
School District of the City of Dearborn, Michigan

(includes P-12 and Henry Ford College)

Financial Report
with Supplemental Information
June 30, 2020

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Independent Auditor's Report

To the Board of Education
School District of the City of Dearborn, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, the aggregate remaining fund information, and the discretely presented component unit of the School District of the City of Dearborn, Michigan (the "School District") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the School District of the City of Dearborn, Michigan'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. The Henry Ford College Foundation was not audited under *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, the aggregate remaining fund information, and the discretely presented component unit of the School District of the City of Dearborn, Michigan as of June 30, 2020 and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 17 to the financial statements, the COVID-19 pandemic has impacted the operations of the School District. Our opinion is not modified with respect to this matter.

To the Board of Education
School District of the City of Dearborn, Michigan

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental 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, which 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 supplemental 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 an opinion on the financial statements that collectively comprise the School District of the City of Dearborn, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020 on our consideration of the School District of the City of Dearborn, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District of the City of Dearborn, Michigan's internal control over financial reporting and compliance.



October 30, 2020

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*

Independent Auditor's Report

To Management and the Board of Education
School District of the City of Dearborn, Michigan

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the major fund, the aggregate remaining fund information, and the discretely presented component unit of School District of the City of Dearborn, Michigan (the "School District") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 30, 2020. The financial statements of Henry Ford College Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

To Management and the Board of Education
School District of the City of Dearborn, Michigan

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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 30, 2020

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the School District of the City of Dearborn, Michigan (the "School District") as of and for the year ended June 30, 2020. The School District is identified as a P-12 school district located in Wayne County, Michigan. The P-12 component reflects the preschool, elementary, and secondary components of the School District. Henry Ford College (the "College") represents the post-secondary education component of the School District. Henry Ford College Foundation (the "Foundation") is reported within the component unit column in the financial statements as a legally separate entity from the School District.

This section of the School District's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2020. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The government-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 fund financial statements provide the next level of detail. 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 look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds. The P-12 activities are classified as governmental funds and include the following for the P-12: the General Fund, with all other funds presented in one column as nonmajor funds. The College's activities are reflected in the proprietary funds of the School District's fund financial statements and include all funds of the College. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the P-12 acts solely as an agent for the benefit of students and parents. This report is comprised of the following elements:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for Major Funds

Schedules of Proportionate Share of the Net Pension and OPEB Liabilities

Schedules of the School District's Pension and OPEB Plan Contributions

Other Supplemental Information

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition 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 on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental, business-type, and component unit activities for the School District. The governmental activities encompass all of the P-12's services, including instruction, support services, adult and community education, athletics, center programs, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities. The business-type activities encompass all of the College's activities, including instruction, support services, and auxiliary activities. Property taxes, unrestricted state appropriations, tuition and fees, and federal and state grants finance most college activities. Component unit activities include the activities of Henry Ford College Foundation.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Cafeteria and Adult Education Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the P-12's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the P-12 and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the P-12's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

The proprietary funds of the School District include only the activities of the College and use the following accounting approach:

Proprietary funds - All college services are reported in proprietary funds. Proprietary funds are accounted for using an economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned and expenses are recorded when an obligation has been incurred.

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District has certain fiduciary responsibility for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Discussion of the P-12 and college activities follows.

Dearborn Public Schools (P-12) as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the P-12's net position as of June 30, 2019 and 2020, which is reported as governmental activities of the School District:

TABLE 1	Governmental Activities	
	June 30	
	2019	2020
	(in millions)	
Assets		
Current and other assets	\$ 75.1	\$ 85.6
Restricted assets	8.6	10.4
Capital assets	<u>259.0</u>	<u>253.7</u>
Total assets	342.7	349.7
Deferred Outflows of Resources	<u>171.4</u>	<u>174.8</u>
Total assets and deferred outflows of resources	514.1	524.5
Liabilities		
Current liabilities	37.8	42.0
Noncurrent liabilities	114.4	101.2
Net pension liability	444.0	493.6
Net OPEB liability	<u>118.6</u>	<u>107.3</u>
Total liabilities	714.8	744.1
Deferred Inflows of Resources	<u>77.9</u>	<u>76.7</u>
Total liabilities and deferred inflows of resources	792.7	820.8
Net Position		
Net investment in capital assets	145.9	153.3
Restricted	7.0	11.7
Unrestricted	<u>(431.5)</u>	<u>(461.3)</u>
Total net position	<u><u>\$ (278.6)</u></u>	<u><u>\$ (296.3)</u></u>

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The P-12's net position was \$(296.3) million at June 30, 2020. Capital assets, net of related debt totaling \$153.3 million, compares the original cost, less depreciation of the P-12's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the P-12's ability to use those net position for day-to-day operations. The remaining amount of net position, \$(461.3) million, was unrestricted.

The \$(461.3) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the P-12 to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. The negative unrestricted net position balance is attributed to the net pension and OPEB liabilities arising from the underfunded MPERS obligations.

The results of this year's operations for the P-12 as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal years 2019 and 2020.

TABLE 2

	Governmental Activities	
	2019	2020
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 2.4	\$ 2.0
Operating grants and contributions	89.2	95.6
General revenue:		
Property taxes	58.0	59.5
State foundation allowance	140.9	137.9
Other	2.5	2.1
Total revenue	<u>293.0</u>	<u>297.1</u>
Functions/Program Expenses		
Instruction	168.4	179.6
Support services	99.0	102.7
Athletics	2.6	2.6
Food services	9.0	13.4
Community services	2.1	2.0
Interest on long-term debt	4.9	4.2
Depreciation (unallocated)	9.9	10.3
Total functions/program expenses	<u>295.9</u>	<u>314.8</u>
Change in Net Position	(2.9)	(17.7)
Net Position - Beginning of year	<u>(275.7)</u>	<u>(278.6)</u>
Net Position - End of year	<u><u>\$ (278.6)</u></u>	<u><u>\$ (296.3)</u></u>

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis

As reported in the statement of activities, the cost of all of our governmental activities this year was \$314.8 million. Certain activities were partially funded from those who benefited from the programs (\$2.0 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$95.6 million). We paid for the remaining "public benefit" portion of our governmental activities with \$59.5 million in taxes, \$137.9 million in state foundation allowance, and with our other revenue (i.e., interest and general entitlements).

The P-12 experienced a decrease in net position of \$17.7 million. Key reasons for the change in net position are due to the following:

- Lower state revenue from the decreased student count, staffing accommodations were to be accounted for in the subsequent year.
- State revenue increase due to an adjustment in taxes refunded from recapture for site remediation through industrial facility tax exemption
- Unrestricted county-wide enhancement programs in the current year implemented more programs than the subsequent school year.
- Additional compensation, wages and MPSERS retirement costs based upon prior year wage compensation due to increase in union contracts for wages and MPSERS rate increases.
- District implemented the Community Eligibility Provision through the National School Lunch Program under federal law and moved to free lunch and breakfast program for all schools and capital re-investment program in equipment.

As discussed above, the net cost shows the financial burden that was placed on the State and the P-12's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the P-12 and balance those needs with state-prescribed available unrestricted resources.

