 during the fiscal year. This can be summarized as follows:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Ending</u>
Capital Assets	\$154,855,815	\$5,413,140	(\$401,496)	\$159,867,459
Less: Accumulated Depreciation	<u>(44,971,507)</u>	<u>(4,631,890)</u>	<u>394,194</u>	<u>(49,209,203)</u>
<u>Net Investment Capital Outlay</u>	<u>\$109,884,308</u>	<u>\$781,250</u>	<u>(\$7,302)</u>	<u>\$110,658,256</u>

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

The District retired three school buses and some obsolete equipment.

DEXTER COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

B. Debt, Principal Payments

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

	Principal Balance Beginning	Additions	Deductions	Principal Balance Ending
General Obligation Bonds	\$93,242,269	\$19,290,000	\$11,262,269	\$101,270,000
Unamortized Bond Premium	2,902,581	0	375,825	2,526,756
School Bond Loan Fund	18,923,552	6,328,140	19,104,417	6,147,275
Compensated Absences	1,170,513	109,981	0	1,280,494
<b><u>Total Long-Term Debt</u></b>	<b><u>\$116,238,915</u></b>	<b><u>\$25,728,121</u></b>	<b><u>\$30,742,511</u></b>	<b><u>\$111,224,525</u></b>

On September 20, 2012, the District issued \$19,290,000 of General Obligation Refunding Bonds, Series 2012 B, with an average interest rate of 3.53%. The bonds consist of serial bonds bearing variable fixed rates from 0.58% to 1.27% with annual maturities from May 2014 through May 2016. The District issued the bonds to partially refund the Michigan School Bond Loan Fund. The balance of the bonds at June 30, 2013 was \$14,465,000. Payments on this debt are recorded in the District's Debt Retirement Fund.

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements as they become due. The School is required to begin repaying the debt at the point where the School District's State Taxable Valuation times its levy will be in excess of its interest and principal requirements. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of \$62,601 has been assessed for the year ended June 30, 2013, and is included in the amount owing the State at that date. The balance payable at June 30, 2013 was \$6,147,275. These bonds were partially refunded with the proceeds from the 2012 Series B Refunding Bonds.

The District's total long-term debt decreased by \$5,014,390 during the current fiscal year.

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

Additional information on the District's long-term debt can be found in Note 9 on pages 15 - 17 of this report.

DEXTER COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

---

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

On March 15, 1994, the electors of the State of Michigan approved a ballot proposition to amend the State Constitution of 1963, in part, to increase the state sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in order to reduce reliance on local property taxes for school operating purposes and to equalize the per pupil finance resource disparities among school districts. The State aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation guarantee beginning in fiscal year 1994-1995. The Legislature has appropriated funds to establish a foundation guarantee in 2011-2012 of \$7,468 per pupil for Dexter Community Schools, based upon the District's 1993-1994 revenue. In following years the foundation guarantee may be adjusted by an index based upon the change in revenues to the state school aid fund and change in the total number of pupils statewide and the spread between the high and low pupil guarantee will be reduced. The foundation guarantee consists of the locally raised property taxes plus State aid. The source of revenues for the State's contribution to the foundation allowance is derived from a mix of taxing sources, including but not limited to, a statewide property tax of six mills on all property (homestead and non-homestead), a real estate transfer tax, a state sales and use tax, an income tax, gambling revenue, and a tobacco/liquor tax. The funding status for education is volatile.

The following factors were considered in preparing District's budgets for the 2013-2014 fiscal year:

- \* Foundation allowance of \$7,468.
- \* Student enrollment decrease of 20 students.
- \* State aid membership count based on 90% September and 10% subsequent February blend.
- \* Staff salary decrease of 2.5%.

The Dexter Community Schools 2013/2014 adopted budget is as follows:

<u>REVENUE</u>	\$31,914,453
<u>EXPENDITURES</u>	<u>33,524,701</u>
<u>NET (UNDER) BUDGET</u>	<u><u>(\$1,610,248)</u></u>

**Requests for Information**

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

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

## BASIC FINANCIAL STATEMENTS

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2013

	Governmental Activities
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$6,767,515
Investments	9,647,144
Accounts Receivable	40,646
Taxes Receivable	449,391
Due from Other Governmental Units	5,142,108
Inventory	22,497
Prepaid Expenditures	78,111
Total Current Assets	\$22,147,412
<u>NON-CURRENT ASSETS</u>	
Land	5,509,367
Capital Assets	154,358,092
Less: Accumulated Depreciation	(49,209,203)
Total Noncurrent Assets	\$110,658,256
<u>TOTAL ASSETS</u>	\$132,805,668
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Charge on Refunding	585,888
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	252,326
Due to Other Governmental Units	392,692
Accrued Expenditures	2,473,041
Salaries Payable	2,256,307
Unearned Revenue	2,076,372
Long-Term Obligations - Due in One Year	10,965,343
Total Current Liabilities	\$18,416,081
<u>NON-CURRENT LIABILITIES</u>	
Long-Term Obligations - Due in More than One Year	100,259,182
<u>TOTAL LIABILITIES</u>	\$118,675,263
<u>NET ASSETS</u>	
<u>NET POSITION</u>	
Net Investment in Capital Assets	1,300,113
Restricted for:	
Debt Retirement	420,259
Capital Projects	7,665,120
Food Service	308,660
Unrestricted	5,022,141
<u>TOTAL NET POSITION</u>	\$14,716,293

See notes to the financial statements

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue &amp; Change in Net Position</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$24,232,477	\$38,053	\$2,682,973	(\$21,511,451)
Support Services	14,253,497	148,433	3,392,645	(10,712,419)
Community Services	1,947,235	1,237,460	34,760	(675,015)
Food Service	1,496,421	1,207,495	389,419	100,493
Bond Issuance Costs	321,726	0	0	(321,726)
Interest - Long-Term Obligations	4,492,031	0	0	(4,492,031)
<u>TOTALS</u>	<u>\$46,743,387</u>	<u>\$2,631,441</u>	<u>\$6,499,797</u>	<u>(\$37,612,149)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				13,200,786
State Sources - Unrestricted				22,607,398
Investment Earnings				16,783
Miscellaneous				286,698
Total General Revenues and Transfers				<u>\$36,111,665</u>
Change in Net Position				<u>(\$1,500,484)</u>
Net Position - Beginning - As Restated				<u>16,216,777</u>
<u>Net Position - Ending</u>				<u>\$14,716,293</u>

See notes to the financial statements.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2013

	General Fund	Debt Retirement Fund	Capital Projects Fund
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$6,164,027	\$223,610	\$0
Investments	1,982,024	0	7,665,120
Accounts Receivable	32,095	0	0
Taxes Receivable	252,742	196,649	0
Due from Other Funds	120	0	0
Due from Other Governmental Units	5,113,218	0	0
Inventory	0	0	0
Prepaid Expenditures	78,111	0	0
<b><u>TOTAL ASSETS</u></b>	<b><u>\$13,622,337</u></b>	<b><u>\$420,259</u></b>	<b><u>\$7,665,120</u></b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$247,422	\$0	\$0
Due to Other Funds	0	0	0
Due to Other Governmental Units	392,692	0	0
Accrued Expenditures	1,762,185	0	0
Salaries Payable	2,256,307	0	0
Unearned Revenue	2,390,288	0	0
Total Liabilities	\$7,048,894	\$0	\$0
<b><u>FUND BALANCES</u></b>			
Non-Spendable			
Inventory	0	0	0
Prepaid Expenditures	78,111	0	0
Restricted			
Capital Projects	0	0	7,665,120
Debt Retirement	0	420,259	0
Food Service	0	0	0
Committed	4,532,011	0	0
Assigned			
Community Service	0	0	0
Subsequent Year Expenditures	1,786,235	0	0
Unassigned	177,086	0	0
Total Fund Balances	\$6,573,443	\$420,259	\$7,665,120
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$13,622,337</u></b>	<b><u>\$420,259</u></b>	<b><u>\$7,665,120</u></b>

See notes to the financial statements.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
RECONCILIATION OF TOTAL GOVERNMENTAL  
FUND BALANCES TO NET POSITION OF  
GOVERNMENTAL ACTIVITIES  
AS OF JUNE 30, 2013

Non-Major Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances:	\$15,042,361
		Amounts reported for governmental activities in the statement of net assets are different because:	
\$379,878	\$6,767,515		
0	9,647,144	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$159,867,459 and the accumulated depreciation is \$49,209,203	110,658,256
8,551	40,646		
0	449,391		
0	120		
28,890	5,142,108		
22,497	22,497		
0	78,111	Other long-term assets not available to pay current period expenditures; therefore unavailable in the funds	365,169
\$439,816	\$22,147,532		
		Accrued Interest on Long-Term Debt	(710,856)
\$4,904	\$252,326		
120	120	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
0	392,692		
0	1,762,185		
0	2,256,307		
51,253	2,441,541	Bonds Payable	\$101,270,000
\$56,277	\$7,105,171	Unamortized Premium	2,526,756
		School Bond Loan Fund	6,147,275
		Compensated Absences Payable	1,280,494
		Total Long-Term Liabilities	(111,224,525)
22,497	22,497		
0	78,111	Unavailable Amount on Bond Refunding	585,888
0	7,665,120		
0	420,259		
286,163	286,163	<u>TOTAL NET POSITION -</u>	
0	4,532,011	<u>GOVERNMENTAL ACTIVITIES</u>	\$14,716,293
74,879	74,879		
0	1,786,235		
0	177,086		
\$383,539	\$15,042,361		
\$439,816	\$22,147,532		

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Debt Retirement Fund	Capital Projects Fund
<b><u>REVENUES</u></b>			
Local Sources	\$4,115,212	\$9,282,196	\$6,426
State Sources	25,371,534	0	0
Federal Sources	813,202	0	0
Total Revenues	<u>\$30,299,948</u>	<u>\$9,282,196</u>	<u>\$6,426</u>
<b><u>EXPENDITURES</u></b>			
Current:			
Instruction	20,828,822	0	0
Student Services	3,500,544	0	0
Instructional Support	1,676,866	0	0
General Administration	480,014	0	0
School Administration	2,049,229	0	0
Business Administration	460,658	0	0
Operation & Maintenance of Plant	3,057,027	0	0
Transportation	1,634,322	0	0
Other Support Services	69,867	0	0
Community Services	300	0	0
Special Revenue	0	0	0
Debt Service			
Principal	0	11,230,000	0
Interest	0	4,424,538	0
Other	0	38,627	0
Capital Outlay	0	0	5,392,592
Total Expenditures	<u>\$33,757,649</u>	<u>\$15,693,165</u>	<u>\$5,392,592</u>
Excess (Deficiency) of Revenues (Under) Expenditures	(\$3,457,701)	(\$6,410,969)	(\$5,386,166)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers from (to) Other Funds	(409,849)	0	0
Bond Proceeds	0	25,373,674	0
Payments to Escrow Agent	0	(19,104,416)	0
Bond Issuance Costs	0	(182,943)	0
Transfers from Other Govt. Units	2,451,554	0	0
Other Transfers	69,222	0	0
Total Other Financing Sources (Uses)	<u>\$2,110,927</u>	<u>\$6,086,315</u>	<u>\$0</u>
Net Change in Fund Balance	(\$1,346,774)	(\$324,654)	(\$5,386,166)
<b><u>FUND BALANCE - BEGINNING</u></b>	<u>7,920,217</u>	<u>744,913</u>	<u>13,051,286</u>
<b><u>FUND BALANCE - ENDING</u></b>	<u>\$6,573,443</u>	<u>\$420,259</u>	<u>\$7,665,120</u>

See notes to the financial statements.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

Non-Major Governmental Funds	Total Governmental Funds		
		Total net change in fund balances - governmental funds	(\$7,058,121)
		Amounts reported for governmental activities in the statement of activities are different because:	
\$2,477,979	\$15,881,813		
136,606	25,508,140		
321,377	1,134,579		
\$2,935,962	\$42,524,532		
0	20,828,822	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 as depreciation expense. This is the amount by which depreciation in the current period exceeded capital outlay.	773,948
0	3,500,544		
0	1,676,866	Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	11,262,269
0	480,014		
0	2,049,229		
0	460,658		
0	3,057,027		
0	1,634,322	Issuance of Bonds	(19,290,000)
0	69,867		
0	300	Net Change - Unavailable Amount of Refunding	(202,987)
3,443,356	3,443,356		
		Net Change - Unamortized Premiums	375,825
32,268	11,262,268		
1,536	4,426,074	Net Change - Michigan School Bond Loan	12,776,276
0	38,627		
0	5,392,592	(Increase) in Compensated Absences	(109,981)
\$3,477,160	\$58,320,566		
(\$541,198)	(\$15,796,034)	Change in accrued interest on long-term liabilities	(94,486)
		Decrease in taxes and other receivables is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.	66,773
409,849	0		
0	25,373,674		
0	(19,104,416)	<u>CHANGE IN NET POSITION OF</u>	
0	(182,943)	<u>GOVERNMENTAL ACTIVITIES</u>	<u>(\$1,500,484)</u>
130,822	2,582,376		
0	69,222		
\$540,671	\$8,737,913		
(\$527)	(\$7,058,121)		
384,066	22,100,482		
\$383,539	\$15,042,361		

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND - AGENCY FUND  
AS OF JUNE 30, 2013

---

---

ASSETS

Cash and Cash Equivalents

\$724,506

LIABILITIES

Due to Student Groups

\$724,506

See notes to the financial statements.

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

---

---

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

B) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

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

C) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts: invested in capital assets net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The government-wide financial statements present major funds as required by generally accepted governmental accounting principles. By definition the General Fund is always presented as a major fund. Other governmental funds are shown as major funds if their assets, liabilities, revenue or expenditures are 10% or more of those totals across all governmental funds. For June 30, 2013, the Debt Retirement Fund and Capital Projects Fund were considered major funds.

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

---

---

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two special revenue funds: Food Service and Community Service Funds.

Debt Retirement Fund

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

Capital Projects Fund

The Capital Project Fund is used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The Capital Projects Fund includes capital project activities funded with bonds issued September 29, 2008 and May 24, 2012. For this capital project, the school district has complied with the applicable provision of § 1351a of the Revised School Code.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

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

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

---

---

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS (Continued)

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

E) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

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

Government-Wide Financial Statements

Governmental activity in the government-wide financial statements is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. 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.

Governmental Fund Financial Statements

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

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

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

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

---

---

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) CASH AND CASH EQUIVALENTS

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

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

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

G) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H) INVENTORY

Inventories are valued at cost and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

I) CAPITAL ASSETS

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

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

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

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

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) INTERFUND BALANCES

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

K) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

M) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

<u>Governmental Activities:</u>	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
Deferred Charge on Refunding	\$787,504	\$0	\$201,616	\$585,888

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

---

---

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

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

N) FUND BALANCE

Fund balances for each of the District's governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

O) NET POSITION

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

P) REVENUES

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

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

---

---

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

R) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

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

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

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

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

3) DEPOSITS AND INVESTMENTS

As of June 30, 2013, the District had the following investments.