The P-12's Funds

As we noted earlier, the P-12 uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the P-12 is being accountable for the resources taxpayers and others provide to it and may provide more insight into the P-12's overall financial health.

As the P-12 completed this year, the governmental funds reported a combined fund balance of \$54.7 million, which is an increase of \$8.0 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased by \$2.6 million. The increase was primarily due to reduction in operational support expenses due to the closure of the district due to the pandemic in the fourth quarter, lower utility costs, refunded prior year Industrial facility tax recaptures on tax collections, enhancement millage revenue, more favorable state revenue and capital projects delayed to after the new year and a large \$3 million emergency communication system program delayed due to the pandemic closure

General Fund fund balance is available to fund costs related to allowable school operating purposes.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted just before year end. A schedule showing the School District's original and final budget amounts compared with

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis

amounts actually paid and received is provided in required supplemental information of these financial statements.

During the course of the 2019-2020 school year, General Fund budgeted revenue were decreased from the original budget by \$10.1 million. The revenue from State sources adopted in the final amendment included an adjustment for a potential \$650 per pupil cut in funding based on revenue estimates in a memo published by the Senate Fiscal Agency on May 19, 2020. On July 22, 2020, the Senate Fiscal Agency published another memo that indicated the actual cut to K-12 schools would be \$175 per pupil for the 2019-20 school year. That change resulted in an additional \$9.8 million of revenue from State sources above what was listed in the final amended budget. In total, actual revenue came in favorably by \$10.2 million over the final amended budget.

Budgeted expenditures were decreased \$1.6 million to account for the changes in salaries, staffing levels and purchased professional services resulting from the School District's revised operating plan due to the fluctuations in revenue.

Actual expenditures were significantly lower (\$6.2 million) than the final budget amount. This is due to support operational programs (transportation costs, utilities, supplies), \$3 million emergency communication capital plan, Workers Compensation, security oversight, diesel/gas expenses, support staff overtime and instructional program expenses (after school programs, instructional extra pay assignments, and instructional supplies for both support and instructional expenses that the District closed for the last quarter of the school year due to the mandatory closures of all schools by the State of Michigan due to the pandemic spread in Michigan.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2020, the P-12 had \$253.7 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$5.3 million from last year.

	2019	2020
Land	\$ 11,423,864	\$ 11,624,315
Construction in progress	5,217,969	1,098,428
Buildings and building improvements	307,944,950	313,762,582
Land improvement	23,144,839	24,970,055
Buses and other vehicles	10,349,347	10,818,401
Furniture and equipment	42,732,415	43,490,731
Total capital assets	400,813,384	405,764,512
Less accumulated depreciation	<u>(141,805,103)</u>	<u>(152,103,542)</u>
Net capital assets	<u>\$ 259,008,281</u>	<u>\$ 253,660,970</u>

This year's additions of \$5.0 million included buildings, building renovations, land improvements, buses, vehicles, technology, and building renovations. No debt was issued for these additions.

A technology phone replacement program was planned and completed for the 2018-2019 fiscal year to comply with the new 911 law going into effect and will be part of a long-term plan to update security in the buildings. In addition, the athletic field at Fordson High school was replaced and a school addition at Dearborn High School was completed for the start of the second semester in January 2019. We anticipate

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis

additional security upgrades in the capital additions will be comparable to the 2019-2020 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the P-12 had \$95.0 million in general obligation bonds outstanding (excluding related discounts, premiums, and issuance costs) versus \$106.7 million in the previous year.

The School District's general obligation bond rating is A+. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," (i.e., debt backed by the State of Michigan), such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is below this statutorily imposed limit.

Other obligations include compensated absences, risk management and claims, and debt premiums and discounts. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the P-12's 2020-2021 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2020-2021 budget was adopted in June 2020 based on an estimate of students who will enroll in September 2020. A significant percentage of total General Fund revenue is derived from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data for the 2020-2021 school year, we anticipated that the fall student count will be higher than estimates used in creating the 2020-2021 budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations. The School District amends the budget two to three times per year to reflect the most accurate projections in revenue including state aid, local revenue, or other resources. We also analyze the budget for potential changes in staffing, healthcare costs, utilities, and other costs.

The 2020-2021 budget includes a categorical one-time increase of \$65 per pupil net increase in state aid revenue, which maintains the School District's foundation allowance at \$8,842 per pupil. However, the School District's salary base for most union groups will increase by two percent and offset by the increase in retirement benefit of roughly .50 percent. The associated benefit expenditures will increase, which will compound and decrease per pupil funding. The additional student decrease will be offset by staff reductions estimated around 59 support positions like administration, counseling, English Language Learning and immigrant programs, and other instructional support. The district's utilization of CARES Act funding, enhancement millage, and the State's "At risk" program for hold harmless districts created a help in the balancing of the general fund to lower the needed staff and program reductions.

Over the past several years, the School District has worked with all employee groups to provide savings in salaries and benefits including voluntary reduced salary schedules, changes to healthcare benefit plans, changes in healthcare providers, and changes in employee contributions to health care. Salaries are modified per contract for a flat two percent in 2020-2021 and for the subsequent years a proportional increase in the foundation allowance, increase in retirement rates and other factors.

Each year, the School District considers critical budget issues including long-range planning, state aid funding, student enrollment, program reductions, and revenue enhancement - cost containment efforts. All contracts with unions expire after the 2022-2023 school year. The District settled union contracts for the next four years using a combination of expected enrollment increases, future state aid and one-time costs through the enhancement fund. The last two years of all contracts are tied to revenue increases and increase to retirement rates.

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis

Future year operating budgets will also be challenged as the ability of the State to provide funding for schools is in question due to state budget shortfalls. Student enrollment is projected to remain flat based on existing demographics, both in the School District and across the state. In future budget planning, the School District will continue to be challenged to provide a balanced budget without reducing the School District's fund equity. The administration will be taking into consideration employee mid-year retirements and resignations to generate a surplus in operational funds by reevaluating positions necessary to help balance the budget.

Since the School District's revenue is heavily dependent on state funding and the health of the state's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to the School District.

The impact of COVID-19 will require the School District to carefully monitor its budget for 2020-2021. Decisions made at the federal and state level related to financial resources will also need to be monitored, as they will have a direct impact on the School District's budget. As information becomes known by the School District, the budget will be reviewed and adjusted as needed to ensure adequate resources are available both now and in the future.

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis

Henry Ford College

This discussion and analysis of Henry Ford College's (the "College") financial statements provides an overview of the College's financial activities for the year ended June 30, 2020. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management and is unaudited.

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements in the above referred format, notes to financial statements, and supplemental information.

Financial Highlights

Overall, the College's financial position strengthened at June 30, 2020 from June 30, 2019 prior to the effects of GASB Statement No. 68 and 75. In total, the College's net position, prior to the effects of GASB Statement No. 68 and 75, increased from \$77.7 million to \$81.9 million for an increase of \$4.3 million, which reflects a 5.5 percent increase from the beginning of the year. This is the fifth year in a row in which the College's net position in the General Fund would have increased if the adjustments required by GASB Statement No. 68 and 75 were not made. The following table provides net position with and without the effect of the accounting pronouncement GASB Statement No. 68 and 75 as of June 30, 2020:

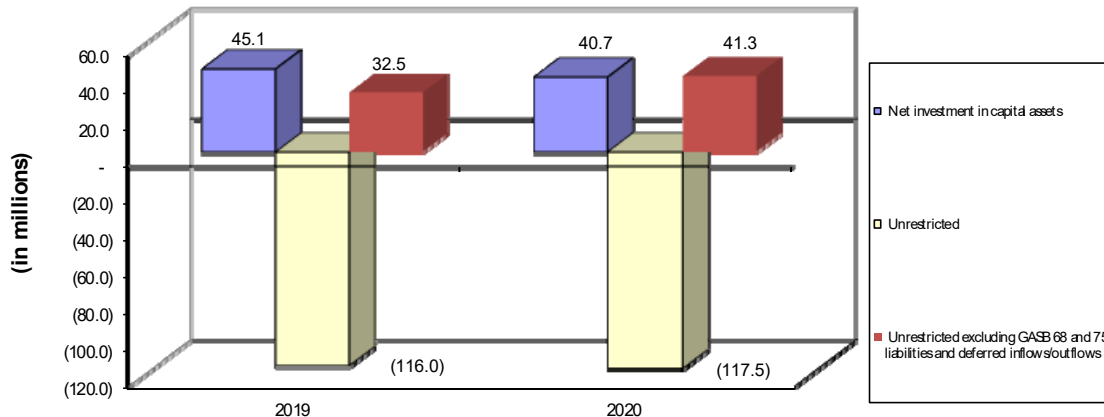
	Per Financial Statements on Page 31	Without GASB Statement No. 68 and 75	Difference
Net position at July 1, 2019	\$ (70,879,999)	\$ 77,655,484	\$ (148,535,483)
Net (decrease) increase in net position	(5,995,059)	4,258,191	(10,253,250)
Net position at June 30, 2020	\$ (76,875,058)	\$ 81,913,675	\$ (158,788,733)

However, due to the requirement of GASB Statement No. 68 and 75 to reflect and report the unfunded actuarial accrued liability of the state pension fund and Other Post-Employment Benefits (OPEB) fund (MPSERS) onto the College's financial statements, the College has to reflect a \$158.8 million cumulative adjustment to the College's net position which includes a \$151.6 million pension liability, a \$32.4 million OPEB liability, and \$25.2 million in net deferred outflows of resources. The effects of GASB 68 and 75 also resulted in a decrease of net position totaling \$6.0 million for the year ended June 30, 2020, while without the GASB 68 and 75 required adjustments, there would have been an increase in the College's net position of \$4.3 million.

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis (continued)

The following chart provides a graphic breakdown of net position by category as of June 30, 2020 and 2019



As shown in the above chart, the combination of “Net Investment in Capital Assets” and “Unrestricted” at the end of fiscal year 2019 (June 30, 2019) is a deficit of \$70.9 million (\$45.1 less \$116.0) and without GASB Statement No. 68 and 75 in effect, the combined balance would be \$77.6 million (\$45.1 plus \$32.5). The combination of “Net Investment in Capital Assets” and “Unrestricted” at June 30, 2020 is a deficit of \$76.8 million (\$40.7 less \$117.5), whereas the balance without GASB Statement No. 68 and 75 would be \$82.0 (\$40.7 plus \$41.3) million. The unrestricted balance increased from \$32.5 million to \$41.3 million, or by \$8.8 million, when GASB 68 and 75 reporting is not included.

The Statement of Net Position and the Statement of Revenue, Expenses, and Changes in Net Position

One of the most important questions asked about the College’s finances is, “Is the College as a whole better off or worse off as a result of the year’s activities?” The statement of net position and the statement of activities report information on the College as a whole and on its activities in a way that helps answer this question. When revenue and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenue and expenses may be thought of as the College’s operating results.

These two statements report the College’s net position and changes in net position. You can think of the College’s net position and the difference between assets and liabilities as one way to measure the College’s financial health, or financial position. Over time, increases or decreases in the College’s net position are one indicator of whether its financial health is improving or deteriorating. You should consider many other nonfinancial factors, such as the trend in college applications, student retention, condition of the buildings, and strength of the faculty, to assess the overall health of the College.

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis (continued)

These financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector entities. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

The following is an analysis of the major components of the net position of the College as of June 30, 2020 and 2019:

Condensed Net Position as of June 30

(in millions)

	<u>2019</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Assets				
Current assets	\$ 41.7	\$ 69.0	\$ 27.3	65.5
Long-term assets	2.3	0.5	(1.8)	(78.3)
Capital assets - Net	72.7	67.2	(5.5)	(7.6)
Deferred outflows	<u>53.8</u>	<u>52.0</u>	<u>(1.8)</u>	<u>(3.3)</u>
Total assets and deferred outflows	170.5	188.7	18.2	10.7
Liabilities				
Current liabilities	12.7	15.4	2.7	21.3
Long-term liabilities	202.7	223.6	20.9	10.3
Deferred inflows	<u>26.0</u>	<u>26.5</u>	<u>0.5</u>	<u>1.9</u>
Total liabilities and deferred inflows	<u>241.4</u>	<u>265.5</u>	<u>24.1</u>	<u>10.0</u>
Net Position				
Net investment in capital assets	45.1	40.7	(4.4)	(9.8)
Unrestricted	<u>(116.0)</u>	<u>(117.5)</u>	<u>(1.5)</u>	<u>1.3</u>
Total net position	<u>\$ (70.9)</u>	<u>\$ (76.8)</u>	<u>\$ (5.9)</u>	8.3

Net position represents the difference between the College's assets and liabilities, and at June 30, 2020, the net position of the College was a \$76.8 million deficit. The strength in total assets and deferred outflows of \$188.7 million lies primarily with capital assets, which is \$67.2 million. The College's net position increased in 2020 by \$4.3 million, prior to the effect of GASB Statement No. 68 and 75, due to decreased expenses related primarily to only filling key vacant positions and by reducing other operating expenses due to travel and reductions on Campus due to Covid-19.

Operational revenue exceeded expenses due to cost savings as a result of continuing the changes in the College's procedures around registration and financial aid in comparison to prior years. The College continues to strictly adhere to the process of deregistration of students who had not either paid their tuition and fees, did not have approved financial aid, or did not enter into an installment payment plan for their unpaid tuition and fees. The final deregistration for each term continues to take place one day after the official add/drop date, which means that those students could no longer register for the classes from which they were just deregistered. The continual adherence to the strict deregistration procedures leads directly to the continuation of reducing bad debt from \$0.8 million in fiscal year 2019 to \$0.4 in 2020.

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis (continued)

Current assets increased \$27.3 million, or 65.5 percent, from the prior year primarily as a result of an increase in investments held by the College. Net deferred outflows decreased by \$1.8 million, or 3.3 percent, from the prior year primarily as a result of changes in actuarial assumptions and changes in the proportionate share of the total net pension and OPEB liabilities of the MPSERS plan.