<u>Investment Type</u>	<u>Fair value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard &amp; Poor's Rating</u>	<u>%</u>
MILAF External Investment Pool - MICMS	\$2	N/A	AAAm	0.00%
MILAF External Investment Pool - MIMAX	9,647,142	N/A	AAAm	100.00%
Total fair value	<u>\$ 9,647,144</u>			<u>100.00%</u>

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

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2013, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

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

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2013, \$6,714,943 of the District's bank balance of \$8,171,981 was exposed to custodial credit risk.

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

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

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

Deposits – Including Fiduciary Funds of \$724,506	\$ 7,490,646
Petty Cash	1,375
Investments	<u>9,647,144</u>
<u>TOTAL</u>	<u>\$ 17,139,165</u>

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

3) DEPOSITS AND INVESTMENTS (Continued)

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

Cash Agency Fund	\$ 724,506
Cash – District Wide	6,767,515
Investments – District Wide	9,647,144
 <u>TOTAL</u>	 \$ 17,139,165

4) PROPERTY TAXES

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

For the year ended June 30, 2013, the District levied the following amounts per \$1,000 of assessed valuation:

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

5) INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2013, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

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

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 4,961,633
Federal Grants	77,749
Other	18,504
DDA/ TIFA Recapture Receivable	84,222
 <u>TOTAL GOVERNMENTAL ACTIVITIES</u>	 \$ 5,142,108

6) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2013, the School District had no estimated claims in conjunction with the program.

7) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes, and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2013.

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

8) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Ending</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Land	\$5,503,122	\$6,245	\$0	\$5,509,367
Buildings and Improvements	140,273,694	4,923,065	(55,974)	145,140,785
Equipment and Furniture	5,994,893	63,730	(171,018)	5,887,605
Vehicles	3,084,106	420,100	(174,504)	3,329,702
Totals at Historical Cost	<u>\$154,855,815</u>	<u>\$5,413,140</u>	<u>(\$401,496)</u>	<u>\$159,867,459</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(40,340,626)	(3,511,786)	55,974	(43,796,438)
Equipment and Furniture	(3,309,514)	(811,239)	170,204	(3,950,549)
Vehicles	(1,321,367)	(308,865)	168,016	(1,462,216)
Total Accumulated Depreciation	<u>(\$44,971,507)</u>	<u>(\$4,631,890)</u>	<u>\$394,194</u>	<u>(\$49,209,203)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$109,884,308</u>	<u>\$781,250</u>	<u>(\$7,302)</u>	<u>\$110,658,256</u>

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

Instruction	\$ 3,403,655
Support Services	<u>1,228,235</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 4,631,890</u>

9) GENERAL LONG-TERM DEBT

A) 1998 SCHOOL BUILDING AND SITE BONDS

On April 20, 1998, Dexter Community Schools issued School Building and Site Bonds, in the amount of \$69,600,000, with interest rates varying from 5.00% to 5.1% per annum. The balance of the bonds as of June 30, 2013 was \$31,500,000. Payments on this debt are recorded in the District's Debt Retirement Fund.

B) 2003 REFUNDING BONDS

On March 26, 2003, Dexter Community Schools issued School Building and Site Bonds, in the amount of \$30,210,000, with interest rates varying from 2.50% to 5.00% per annum. The bonds were paid in full with the proceeds from the 2012 refunding bonds. Payments on this debt are recorded in the District's Debt Retirement Fund.

C) DURANT RESOLUTION PACKAGE BONDS

Dexter Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$481,417 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The bonds were paid in full during the year. Payments on this debt are recorded in the District's Durant Debt Fund.

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

---

---

9) GENERAL LONG-TERM DEBT (Continued)

D) 2008 BUILDING AND SITE AND REFUNDING BONDS

On September 29, 2008, Dexter Community Schools issued \$59,780,000 in General Obligation – Unlimited Tax Bonds with interest rates varying from of 3.25% to 5% per annum. The balance of the bonds at June 30, 2013 was \$39,635,000. Payments on this debt are recorded in the District’s Debt Retirement Fund.

E) 2012 BUILDING AND SITE AND REFUNDING BONDS

On May 24, 2012, the District issued \$9,060,000 of General Obligation Refunding Bonds, Series 2012, with interest rates varying from 4.0% to 5.0% and annual maturities from May 2014 through May 2022. The District issued the bonds to refund \$11,450,000 of the outstanding 2003 Refunding Bond Issue which are due and payable May 1, 2014 through May 1, 2019, inclusive, with a variable interest rate of 2.5% to 5.0%. The balance at June 30, 2013 was \$9,060,000. Payments on this debt are recorded in the District’s Debt Retirement Fund.

On May 24, 2012, Dexter Community Schools issued \$6,610,000 in General Obligation – Unlimited Tax Bonds with interest rates varying from of 3.0% to 5.0% per annum. The bonds were issued for the purpose of remodeling and constructing additions to School District buildings, including energy conservation and security improvements; acquiring land and improving and developing sites, including playgrounds, playfields and outdoor athletic fields and facilities in the School District; furnishing refurbishing, equipping and reequipping School District buildings, including the acquisition of school buses; acquiring and installing technology equipment in School District buildings, including classroom technology and to pay a portion of the costs of issuing the Bonds. The balance of the bonds at June 30, 2013 was \$6,610,000. Payments on this debt are recorded in the District’s Debt Retirement Fund.

On September 20, 2012, the District issued \$19,290,000 of General Obligation Refunding Bonds, Series 2012 B, with an average interest rate of 3.53%. The bonds consist of serial bonds bearing variable fixed rates from 0.58% to 1.27% with annual maturities from May 2014 through May 2016. The District issued the bonds to partially refund the Michigan School Bond Loan Fund. The balance of the bonds at June 30, 2013 was \$14,465,000. Payments on this debt are recorded in the District’s Debt Retirement Fund.

These net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. The advanced refunding was done in order to reduce debt payments. The refunding decreased the District’s total debt service payments by \$7,401,980. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$6,871,632.

F) MICHIGAN SCHOOL BOND LOAN FUND

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements as they become due. The School is required to begin repaying the debt at the point where the School District's Taxable Value times its levy will be in excess of its interest and principal requirements. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of \$62,601 has been assessed for the year ended June 30, 2013, and is included in the amount owing the State at that date. The balance payable at June 30, 2013 was \$6,147,275. These bonds were partially refunded with the proceeds from the 2012 Series B Refunding Bonds.

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

9) GENERAL LONG-TERM DEBT (Continued)

G) Debt service requirements at June 30, 2013, were as follows:

YEAR ENDED JUNE 30,	BONDS	INTEREST	TOTAL
2014	\$10,610,000	\$4,265,135	\$14,875,135
2015	11,585,000	3,951,683	15,536,683
2016	11,640,000	3,565,233	15,205,233
2017	6,840,000	3,163,019	10,003,019
2018	7,120,000	2,858,482	9,978,482
2019-2023	29,100,000	9,783,419	38,883,419
2024-2028	24,375,000	3,560,625	27,935,625
<u>TOTAL</u>	<u>\$101,270,000</u>	<u>\$31,147,596</u>	<u>\$132,417,596</u>

H) CHANGES IN LONG-TERM LIABILITIES

	Balance Beginning	Additions	Deductions	Balance Ending	Amount Due in One Year
<u>Governmental Activities:</u>					
School Bond Loan Fund	\$18,923,552	\$6,328,140	\$19,104,417	\$6,147,275	\$0
Unamortized Premium	2,902,581	0	375,825	2,526,756	355,343
Building & Site Bonds	93,242,269	19,290,000	11,262,269	101,270,000	10,610,000
Compensated Absences	1,170,513	109,981	0	1,280,494	0
<u>Total Governmental Activities</u>	<u>\$116,238,915</u>	<u>\$25,728,121</u>	<u>\$30,742,511</u>	<u>\$111,224,525</u>	<u>\$10,965,343</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$4,426,074.