Current liabilities increased \$2.7 million, or 21.3 percent, from the prior year primarily as a result of increases in operational accrued liability balances as of June 30, 2020. Long-term liabilities showed an increase of \$20.9 million as a result of a bond issuance of \$13.9 million and increases to the MPSERS unfunded pension liability. In addition, various changes in the calculation of the College's share of the MPSERS unfunded pension liability resulted in an increase from \$139.6 million in 2019 to \$151.6 million in 2020. Without the GASB Statement No. 68 and 75 MPSERS liabilities shown for fiscal years 2019 and 2020, the total liabilities and deferred inflows of resources would have been \$55.2 million for fiscal year 2020 and \$39.5 million for fiscal year 2019 compared to \$39.8 million in fiscal year 2018.

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis (continued)

The following is an analysis of the major components of the changes in net position of the College for the years ended 2020 and 2019:

Condensed Changes in Net Position for the Year Ended June 30 (in millions)

	<u>2019</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenue				
Tuition and fees	\$ 26.2	\$ 23.8	\$ (2.4)	(9.2)
Grants and contracts	6.5	7.8	1.3	20.0
Auxiliary enterprises	5.7	5.1	(0.6)	(10.5)
Other	<u>1.1</u>	<u>0.9</u>	<u>(0.2)</u>	<u>(18.2)</u>
Total operating revenue	39.5	37.6	(1.9)	(4.8)
Operating Expenses				
Instruction	47.1	47.8	0.7	1.5
Information technology	4.9	5.1	0.2	-
Instructional support	3.6	3.0	(0.6)	(16.7)
Student services	16.4	19.8	3.4	20.7
Institutional administration	10.8	8.3	(2.5)	(23.1)
Physical plant operations	8.7	7.9	(0.8)	(9.2)
Auxiliary enterprises	5.2	4.8	(0.4)	(7.7)
Depreciation expense	9.2	8.5	(0.7)	(7.6)
Repairs and maintenance	1.8	1.4	(0.4)	(22.2)
Pension/OPEB expense *	<u>5.9</u>	<u>10.3</u>	<u>4.4</u>	<u>74.6</u>
Total operating expenses	<u>113.6</u>	<u>116.9</u>	<u>3.3</u>	<u>2.9</u>
Operating Loss	(74.1)	(79.3)	(5.2)	7.0
Nonoperating Revenue (Expense)				
Federal grants - Pell	25.2	26.6	1.4	5.6
Higher Education Emergency Relief Funds	-	3.6	3.6	N/A
State appropriations	31.3	29.8	(1.5)	(4.8)
Property taxes	13.7	14.0	0.3	2.2
Other nonoperating expenses	<u>(1.2)</u>	<u>(0.7)</u>	<u>0.5</u>	<u>(41.7)</u>
Net nonoperating revenue	<u>69.0</u>	<u>73.3</u>	<u>4.3</u>	<u>6.2</u>
Net Decrease in Net Position	(5.1)	(6.0)	(0.9)	17.6
Net Position - Beginning of year	<u>(65.8)</u>	<u>(70.9)</u>	<u>(5.1)</u>	<u>7.8</u>
Net Position - End of year	<u>\$ (70.9)</u>	<u>\$ (76.9)</u>	<u>\$ (6.0)</u>	<u>8.5</u>

* As a result of the change in the unfunded actuarial accrued liability, the College recognized pension and OPEB expense of \$10.3 million and \$5.9 million for 2020 and 2019, respectively. This expense resulted from changes in actuarial assumptions and investment performance. For presentation purposes in the MD&A, this amount has been included on a separate line.

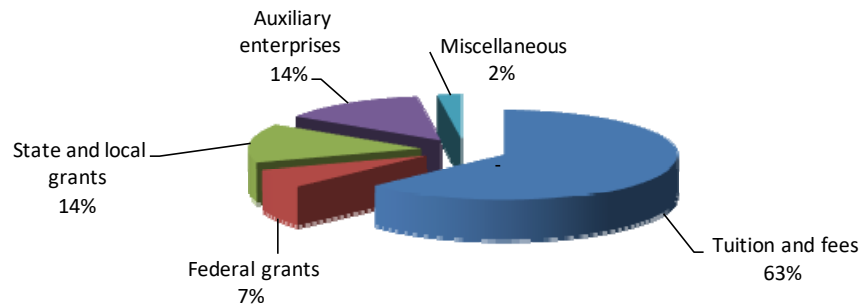
School District of the City of Dearborn, Michigan

Management's Discussion and Analysis (continued)

Operating Revenue

Operating revenue includes all transactions that result in the sales and/or receipts from goods and services such as tuition and fees and bookstore operations. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

Operating revenue decreased by \$1.9 million, or 4.8 percent, from \$39.5 million to \$37.6 million. The decrease is a result of decreases in tuition revenue of \$2.4 million, primarily related to the Spring 2020 semester. The Spring 2020 semester was combined with the Summer 2020 semester as a result of the COVID-19 pandemic. While the combined Summer semester had an increase in enrollment, the tuition revenue recognized was only equal to 50% of a normal Spring semester due to half of the semester occurring after June 30, 2020. The following is a graphic illustration of operating revenue by source for the year ended June 30, 2020:



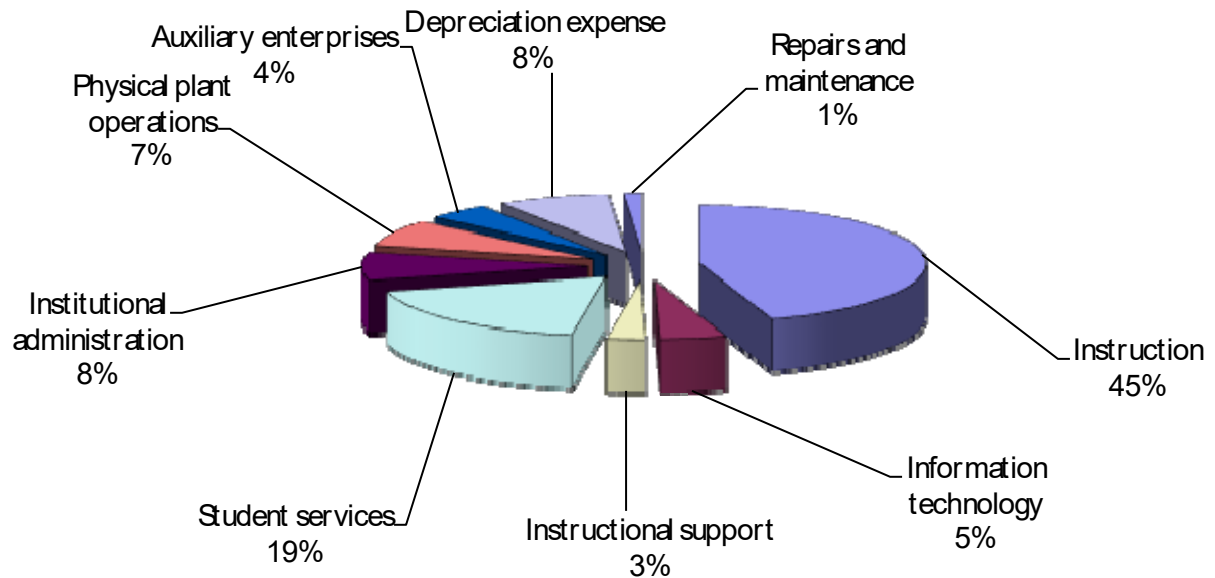
Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. Overall, operating expenses decreased \$1.1 million or 1.0 percent, prior to the effect of GASB No. 65 and 75. Decreases in expenses relate primarily to keeping most open positions unfilled as well as reductions in operating expense due to converting classes to on-line delivery thereby reducing on campus expenses and travel related to COVID-19. Classes in the Winter were converted to on-line delivery during the Spring break in March resulting in the increase of on-line delivery from 15% to 80%.

For the fiscal year ended June 30, 2020, depreciation expense was \$8.5 million, which is consistent with the amount expensed in the year ended June 30, 2019 of \$9.2 million by approximately \$0.7 million. The following is a graphic illustration of operating expenses by source:

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis (continued)



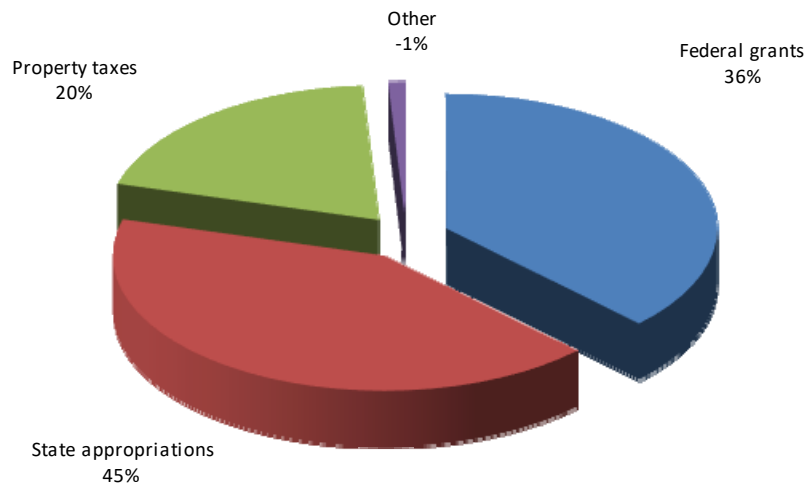
Nonoperating Revenue

Non operating revenue is all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, property tax revenue, investment income (including realized and unrealized gains and losses), and grants and contracts that do not require any services to be performed.

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis (continued)

Federal pell grant revenue increased by approximately \$1.4 million, from \$25.2 million to \$26.6 million as a result of increases in financial aid. For 2020, the College received federal CARES funding for student direct payments and institutional expenses totaling \$3.6. The College was approved to receive over \$4.5 million in Student CARES Act funding and over \$4.5 million in Institutional CARES Act Funding to offset COVID-19 added expenses. State Appropriations to the General Fund were reduced by 11%. However, the 11% was reinstated by State CARES Funding of approximately \$2.6 million. The following is a graphic illustration of non operating revenue (expense) by source:



Statement of Cash Flows

Another way to assess the financial health of a college is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis (continued)

Cash Flows for the Year (in millions)

	<u>2019</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Cash (Used in) Provided by				
Operating activities	\$ (59.0)	\$ (60.5)	\$ (1.5)	(2.5)
Noncapital financing activities	70.7	75.5	4.8	6.8
Capital and related financing activities	(6.3)	9.7	16.0	254.0
Investing activities	<u>(4.6)</u>	<u>(7.6)</u>	<u>(3.0)</u>	-
Net (Decrease) Increase in Cash	0.8	17.1	16.3	(2,037.5)
Cash - Beginning of year	<u>7.9</u>	<u>8.7</u>	<u>0.8</u>	10.1
Cash - End of year	<u>\$ 8.7</u>	<u>\$ 25.8</u>	<u>\$ 17.1</u>	196.6

Overall, total cash balances as of June 30, 2020 increased from June 30, 2019 to \$25.8 million from \$8.7 million. However, \$32.9 million is invested in various funds handled by Fifth Third Bank, UBS, and Michigan Liquid Asset Fund Plus (MILAF+) as of June 30, 2020, an increase of \$8.2 million from 2019. Due to cash flow issues in prior years, investing to earn interest income for the College was not a viable option. The movement of the \$8.2 million to investments from cash affects the "cash" balance even though the investments are quite liquid. Total cash used for operating activities showed an increase of \$1.5 million from the prior year. Net cash provided by noncapital financing activities increased by \$4.8 million and was used for capital and related financing activities was approximately equal to the prior year.

Capital and related finance activity cash increased due to the College Bond sale of \$13.9 million for partial funding of the College's Institutional Energy Master Plan (IEMP), which has an overall investment of \$23.1 million.

If the \$8.2 million had not been invested, but it remained as cash, the cash balance at the end of June 30, 2020 would have been \$34.0 million.

Capital Assets

- At June 30, 2020, the College held \$198.4 million in capital assets. Depreciation charges totaled \$8.5 million for the current year. The major capital items for fiscal year 2020 include:
 - Renovation and space additions in the Welcome Center
 - Roof replacements for the Student Activity Center as well as seating and bleacher replacements
 - Chemistry Lab renovation

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis (continued)

- Culinary Building renovation to the student teaching areas upgrades including the Teaching Dining area
- Upgrades to the Child Care Center

Details of these assets for the past two years are shown below:

	2019	2020	Increase
	(in millions)		
Land	\$ 3.5	\$ 3.5	\$ -
Construction in progress	1.8	1.2	(0.6)
Land improvements	23.5	23.6	0.1
Buildings	93.7	93.8	0.1
Building improvements	30.9	32.4	1.5
Furniture	4.9	4.9	-
Equipment and other vehicles	37.0	38.9	1.9
Total	<u>\$ 195.3</u>	<u>\$ 198.3</u>	<u>\$ 3.0</u>

Long-term Debt

At June 30, 2020, the College had approximately \$41.4 million of bonds and notes payable outstanding as compared with \$27.5 million at June 30, 2019. More detailed information regarding the College's long-term liabilities is presented in the notes to the financial statements including the \$13.9 million in Bond proceeds for the College IEMP Project.

Economic Factors that Will Affect the Future

As the State of Michigan continues the transformation from a manufacturing-based economy, more and more residents are looking to community colleges to provide education and training for the new economy. This includes students who would otherwise attend a residential four-year university, students who in the past may not have attended college, and students seeking retraining for new occupations.

The economic position of the College is closely tied to that of the State of Michigan and southeast Michigan and the State recognizes the role of community colleges in workforce and economic development. While state appropriations have had small increases in recent years, a decrease was realized in the 2019-2020 fiscal year. State equalized value and taxable values have increased from the prior years, which have now stabilized the College's property tax base.

The College was successful in fiscal year 2020 in obtaining a \$2 million Grant from the Ralph Wilson Foundation for use in the expansion of Technical Training for high school students in a dual enrollment setting. The classes are scheduled to begin in the Winter 2021 semester, which is one semester later than originally planned due to the effect of Covid-19 on space updates, equipment installation, and course scheduling.

As previously noted, GASB pronouncement No. 68 was implemented in fiscal year 2015 and addresses the accounting and financial reporting of the unfunded portion of the MPERS pension liability. The College's portion of the net unfunded pension liability is approximately \$151.5 million.