10) 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 \$2,306,066 in unearned revenue to offset the amounts passed to the District from various taxing authorities for excess capture of DDA and TIFA taxes. These amounts will be due back to the State upon final determination of the amounts due for each taxing authority. At the end of the current fiscal year, the various components of unearned revenue are as follows:

	Unavailable	Unearned	Total
Due from DDA/TIFA Current Year	\$84,222	\$0	\$84,222
Future State Aid Adjustment for Prior Year DDA/TIFA Captures	2,306,066	0	2,306,066
Fees and Prepaid Student Lunches	0	51,253	51,253
<u>TOTAL</u>	<u>\$2,390,288</u>	<u>\$51,253</u>	<u>\$2,441,541</u>

The District has also recognized \$43,779 as a prior period revenue adjustment for the receipt of overcaptures that were due from the DDA/TIFA.

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

11) COMMITTED FUND BALANCE

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

Athletic Facilities	\$100,000
Facilities	708,000
Health Insurance Claims	471,534
Instruction Equipment	1,191,644
New Programs	504,855
Retirement/Severance	850,000
Supply Carryover	155,978
Technology	<u>550,000</u>
<b><u>TOTAL</u></b>	<b><u><u>\$4,532,011</u></u></b>

12) INTERFUND ACTIVITY

Interfund balances at June 30, 2013, consisted of the following:

DUE FROM	
<b>DUE TO</b>	General <u>Fund</u>
	<u>\$120</u>

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

13) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013, consisted of the following:

<b>TRANSFERS TO</b>	TRANSFERS FROM		
	General <u>Fund</u>	Food <u>Service</u>	<u>Total</u>
General Fund	\$0	\$83,422	\$83,422
Community Service	<u>493,271</u>	<u>0</u>	<u>493,271</u>
<b><u>TOTAL</u></b>	<b><u><u>\$493,271</u></u></b>	<b><u><u>\$83,422</u></u></b>	<b><u><u>\$576,693</u></u></b>

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

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

---

---

14) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

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

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

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

**Benefit Provisions – Pension**

*Introduction*

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

*Pension Reform 2010*

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

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

---

---

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

*Pension Reform 2012*

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after December 1, 2012, subsequently amended to February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

Option 1 - members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic Plan members: 4% contribution
- MIP-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 - members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP- Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and Final Average Compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

---

---

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

*Pension Reform 2012* (Continued)

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus hybrid plan described above and a Defined Contribution (DC) plan that provides a 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period to elect to opt out of the Pension Plus hybrid plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus hybrid plan. If they elect to opt out of the Pension Plus hybrid plan, their participation in the DC plan will be retroactive to their date of hire.

**Funding Policy**

*Member Contributions*

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

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

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

*Employer Contributions*

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the period October 1 through September 30, the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPSERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. In addition, the District is required to match 50% up to 1% of the employees contribution in the Pension Plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS were equal to the required contribution for those years.

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

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

*Employer Contributions* (Continued)

Fiscal Year Ended June 30,	Contribution to MSPERS
2013	\$ 5,434,784
2012	4,910,992
2011	4,065,386

Included in the amounts paid above, the District received \$392,692 of section 147(c) State Aid for the sole purpose of making supplemental payments to MSPERS. The District has recorded this amount as state revenue and additional pension expenditures/expenses for the year ended June 30, 2013.

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

**Contribution Rates**

	Fiscal Year 2013						
	Effective February 1, 2013						
	Basic MIP	Pension Plus	Pension Plus PHF – First worked after 9/3/12	Pension Plus to DC with PHF First worked after 9/3/12	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP With PHF
<b>Public School Employees Pension Rates (FYE Sept 30<sup>th</sup>)</b>							
Pension Normal Cost	2.43%	2.24%	2.24%	0.00%	0.00%	0.00%	2.43%
Pension UAL	11.42%	11.42%	11.42%	11.42%	11.42%	11.42%	11.42%
Pension Early Retirement Incentive	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
<b>Pension Contributions – Total Rate</b>	<b>15.21%</b>	<b>15.02%</b>	<b>15.02%</b>	<b>12.78%</b>	<b>12.78%</b>	<b>12.78%</b>	<b>15.21%</b>
Health Normal Cost	.93%	.93%	0.00%	0.00%	.93%	0.00%	0.00%
Health UAL	8.18%	8.18%	8.18%	8.18%	8.18%	8.18%	8.18%
<b>Health Contributions – Total Rate</b>	<b>9.11%</b>	<b>9.11%</b>	<b>8.18%</b>	<b>8.18%</b>	<b>9.11%</b>	<b>8.18%</b>	<b>8.18%</b>
<b>Total</b>	<b>24.32%</b>	<b>24.13%</b>	<b>23.20%</b>	<b>20.96%</b>	<b>21.89%</b>	<b>20.96%</b>	<b>23.39%</b>
	<b>DC Contributions</b>						
DC Employer Contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%
<b>Total</b>	<b>0.00%</b>	<b>1.00%</b>	<b>3.00%</b>	<b>5.00%</b>	<b>4.00%</b>	<b>6.00%</b>	<b>2.00%</b>

	4 Months Ended January 31, 2013			
	First worked before 7/1/10	First worked between 6/30/10 and 9/3/12	Pension Plus and First worked after 9/3/12	Elected DC and First worked after 9/3/12
<b>Public School Employees Pension Rates (FYE Sept 30<sup>th</sup>)</b>				
Pension Normal Cost (Prefunded)	3.47%	2.24%	2.24%	0.00%
Pension Unfunded Accrued Liability	11.42%	11.42%	11.42%	11.42%
Early Retirement Incentive	1.36%	1.36%	1.36%	1.36%
<b>Pension Total Rate</b>	<b>16.25%</b>	<b>15.02%</b>	<b>15.02%</b>	<b>12.78%</b>
Retiree Health Care Contribution (Cash Basis)	.93%	.93%	0.00%	0.00%
Surcharge Due to Injunction	8.18%	8.18%	8.18%	8.18%
<b>Health Total Rate</b>	<b>9.11%</b>	<b>9.11%</b>	<b>8.18%</b>	<b>8.18%</b>
<b>Total</b>	<b>25.36%</b>	<b>24.13%</b>	<b>23.20%</b>	<b>20.96%</b>