School District of the City of Dearborn, Michigan

Management's Discussion and Analysis (continued)

GASB pronouncement No. 75 was implemented in the current fiscal year and addresses the unfunded postemployment healthcare benefit. The College's share of the unfunded postemployment benefit liability is approximately \$32.4 million.

Also, with the full effect of COVID-19 affecting the College as of March 2020, State General Fund Appropriations were reduced by 11%, but were replaced with State CARES Act funding as well as with over \$9 million in Federal CARES Act funding. The funds will be used to assist students in funding for expenses related to remote learning and assist the College with COVID-19 expenses (ie. Remote instructional infrastructure).

Management believes the following actions presently being taken will improve the College's financial position:

- Tuition rates during the year ended June 30, 2020 were increased from the prior year. Tuition rates for fiscal year 2019 from \$99.00 per credit hour for in-district students to \$101.50, from \$172.00 to \$177.00 for out-of-district students, and from \$250.00 to \$257.00 for out-of-state and international students. Rates for the coming fiscal year of 2021 have been frozen at fiscal year 2020 rates.
- For fiscal year 2020, the College continues to be subject to Section 4 of Michigan Public Act 152 of 2011. This act allowed the College to cap the costs related to medical benefits that are offered to its employees. The College's share of medical benefits cannot exceed 80 percent of the total annual cost of all the medical benefit plans it offers for its employees. The annual savings through fiscal year 2020 was approximately \$4,200,000 since the act took effect, with an additional estimated savings of approximately \$420,000 for fiscal year 2020.

As the College continues to re-establish its unrestricted reserves (net of the GASB Statement No. 68 Pension Liability and GASB Statement No. 75 restatement), the combined net position for the General Fund, Auxiliary Fund, and Designated Fund at the beginning of fiscal year 2020 (July 1, 2019), was \$21,294,306 (\$13,487,292 plus \$5,610,125, plus \$2,196,889). The results for fiscal year 2020 added to the General Fund, Auxiliary Fund, and Designated Fund \$234,617, \$205,880, and \$759,308, respectively, to produce a balance of \$22,494,111, prior to GASB Statement No. 68 and 75 effects, at the end of fiscal year 2020 (June 30, 2020).

School District of the City of Dearborn, Michigan

Statement of Net Position

June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities (Henry Ford College)	Total	Henry Ford College Foundation
Assets				
Cash and investments (Note 3)	\$ 43,379,765	\$ 43,220,176	\$ 86,599,941	\$ 853,523
Receivables - Net:				
Student receivables	-	2,261,793	2,261,793	-
Accounts and grants	8,035,787	2,904,453	10,940,240	-
Due from other governments	29,482,397	2,673,823	32,156,220	-
Contributions	-	-	-	118,706
Internal balances	(88,630)	88,630	-	-
Inventories	26,904	1,619,693	1,646,597	-
Prepaid costs and other assets	4,679,595	1,290,553	5,970,148	7,571
Restricted assets (Note 11)	10,382,839	14,950,983	25,333,822	-
Long-term investments (Note 3)	-	507,223	507,223	16,415,499
Capital assets - Net (Note 6)	253,660,970	67,187,465	320,848,435	-
Total assets	349,559,627	136,704,792	486,264,419	17,395,299
Deferred Outflows of Resources				
Deferred charges on bond refunding (Note 8)	168,389	423,228	591,617	-
Deferred outflows related to pensions (Note 9)	141,380,264	42,257,763	183,638,027	-
Deferred OPEB costs (Note 9)	33,252,583	9,357,253	42,609,836	-
Total deferred outflows of resources	174,801,236	52,038,244	226,839,480	-
Liabilities				
Accounts and contracts payable	8,854,111	1,827,501	10,681,612	116,184
Scholarships payable	-	-	-	27,609
Deposits held for others	-	101,390	101,390	-
Accrued salary, wage, and fringe benefits payable	31,368,270	6,925,439	38,293,709	-
Unearned revenue (Note 5)	1,537,667	4,106,358	5,644,025	-
Other current liabilities	80,414	-	80,414	-
Noncurrent liabilities:				
Due within one year (Note 8)	14,061,868	2,602,162	16,664,030	-
Due in more than one year (Note 8)	87,140,374	39,651,495	126,791,869	-
Net pension liability (Note 9)	493,600,427	151,557,535	645,157,962	-
Net OPEB liability (Note 9)	107,324,382	32,357,545	139,681,927	-
Total liabilities	743,967,513	239,129,425	983,096,938	143,793
Deferred Inflows of Resources				
Revenue in support of pension contributions made subsequent to the measurement date	16,498,392	5,151,704	21,650,096	-
Inflows related to pensions and revenue contributions (Notes 1 and 9)	18,673,313	7,672,891	26,346,204	-
Deferred OPEB cost reductions (Notes 1 and 9)	41,517,909	13,664,074	55,181,983	-
Total deferred inflows of resources	76,689,614	26,488,669	103,178,283	-
Net Position (Deficit)				
Net investment in capital assets	153,370,583	40,683,752	194,054,335	-
Restricted:				
Debt service	11,671,220	-	11,671,220	-
Component unit (expendable)	-	-	-	6,158,100
Component unit (nonexpendable)	-	-	-	6,747,409
Unrestricted (deficit)	(461,338,067)	(117,558,810)	(578,896,877)	4,345,997
Total net position (deficit)	\$ (296,296,264)	\$ (76,875,058)	\$ (373,171,322)	\$ 17,251,506

School District of the City of Dearborn, Michigan

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Functions/Programs			
Primary government:			
Governmental activities:			
Instruction	\$ 179,688,592	\$ 757,416	\$ 51,378,147
Support services	102,632,283	-	32,524,920
Athletics	2,569,320	117,698	-
Food services	13,434,187	492,314	10,904,130
Community services	2,013,872	622,201	-
Interest	4,186,934	-	752,540
Fees and other bond costs	4,750	-	-
Depreciation expense (unallocated)	10,301,734	-	-
Total governmental activities	314,831,672	1,989,629	95,559,737
Business-type activities - Henry Ford College	118,270,851	29,800,843	7,767,528
Total primary government	<u>\$ 433,102,523</u>	<u>\$ 31,790,472</u>	<u>\$ 103,327,265</u>
Component unit - Henry Ford College Foundation	<u>\$ 1,903,684</u>	<u>\$ -</u>	<u>\$ 1,854,389</u>

General revenue:

Taxes:

- Property taxes levied for general purposes
- Property taxes levied for debt service
- State aid not restricted to specific purposes
- Federal grants - Pell
- Federal grants and contributions not restricted to specific purposes
- Interest and investment earnings
- Higher Education Emergency Relief Funds
- Loss on disposal of capital assets
- Other