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

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

**Contribution Rates** (Continued)

<b>Public School Employees Pension Rates (FYE Sept 30<sup>th</sup>)</b>	Fiscal Years 2012 and 2011					
	FY 2011-2012		11 Months Ended 9/30/11		1 Month Ended 10/31/10	
	First Worked before 7-1-10	First Worked after 6-30-10	First Worked before 7-1-10	First Worked after 6-30-10	First Worked before 7-1-10	First Worked after 6-30-10
Pension Normal Cost (Prefunded)	3.47%	2.24%	3.74%	2.24%	3.74%	2.24%
Pension Unfunded Accrued Liability	12.49%	12.49%	8.42%	8.42%	8.42%	8.42%
Early Retirement Incentive	0.00%	0.00%	N/A	N/A	N/A	N/A
<b>Pension Total Rate</b>	<b>15.96%</b>	<b>14.73%</b>	<b>12.16%</b>	<b>10.66%</b>	<b>12.16%</b>	<b>10.66%</b>
Retiree Health Care Contribution (Cash Basis)	5.50%	5.50%	5.50%	5.50%	7.25%	7.25%
Surcharge Due to Injunction	3.00%	3.00%	3.00%	3.00%	N/A	N/A
<b>Health Total Rate</b>	<b>8.50%</b>	<b>8.50%</b>	<b>8.50%</b>	<b>8.50%</b>	<b>7.25%</b>	<b>7.25%</b>
<b>Total</b>	<b>24.46%</b>	<b>23.23%</b>	<b>20.66%</b>	<b>19.16%</b>	<b>19.41%</b>	<b>17.91%</b>

**Benefit Provisions - Other Postemployment**

*Introduction*

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

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

*Retiree Healthcare Reform of 2012*

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

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

---

---

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

**Benefit Provisions - Other Postemployment** (Continued)

***Retiree Healthcare Reform of 2012*** (Continued)

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

Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare. Deferred or nonvested members on September 3, 2012 who are rehired on or after September 4, 2012, will contribute 3% contribution to retiree healthcare and will retain the subsidy benefit. Returning members who made the retirement healthcare election will retain whichever option they chose.

Those who elected to retain the premium subsidy continue to annually contribute 3% of compensation into the health care funding account. A member or former member age 60 or older, who made the 3% healthcare contributions but who does not meet eligibility requirements may request a refund of their contributions. Similarly, if a retiree dies before the total value of the insurance subsidy paid equals the total value of the contributions the member made, and there are no eligible dependents, the beneficiary may request a refund of unused funds. Refunds of member contributions to the healthcare funding account are issued as a supplemental benefit paid out over a 60 month period.

1. Retirees with at least 21 years of service, who terminate employment after October 31, 1980, with vested deferred benefits, are eligible for subsidized employer paid health benefit coverage.
2. A delayed subsidy applies to retirees who became a member of the retirement system before July 1, 2008 and who purchased service credit on or after July 1, 2008. Such individuals are eligible for premium subsidy benefits at age 60 or when they would have been eligible to retire without having made a service purchase, whichever comes first. They may enroll in the insurances earlier, but are responsible for the full premium until the premium subsidy begins.

Under Public Act 300 of 2012, the state no longer offers an insurance premium subsidy in retirement for public school employees who first work on or after September 4, 2012. Instead, all new employees will be placed into the Personal Healthcare Fund where they will have support saving for retirement healthcare costs in the following ways:

- \* They will be automatically enrolled in a 2% employee contribution into a 457 account as of their date of hire, earning them a 2% employer match into a 401 (k) account.
- \* They will receive a credit into a Health Reimbursement Account (HRA) at termination if they have at least 10 years of service at termination. The credit will be \$2,000 for participants who are at least 60 years of age at termination or \$1,000 for participants who are less than 60 years of age at termination.

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

---

---

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

**Benefit Provisions - Other Postemployment** (Continued)

*Retiree Healthcare Reform of 2012* (Continued)

Participants in the Personal Healthcare Fund, who become disabled for any reason, are not eligible for any employer funded health insurance premium subsidy. If a PHF participant suffers a non- duty related death, his or her health benefit dependents are not eligible to participate in any employer funded health insurance premium subsidy. If a PHF participant suffers a duty death, the state will pay the maximum health premium allowed by statute for the surviving spouse and health benefit dependents. The spouses' insurance subsidy may continue until his or her death, the dependents' subsidy may continue until their eligibility ends (through marriage, age, or other event). Upon eligibility for a duty death benefit, the 2% employer matching contributions and related earnings in the PHF 401(k) are forfeited and the state will pay for the subsidy payments. The beneficiaries receive the member's personal contributions and related earnings in the PHF 457 account.

*Other Information*

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

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

15) RISK MANAGEMENT

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

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

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

---

15) RISK MANAGEMENT (Continued)

**Self Insurance**

All District employees have an option to participate in the District's self-funded, comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions, and a separate bank account has been established with an ongoing \$25,000 balance to cover costs. The District has contracted with NGS CoreSource, a third-party administrator, to provide administrative services for this health care benefits program. As of June 30, 2013, the estimated liability for incurred but not reported claims was approximately \$471,534.

16) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2013, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. 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, to be immaterial.

17) GOVERNMENTAL REGULATION

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

18) SUBSEQUENT EVENTS

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

19) NEW ACCOUNTING STANDARDS

For the year end June 30, 2013 the District implemented the following new pronouncements: GASB Statement 62 - Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

Summary:

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure

GASB Statements 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and 65 Items previously reported as Assets and Liabilities.

DEXTER COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

---

---

19) NEW ACCOUNTING STANDARDS (Continued)

Summary:

These Statements provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis -for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement 65 also states that bond issuance costs should be expensed in the year which they are incurred. As a result, the remaining unamortized bond issuance costs were written off as of July 1, 2012. The restatement of the beginning of the year net position is as follows:

Net Position as Previously Stated July 1, 2012	\$ 16,408,327
Adoption of GASB Statement 65	<u>(191,550)</u>
<u>NET POSITION AS RESTATED JULY 1, 2012</u>	<u>\$ 16,216,777</u>

20) UPCOMING ACCOUNTING PRONOUNCEMENT

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

REQUIRED SUPPLEMENTARY  
INFORMATION

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$4,349,387	\$4,259,496	\$4,115,212	(\$144,284)
State Sources	25,167,133	25,323,093	25,371,534	48,441
Federal Sources	744,932	793,287	813,202	19,915
Total Revenues	<u>\$30,261,452</u>	<u>\$30,375,876</u>	<u>\$30,299,948</u>	<u>(\$75,928)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	20,678,723	21,172,803	20,828,822	343,981
Student Services	3,676,700	3,605,799	3,500,544	105,255
Instructional Support	1,820,037	1,773,384	1,676,866	96,518
General Administration	572,338	525,341	480,014	45,327
School Administration	2,092,223	2,078,960	2,049,229	29,731
Business Administration	481,906	481,705	460,658	21,047
Operation & Maintenance of Plant	3,175,029	3,142,938	3,057,027	85,911
Transportation	1,616,970	1,713,834	1,634,322	79,512
Other Support Services	69,053	69,897	69,867	30
Community Services	15,475	2,554	300	2,254
Total Expenditures	<u>\$34,198,454</u>	<u>\$34,567,215</u>	<u>\$33,757,649</u>	<u>\$809,566</u>
Excess of Revenues Over Expenditures	(\$3,937,002)	(\$4,191,339)	(\$3,457,701)	\$733,638
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	<u>2,929,192</u>	<u>2,127,280</u>	<u>2,110,927</u>	<u>(16,353)</u>
<u>FUND BALANCE - BEGINNING</u>			<u>7,920,217</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$6,573,443</u>	