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Statement of Activities

Year Ended June 30, 2020

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities (Henry Ford College)	Total	Component Unit (Henry Ford College Foundation)
\$ (127,553,029)	\$ -	\$ (127,553,029)	\$ -
(70,107,363)	-	(70,107,363)	-
(2,451,622)	-	(2,451,622)	-
(2,037,743)	-	(2,037,743)	-
(1,391,671)	-	(1,391,671)	-
(3,434,394)	-	(3,434,394)	-
(4,750)	-	(4,750)	-
(10,301,734)	-	(10,301,734)	-
(217,282,306)	-	(217,282,306)	-
-	(80,702,480)	(80,702,480)	-
(217,282,306)	(80,702,480)	(297,984,786)	-
-	-	-	(49,295)
42,482,697	14,007,650	56,490,347	-
17,029,690	-	17,029,690	-
137,920,297	29,816,573	167,736,870	-
-	26,616,074	26,616,074	-
46,778	-	46,778	-
1,340,829	659,824	2,000,653	1,069,961
-	3,607,300	3,607,300	-
(14,275)	-	(14,275)	-
748,765	-	748,765	-
199,554,781	74,707,421	274,262,202	1,069,961
(17,727,525)	(5,995,059)	(23,722,584)	1,020,666
(278,568,739)	(70,879,999)	(349,448,738)	16,230,840
\$ (296,296,264)	\$ (76,875,058)	\$ (373,171,322)	\$ 17,251,506

School District of the City of Dearborn, Michigan

Governmental Funds Balance Sheet

June 30, 2020

	Combining General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and investments (Note 3)	\$ 40,941,440	\$ 2,438,325	\$ 43,379,765
Receivables (Note 4)	30,172,804	7,162,865	37,335,669
Due from other funds (Note 7)	182,515	9,501,197	9,683,712
Inventories	-	26,904	26,904
Prepaid costs and other assets	4,639,158	40,437	4,679,595
Restricted assets (Notes 3 and 11)	-	10,382,839	10,382,839
	<u>\$ 75,935,917</u>	<u>\$ 29,552,567</u>	<u>\$ 105,488,484</u>
Total assets			
Liabilities			
Accounts and contracts payable	\$ 5,295,555	\$ 3,647,186	\$ 8,942,741
Due to other funds (Note 7)	7,021,360	2,479,837	9,501,197
Accrued salary, wage, and fringe benefits payable	27,321,647	3,446,229	30,767,876
Unearned revenue (Note 5)	-	1,537,667	1,537,667
Other current liabilities	80,414	-	80,414
	<u>39,718,976</u>	<u>11,110,919</u>	<u>50,829,895</u>
Total liabilities			
Fund Balances			
Nonspendable:			
Inventory	-	26,904	26,904
Prepaid costs	4,639,158	40,437	4,679,595
Restricted:			
Debt service	-	12,271,614	12,271,614
Food service	-	2,152,309	2,152,309
Assigned:			
Subsequent year's budget	3,663,552	-	3,663,552
Capital projects	-	3,631,303	3,631,303
Adult education	-	359,518	359,518
Enhancement funds	10,987,438	-	10,987,438
Unassigned fund balance (deficit)	16,926,793	(40,437)	16,886,356
	<u>36,216,941</u>	<u>18,441,648</u>	<u>54,658,589</u>
Total fund balances			
	<u>\$ 75,935,917</u>	<u>\$ 29,552,567</u>	<u>\$ 105,488,484</u>
Total liabilities and fund balances			

School District of the City of Dearborn, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2020

Fund Balances Reported in Governmental Funds	\$ 54,658,589
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	405,764,512
Accumulated depreciation	<u>(152,103,542)</u>
Net capital assets used in governmental activities	253,660,970
Deferred inflows and outflows related to bond refundings are not reported in the funds	168,389
Bonds payable, including premium/discount, are not due and payable in the current period and are not reported in the funds	(100,458,776)
Accrued interest is not due and payable in the current period and is not reported in the funds	(600,394)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences and severance agreements	(441,589)
Provision for risk management and claims	(301,877)
Net pension liability and related deferred inflows and outflows	(370,893,476)
Net OPEB liability and related deferred inflows and outflows	(115,589,708)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(16,498,392)</u>
Net Position of Governmental Activities	<u>\$ (296,296,264)</u>

School District of the City of Dearborn, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2020

	Combining General Fund	Nonmajor Funds	Total Governmental Funds
Revenue			
Local sources	\$ 43,970,217	\$ 19,622,466	\$ 63,592,683
State sources	166,630,531	16,739,057	183,369,588
Federal sources	46,778	28,067,279	28,114,057
Interdistrict - Incoming transfers from other districts	13,857,599	8,186,756	22,044,355
Total revenue	224,505,125	72,615,558	297,120,683
Expenditures			
Current:			
Instruction	131,499,602	26,551,547	158,051,149
Support services	80,512,808	11,589,817	92,102,625
Athletics	2,294,832	-	2,294,832
Food services	-	11,899,395	11,899,395
Community services	92,210	1,740,193	1,832,403
Debt service:			
Principal	-	11,650,460	11,650,460
Interest	-	5,444,595	5,444,595
Fees and other bond costs	-	4,750	4,750
Capital outlay	996,535	4,811,042	5,807,577
Total expenditures	215,395,987	73,691,799	289,087,786
Excess of Revenue Over (Under) Expenditures	9,109,138	(1,076,241)	8,032,897
Other Financing Sources (Uses)			
Transfers in (Note 7)	2,330,109	9,191,927	11,522,036
Transfers out (Note 7)	(8,855,030)	(2,667,006)	(11,522,036)
Total other financing (uses) sources	(6,524,921)	6,524,921	-
Net Change in Fund Balances	2,584,217	5,448,680	8,032,897
Fund Balances - Beginning of year	33,632,724	12,992,968	46,625,692
Fund Balances - End of year	\$ 36,216,941	\$ 18,441,648	\$ 54,658,589

School District of the City of Dearborn, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$ 8,032,897
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	4,968,698
Depreciation expense	(10,301,734)
Net book value of assets disposed of	(14,275)
Revenue in support of pension contributions made subsequent to the measurement date	(2,261)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	12,816,559
Interest expense is recognized in the government-wide statements as it accrues	91,562
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(33,318,971)
Change in Net Position of Governmental Activities	<u>\$ (17,727,525)</u>