ADDITIONAL SUPPLEMENTARY  
INFORMATION

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2013

	<u>Special Revenue Funds</u>	<u>Durant Debt Service Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$379,878	\$0	\$379,878
Accounts Receivable	8,551	0	8,551
Due from Other Governmental Units	28,890	0	28,890
Inventory	22,497	0	22,497
<b><u>TOTAL ASSETS</u></b>	<b><u>\$439,816</u></b>	<b><u>\$0</u></b>	<b><u>\$439,816</u></b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$4,904	\$0	\$4,904
Due to Other Funds	120	0	120
Unearned Revenue	51,253	0	51,253
Total Liabilities	\$56,277	\$0	\$56,277
<b><u>FUND BALANCES</u></b>			
Non-Spendable			
Inventory	22,497	0	22,497
Restricted			
Food Service	286,163	0	286,163
Assigned			
Community Service	74,879	0	74,879
Total Fund Balances	\$383,539	\$0	\$383,539
<b><u>TOTAL FUND BALANCES</u></b>	<b><u>\$439,816</u></b>	<b><u>\$0</u></b>	<b><u>\$439,816</u></b>

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds	Durant Debt Service Fund	Total Non-Major Governmental Funds
<u>REVENUES</u>			
Local Sources	\$2,477,979	\$0	\$2,477,979
State Sources	102,802	33,804	136,606
Federal Sources	321,377	0	321,377
Total Revenues	<u>\$2,902,158</u>	<u>\$33,804</u>	<u>\$2,935,962</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from Other Governmental Units	130,822	0	130,822
Transfer from (to) Other Funds	409,849	0	409,849
Total Other Financing Sources	<u>\$540,671</u>	<u>\$0</u>	<u>\$540,671</u>
Total Revenues & Other Financing Sources	<u>\$3,442,829</u>	<u>\$33,804</u>	<u>\$3,476,633</u>
<u>EXPENDITURES</u>			
Special Revenue	3,443,356	0	3,443,356
Debt Service			
Principal	0	32,268	32,268
Interest	0	1,536	1,536
Total Expenditures	<u>\$3,443,356</u>	<u>\$33,804</u>	<u>\$3,477,160</u>
Net Change in Fund Balance	(\$527)	\$0	(\$527)
<u>FUND BALANCE - BEGINNING</u>	<u>384,066</u>	<u>0</u>	<u>384,066</u>
<u>FUND BALANCE - ENDING</u>	<u>\$383,539</u>	<u>\$0</u>	<u>\$383,539</u>

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUND  
AS OF JUNE 30, 2013

	<u>Food Services Fund</u>	<u>Community Service Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$293,111	\$86,767	\$379,878
Accounts Receivable	640	7,911	8,551
Due from Other Governmental Units	28,890	0	28,890
Inventory	22,497	0	22,497
<b><u>TOTAL ASSETS</u></b>	<b><u>\$345,138</u></b>	<b><u>\$94,678</u></b>	<b><u>\$439,816</u></b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$978	\$3,926	\$4,904
Due to Other Funds	120	0	120
Unearned Revenue	35,380	15,873	51,253
Total Liabilities	\$36,478	\$19,799	\$56,277
<b><u>FUND BALANCES</u></b>			
Non-Spendable			
Inventory	22,497	0	22,497
Restricted			
Food Service	286,163	0	286,163
Assigned			
Community Service	0	74,879	74,879
Total Fund Balance	\$308,660	\$74,879	\$383,539
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$345,138</u></b>	<b><u>\$94,678</u></b>	<b><u>\$439,816</u></b>

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Food Services Fund	Community Service Fund	Total
<b><u>REVENUES</u></b>			
<b><u>Local Sources</u></b>			
Cafeteria Sales	\$1,089,595	\$0	\$1,089,595
Athletic Activities	0	409,935	409,935
Community Education	0	827,525	827,525
Earnings on Investments and Deposits	178	41	219
Other Local Revenues	542	150,163	150,705
Total Local Sources	<u>\$1,090,315</u>	<u>\$1,387,664</u>	<u>\$2,477,979</u>
<b><u>State Sources</u></b>			
State Reimbursements	68,042	34,760	102,802
<b><u>Federal Sources</u></b>			
Early On	0	0	0
Federal Reimbursements	205,955	0	205,955
Commodities	115,422	0	115,422
Total Federal Sources	<u>\$321,377</u>	<u>\$0</u>	<u>\$321,377</u>
Total Revenues	<u>\$1,479,734</u>	<u>\$1,422,424</u>	<u>\$2,902,158</u>
<b><u>OTHER FINANCING SOURCES</u></b>			
Transfers from Other Governmental Unit	117,900	12,922	130,822
Transfers from General Fund	0	493,271	493,271
Total Other Financing Sources	<u>\$117,900</u>	<u>\$506,193</u>	<u>\$624,093</u>
Total Revenues & Other Financing Sources	<u>\$1,597,634</u>	<u>\$1,928,617</u>	<u>\$3,526,251</u>
<b><u>EXPENDITURES</u></b>			
Salaries - Professional	121,022	357,296	478,318
Salaries - Non-Professional	407,039	406,661	813,700
Insurances	79,126	113,312	192,438
Fica, Retirement, Etc.	170,208	231,315	401,523
Other Benefits	266	0	266
Purchased Services	30,965	583,802	614,767
Supplies and Materials	674,525	250,565	925,090
Capital Outlay	6,892	0	6,892
Other	6,378	3,984	10,362
Total Expenditures	<u>\$1,496,421</u>	<u>\$1,946,935</u>	<u>\$3,443,356</u>
<b><u>OTHER FINANCING USES</u></b>			
Transfers to Other Funds	83,422	0	83,422
Total Expenditures and Other Financing Uses	<u>\$1,579,843</u>	<u>\$1,946,935</u>	<u>\$3,526,778</u>
<b><u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u></b>			
	\$17,791	(\$18,318)	(\$527)
<b><u>FUND BALANCE - BEGINNING OF YEAR</u></b>			
	<u>290,869</u>	<u>93,197</u>	<u>384,066</u>
<b><u>FUND BALANCE - END OF YEAR</u></b>			
	<u>\$308,660</u>	<u>\$74,879</u>	<u>\$383,539</u>

INDIVIDUAL FUND SCHEDULES OF  
REVENUES, EXPENDITURES AND  
OTHER FINANCING USES

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
FOR THE YEAR ENDED JUNE 30, 2013

REVENUES FROMLocal Sources

Property Taxes	\$3,854,297
Earnings on Investments and Deposits	7,658
Tuition	38,053
Transportation	115,237
Rentals	33,197
Other Local Revenues	66,770
Total Revenues from Local Sources	<u>\$4,115,212</u>

State Sources

State Aid - Membership - Sec. 20	22,607,398
At Risk	148,939
Special Education	1,718,732
Other State Grants	2,100
Durant	894,365
Total Revenues from State Sources	<u>\$25,371,534</u>

Federal Sources

Title I	94,450
Improving Teacher Quality	61,334
Special Ed	636,199
Grants from ISD	21,219
Total Revenues from Federal Sources	<u>\$813,202</u>
Total Revenues	<u>\$30,299,948</u>

OTHER FINANCING SOURCES

County Special Education Tax	2,276,704
Transfers from Other Funds	83,422
Sale of Fixed Assets	25,443
Prior Period Adjustments	43,779
Transfers from Other Governmental Units	174,850
Total Other Financing Sources	<u>\$2,604,198</u>

TOTAL REVENUES AND OTHER  
FINANCING SOURCES

\$32,904,146

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2013

INSTRUCTION

BASIC PROGRAMS

Elementary

Salaries - Professional	\$5,416,847
Salaries - Non-Professional	62,276
Insurances	1,029,744
Fica, Retirement, Etc.	1,744,983
Purchased Services	240,544
Supplies and Materials	340,851
Capital Outlay	2,012
Other	28,835
Total Elementary	\$8,866,092

Middle/Junior High

Salaries - Professional	1,640,796
Salaries - Non-Professional	39,295
Insurances	327,665
Fica, Retirement, Etc.	534,180
Purchased Services	36,364
Supplies and Materials	47,515
Other	2,040
Total Middle/Junior High	\$2,627,855

High School

Salaries - Professional	3,503,569
Salaries - Non-Professional	133,113
Insurances	658,323
Fica, Retirement, Etc.	1,419,666
Purchased Services	102,394
Supplies and Materials	255,872
Other	111,505
Total High School	\$6,184,442

Total Basic Programs

\$17,678,389

ADDED NEEDS

SPECIAL EDUCATION

Salaries - Professional	903,705
Salaries - Non-Professional	615,346
Insurances	231,534
Fica, Retirement, Etc.	533,750
Other Benefits	183
Purchased Services	97,257
Supplies and Materials	18,006
Other	180,682
Total Special Education	\$2,580,463

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2013

INSTRUCTION (Continued)

COMPENSATORY EDUCATION

Salaries - Professional	\$166,872
Insurances	17,367
Fica, Retirement, Etc.	52,588
Total Compensatory Education	\$236,827

VOCATIONAL EDUCATION

Salaries - Professional	103,832
Insurances	15,675
Fica, Retirement, Etc.	33,191
Other	180,445
Total Vocational Education	\$333,143

Total Added Needs	\$3,150,433
-------------------	-------------

<u>Total Instruction</u>	\$20,828,822
--------------------------	--------------

SUPPORT SERVICES

STUDENT SERVICES

Salaries - Professional	2,217,010
Salaries - Non-Professional	27,130
Insurances	395,059
Fica, Retirement, Etc.	773,609
Purchased Services	71,851
Supplies and Materials	15,885
Total Student Services	\$3,500,544

INSTRUCTIONAL STAFF

Salaries - Professional	810,406
Salaries - Non-Professional	118,120
Insurances	196,131
Fica, Retirement, Etc.	295,428
Purchased Services	191,830
Supplies and Materials	53,671
Capital Outlay	11,055
Other	225
Total Instructional Staff	\$1,676,866

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2013

---

---

SUPPORT SERVICES (Continued)

GENERAL ADMINISTRATION

Salaries - Professional	\$193,100
Salaries - Non-Professional	63,722
Insurances	40,850
Fica, Retirement, Etc.	69,586
Purchased Services	100,180
Supplies and Materials	4,093
Other	8,483
Total General Administration	<u>\$480,014</u>

SCHOOL ADMINISTRATION

Salaries - Professional	836,650
Salaries - Non-Professional	417,478
Insurances	320,172
Fica, Retirement, Etc.	418,727
Purchased Services	35,581
Supplies and Materials	13,978
Other	6,643
Total School Administration	<u>\$2,049,229</u>

BUSINESS ADMINISTRATION

Salaries - Professional	246,227
Salaries - Non-Professional	10,209
Insurances	75,325
Fica, Retirement, Etc.	88,749
Purchased Services	23,204
Supplies and Materials	4,146
Other	12,798
Total Business Administration	<u>\$460,658</u>

OPERATION AND MAINTENANCE OF PLANT

Salaries - Professional	59,000
Salaries - Non-Professional	889,655
Insurances	297,295
Fica, Retirement, Etc.	305,607
Other Benefits	1,015
Purchased Services	606,222
Supplies and Materials	894,517
Capital Outlay	3,716
Total Operation and Maintenance of Plant	<u>\$3,057,027</u>

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2013

---

---

SUPPORT SERVICES (Continued)

TRANSPORTATION

Salaries - Professional	\$52,000
Salaries - Non-Professional	747,756
Insurances	257,131
Fica, Retirement, Etc.	273,577
Other Benefits	7,731
Purchased Services	72,684
Supplies and Materials	220,058
Other	3,385
Total Transportation	<u>\$1,634,322</u>

OTHER SUPPORT SERVICES

Salaries - Non-Professional	40,573
Insurances	11,907
Fica, Retirement, Etc.	13,112
Purchased Services	2,407
Supplies and Materials	1,868
Total Transportation	<u>\$69,867</u>

Total Support Services \$12,928,527

COMMUNITY SERVICES

Purchased Services	<u>300</u>
--------------------	------------

Total Expenditures \$33,757,649

OTHER FINANCING USES

Transfers to Other Funds	<u>493,271</u>
--------------------------	----------------

TOTAL EXPENDITURES AND OTHER FINANCING USES \$34,250,920

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

DATE OF ISSUE - April 20, 1998

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

1998 SCHOOL BUILDING AND SITE BONDS

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2013-2014			\$796,687	\$796,688	\$1,593,375
2014-2015			796,688	796,687	1,593,375
2015-2016			796,687	796,688	1,593,375
2016-2017	5.10%	2,625,000	796,688	796,687	4,218,375
2017-2018	5.10%	2,625,000	729,750	729,750	4,084,500
2018-2019	5.00%	2,625,000	662,813	662,812	3,950,625
2019-2020	5.00%	2,625,000	597,187	597,188	3,819,375
2020-2021	5.00%	2,625,000	531,562	531,563	3,688,125
2021-2022	5.00%	2,625,000	465,937	465,938	3,556,875
2022-2023	5.00%	2,625,000	400,313	400,312	3,425,625
2023-2024	5.10%	2,625,000	334,687	334,688	3,294,375
2024-2025	5.10%	2,625,000	267,750	267,750	3,160,500
2025-2026	5.10%	2,625,000	200,813	200,812	3,026,625
2026-2027	5.10%	2,625,000	133,875	133,875	2,892,750
2027-2028	5.10%	2,625,000	66,938	66,937	2,758,875
<b><u>TOTAL</u></b>		<b><u>\$31,500,000</u></b>	<b><u>\$7,578,375</u></b>	<b><u>\$7,578,375</u></b>	<b><u>\$46,656,750</u></b>

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

DATE OF ISSUE - September 29, 2008

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

2008 BUILDING & SITE & REFUNDING BONDS

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2013-2014	5.00%	\$4,490,000	\$931,272	\$931,272	\$6,352,544
2014-2015	5.00%	4,480,000	819,022	819,022	6,118,044
2015-2016	5.00%	4,470,000	707,022	707,022	5,884,044
2016-2017	5.00%	2,050,000	595,272	595,272	3,240,544
2017-2018	5.00%	2,050,000	553,241	553,241	3,156,482
2018-2019	5.00%	2,050,000	501,991	501,990	3,053,981
2019-2020	5.00%	2,050,000	450,741	450,741	2,951,482
2020-2021	5.00%	2,245,000	406,928	406,928	3,058,856
2021-2022	4.25%	2,250,000	360,000	360,000	2,970,000
2022-2023	4.25%	2,250,000	312,187	312,188	2,874,375
2023-2024	5.00%	2,250,000	264,375	264,375	2,778,750
2024-2025	5.00%	2,250,000	208,125	208,125	2,666,250
2025-2026	4.50%	2,250,000	151,875	151,875	2,553,750
2026-2027	4.50%	2,250,000	101,250	101,250	2,452,500
2027-2028	4.50%	2,250,000	50,625	50,625	2,351,250
<b><u>TOTAL</u></b>		<b><u>\$39,635,000</u></b>	<b><u>\$6,413,926</u></b>	<b><u>\$6,413,926</u></b>	<b><u>\$52,462,852</u></b>

DATE OF ISSUE - May 24, 2012

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

2012 BUILDING & SITE BONDS

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2013-2014	4.00%	\$600,000	\$132,950	\$132,950	\$865,900
2014-2015	5.00%	600,000	120,950	120,950	841,900
2015-2016	5.00%	600,000	105,950	105,950	811,900
2016-2017	4.00%	600,000	90,950	90,950	781,900
2017-2018	4.00%	600,000	78,950	78,950	757,900
2018-2019	4.00%	750,000	66,950	66,950	883,900
2019-2020	4.00%	885,000	51,950	51,950	988,900
2020-2021	3.00%	1,050,000	34,250	34,250	1,118,500
2021-2022	4.00%	925,000	18,500	18,500	962,000
<b><u>TOTAL</u></b>		<b><u>\$6,610,000</u></b>	<b><u>\$701,400</u></b>	<b><u>\$701,400</u></b>	<b><u>\$8,012,800</u></b>

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

DATE OF ISSUE - May 24, 2012

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

2012 REFUNDING BONDS

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2013-2014	4.00%	\$695,000	\$198,375	\$198,375	\$1,091,750
2014-2015	5.00%	1,685,000	184,475	184,475	2,053,950
2015-2016	5.00%	1,750,000	142,350	142,350	2,034,700
2016-2017	4.00%	1,565,000	98,600	98,600	1,762,200
2017-2018	4.00%	1,845,000	67,300	67,300	1,979,600
2018-2019	4.00%	1,520,000	30,400	30,400	1,580,800
<b><u>TOTAL</u></b>		<b><u>\$9,060,000</u></b>	<b><u>\$721,500</u></b>	<b><u>\$721,500</u></b>	<b><u>\$10,503,000</u></b>

DATE OF ISSUE - September 20, 2012

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

2012 REFUNDING BONDS - SERIES B

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2013-2014	0.77%	\$4,825,000	\$73,283	\$73,283	\$4,971,566
2014-2015	1.00%	4,820,000	54,707	54,707	4,929,414
2015-2016	1.27%	4,820,000	30,607	30,607	4,881,214
<b><u>TOTAL</u></b>		<b><u>\$14,465,000</u></b>	<b><u>\$158,597</u></b>	<b><u>\$158,597</u></b>	<b><u>\$14,782,194</u></b>

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Improving Basic Programs	84.010		
Title I (11-12)		121530-1112	\$95,011
Title I (12-13)		131530-1213	94,450
Total Improving Basic Programs			<u>\$189,461</u>
Teacher/Principal Training & Recruiting	84.367		
Title IIA (12-13)		130520-1213	61,334
Total Passed Through Michigan Department of Education			<u>\$250,795</u>
Passed Through Washtenaw County ISD			
Special Education - Grants to States			
IDEA (11-12)	84.027A	120450-1112	589,447
IDEA (12-13)	84.027A	130450-1213	636,199
Special Education Preschool (12-13)	84.173A	120460-1112	18,761
Total Special Education Cluster			<u>\$1,244,407</u>
Passed Through Monroe ISD			
Title III - Limited English Proficiency (12-13)	84.365A	Unknown	2,458
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$1,497,660</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
School Breakfast Program	10.553	N/A	24,615
National School Lunch Program	10.555	N/A	181,056
National School Lunch Program - Entitlement Commodities		N/A	114,902
National School Lunch Program - Bonus Commodities		N/A	520
Total National School Lunch Program			<u>\$296,478</u>
Special Milk Program for Children	10.556	N/A	284
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE (NUTRITION CLUSTER)</u>			<u>\$321,377</u>
<u>TOTAL FEDERAL AWARDS</u>			<u>\$1,819,037</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2012	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2013
\$4,596	\$95,011	\$0	\$0	\$4,596	\$0
0	0	94,450	0	94,450	0
\$4,596	\$95,011	\$94,450	\$0	\$99,046	\$0
0	0	61,334	0	61,334	0
\$4,596	\$95,011	\$155,784	\$0	\$160,380	\$0
105,092	589,447	0	0	105,092	0
0	0	636,199	0	558,450	77,749
0	0	18,761	0	18,761	0
\$105,092	\$589,447	\$654,960	\$0	\$682,303	\$77,749
0	0	2,458	0	2,458	0
\$109,688	\$684,458	\$813,202	\$0	\$845,141	\$77,749
0	0	24,615	0	24,615	0
0	0	181,056	0	181,056	0
0	0	114,902	0	114,902	0
0	0	520	0	520	0
\$0	\$0	\$296,478	\$0	\$296,478	\$0
0	0	284	0	284	0
\$0	\$0	\$321,377	\$0	\$321,377	\$0
\$109,688	\$684,458	\$1,134,579	\$0	\$1,166,518	\$77,749

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

<u>FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE</u>	
<u>OF EXPENDITURES OF FEDERAL AWARDS</u>	<u>\$1,134,579</u>
<u>FEDERAL REVENUE RECOGNIZED PER THE GENERAL</u>	
<u>PURPOSE FINANCIAL STATEMENTS</u>	
General Fund	\$813,202
Special Revenue Funds	<u>321,377</u>
<u>TOTAL</u>	<u>\$1,134,579</u>

- 1) Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activity of Dexter Community Schools for the year ended June 30, 2013.

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

- 2) Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.
- 3) The Special Education Cluster program (84.027/84.173) was audited as a major program and represents 57% of expenditures. The District qualified for low risk auditee status.
- 4) The threshold for distinguishing Type A and Type B programs was \$300,000.
- 5) Management has utilized the Grants Auditors Report in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Grant Auditors Report have been reconciled in the attached reconciliation on page 43 of this report.

DEXTER COMMUNITY SCHOOLS - DEXTER, MICHIGAN  
RECONCILIATION OF "GRANT AUDITOR'S REPORT"  
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

---

Current Payments Per the Grant Auditor's Report		
Cash Management System		\$366,335
<u>Add:</u> Passed Through Washtenaw County ISD		
Special Education - State Grants (CFDA 84.027A)	\$663,542	
Special Education - Preschool (CFDA 84.173A)	18,761	
Total Passed Through Washtenaw County ISD	682,303	
Passed Through Monroe ISD		
Title III - Limited English Proficiency (CFDA 84.365A)		2,458
Entitlement and Bonus Commodities		115,422
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>		\$1,166,518



November 4, 2013

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

To the Board of Education of  
Dexter Community Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dexter Community Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Dexter Community Schools' basic financial statements, and have issued our report thereon dated November 4, 2013.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 Dexter Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Dexter Community Schools  
Page 2  
November 4, 2013

**Purpose of this Report**

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



LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



November 4, 2013

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

To the Board of Education of  
Dexter Community Schools

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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

**Report on Internal Control Over Compliance**

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

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

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

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



LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



DEXTER COMMUNITY SCHOOLS – DEXTER, MICHIGAN  
SUMMARY OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

---

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

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major programs: Unmodified

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee?  Yes  No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no findings for the current year.

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

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



November 4, 2013

To the Board of Education of  
Dexter Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dexter Community Schools for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 4, 2013. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Dexter Community Schools are described in Note 1 to the financial statements. The District implemented three new accounting pronouncements in the current fiscal year:

- GASB Statement 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- GASB Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and
- GASB Statement 65 – *Items Previously Reported as Assets and Liabilities*

The application of existing policies was not changed during the fiscal year 2013. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

##### *Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

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

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 4, 2013.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

Other Matters

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

Dexter Community Schools  
Page 3  
November 4, 2013

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

Very truly yours,



LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



Lewis  
& Knopf  
CPAs, PC