School District of the City of Dearborn, Michigan

Proprietary Funds Statement of Net Position

June 30, 2020

	Henry Ford College	Component Unit - Henry Ford College Foundation
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,810,259	\$ 853,523
Short-term investments (Note 3)	32,409,917	-
Receivables - Net: (Note 4)		
Student receivables	2,261,793	-
Accounts and grants	2,904,453	-
Due from other governments	2,673,823	-
Contributions	-	118,706
Due from other funds	88,630	-
Inventories	1,619,693	-
Prepaid expenses and other assets	1,290,553	7,571
Total current assets	54,059,121	979,800
Noncurrent assets:		
Restricted assets - Unspent bond proceeds	14,950,983	-
Long-term investments (Note 3)	507,223	16,415,499
Capital assets - Net (Note 6)	67,187,465	-
Total noncurrent assets	82,645,671	16,415,499
Total assets	136,704,792	17,395,299
Deferred Outflows of Resources		
Deferred outflows related to pensions (Note 9)	42,257,763	-
Deferred charges on bond refunding (Note 8)	423,228	-
Deferred OPEB costs (Note 9)	9,357,253	-
Total deferred outflows of resources	52,038,244	-
Liabilities		
Current liabilities:		
Accounts payable	1,827,501	116,184
Scholarships payable	-	27,609
Deposits held for others	101,390	-
Accrued salary, wage, and fringe benefits payable	6,925,439	-
Unearned revenue (Note 5)	4,106,358	-
Early termination obligation	12,855	-
Risk management (Note 10)	358,261	-
Current portion of long-term liabilities (Note 8)	2,231,046	-
Total current liabilities	15,562,850	143,793
Noncurrent liabilities:		
Bonds and notes payable - Net of unamortized premium and discounts (Note 8)	39,646,878	-
Early termination obligation	4,617	-
Net pension liability (Note 9)	151,557,535	-
Net OPEB liability (Note 9)	32,357,545	-
Total noncurrent liabilities	223,566,575	-
Total liabilities	239,129,425	143,793
Deferred Inflows of Resources (Notes 1 and 9)		
	26,488,669	-
Net Position (Deficit)		
Net investment in capital assets	40,683,752	-
Restricted:		
Component unit (expendable)	-	6,158,100
Component unit (nonexpendable)	-	6,747,409
Unrestricted	(117,558,810)	4,345,997
Total net position (deficit)	<u>\$ (76,875,058)</u>	<u>\$ 17,251,506</u>

See notes to financial statements.

School District of the City of Dearborn, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2020

	Henry Ford College	Component Unit - Henry Ford College Foundation
Operating Revenue		
Tuition and fees - Net of scholarship allowance of \$26,623,771	\$ 23,819,545	\$ -
Federal grants	2,451,139	-
State and local grants and gifts	5,316,389	1,101,738
Miscellaneous	851,551	752,651
Auxiliary enterprises	5,129,747	-
Total operating revenue	37,568,371	1,854,389
Operating Expenses		
Instruction	53,701,815	-
Instructional support	3,730,056	5,200
Student services	21,494,661	1,864,074
Institutional administration	9,064,853	34,410
Physical plant operations	8,541,459	-
Auxiliary enterprises	5,019,426	-
Repairs and maintenance	1,381,308	-
Information technology	5,499,416	-
Depreciation expense	8,507,582	-
Total operating expenses	116,940,576	1,903,684
Operating Loss	(79,372,205)	(49,295)
Nonoperating Revenue (Expense)		
Federal grants	26,616,074	-
State appropriations	29,816,573	-
Property taxes	14,007,650	-
Investment income	659,824	1,069,961
Higher Education Emergency Relief Funds	3,607,300	-
Interest on capital asset-related debt expenses	(1,330,275)	-
Total nonoperating revenue	73,377,146	1,069,961
Change in Net Position	(5,995,059)	1,020,666
Net Position - Beginning of year	(70,879,999)	16,230,840
Net Position - End of year	\$ (76,875,058)	\$ 17,251,506

School District of the City of Dearborn, Michigan

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2020

	Henry Ford College	Component Unit - Henry Ford College Foundation
Cash Flows from Operating Activities		
Tuition and fees	\$ 24,997,166	\$ -
Grants, contracts, and gifts	7,324,323	966,425
Payments to suppliers	(54,945,748)	(782,543)
Payments to employees	(43,895,997)	-
Payments to educational scholarship and special program funds	-	(323,424)
Auxiliary enterprise charges	5,129,747	-
Other	851,551	12,933
Net cash used in operating activities	(60,538,958)	(126,609)
Cash Flows from Noncapital Financing Activities		
Local property taxes	14,271,753	-
Pell grant revenue	26,616,074	-
William D. Ford direct lending receipts	18,072,523	-
William D. Ford direct lending disbursements	(17,722,431)	-
State appropriations	32,252,914	-
Higher Education Emergency Relief Funds	1,977,335	-
Net cash provided by noncapital financing activities	75,468,168	-
Cash Flows from Capital and Related Financing Activities		
Bond proceeds	15,242,788	-
Purchase of capital assets	(3,022,001)	-
Principal paid on capital debt	(1,260,214)	-
Property tax collections	82,694	-
Permanently restricted contributions	-	64,395
Interest paid on capital debt	(1,330,275)	-
Net cash provided by capital and related financing activities	9,712,992	64,395
Cash Flows from Investing Activities		
Interest received on investments	659,824	328,191
Purchases of investments	(200,089,464)	(5,734,838)
Proceeds from sale of investments	191,873,491	5,707,505
Net cash (used in) provided by investing activities	(7,556,149)	300,858
Net Increase in Cash and Cash Equivalents	17,086,053	238,644
Cash and Cash Equivalents - Beginning of year	8,675,189	614,879
Cash and Cash Equivalents - End of year	\$ 25,761,242	\$ 853,523
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 10,810,259	\$ 853,523
Restricted cash - Unspent bond proceeds	14,950,983	-
Total cash and cash equivalents	\$ 25,761,242	\$ 853,523

School District of the City of Dearborn, Michigan

**Proprietary Funds
Statement of Cash Flows (Continued)**

Year Ended June 30, 2020

	Henry Ford College	Component Unit - Henry Ford College Foundation
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (79,372,205)	\$ (49,295)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	8,507,582	-
Permanently restricted contributions	-	(64,395)
Bad debt expense	350,092	(14,250)
Changes in assets and liabilities:		
Accounts receivable	(496,499)	-
Contributions receivable	-	(29,487)
Federal and state grant receivable	(443,205)	-
Inventories	(931,464)	-
Prepaid assets and other current assets	(105,550)	18,198
Deferred outflows of resources	1,790,210	-
Accounts payable	(87,874)	(2,523)
Scholarships payable	-	15,143
Accrued payroll and other compensation	555,583	-
Other accrued liabilities	(23,323)	-
Deposits	(8,893)	-
Unearned tuition and fees	1,233,321	-
Pension and OPEB liabilities	8,011,848	-
Deferred inflows of resources	481,419	-
Net cash used in operating activities	\$ (60,538,958)	\$ (126,609)

There were no noncash capital, noncapital, or investing activities for the year ended June 30, 2020.

School District of the City of Dearborn, Michigan

Fiduciary Fund Statement of Fiduciary Assets and Liabilities

June 30, 2020

Agency Fund

Assets - Cash and investments (Note 3)

\$ 1,490,021

Liabilities

Accounts and contracts payable

\$ 43,584

Due to other funds (Note 7)

182,515

Other current liabilities

1,263,922

Total liabilities

\$ 1,490,021

June 30, 2020

Note 1 - Significant Accounting Policies

The School District of the City of Dearborn, Michigan (the "School District") follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The School District includes the operations related to preschool through grade 12 (the "P-12") and Henry Ford College (the "College"). The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements present the School District and its component unit, entities for which the School District is considered to be financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the School District's ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the School District. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity and which organizations are legally separate component units of the School District.

Component Unit

Henry Ford College Foundation (the "Foundation") was organized to develop fundraising programs and events and administer the resulting assets in order to provide scholarships to students and other financial assistance to Henry Ford College's special programs and department projects. The Foundation is discretely reported as part of the School District's reporting entity (although it is legally separate and governed by its own board of directors) because its sole purpose is to provide support to the College. The Foundation is a private organization that reports under the Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from those under the GASB. No modifications have been made to the Foundation's financial information included in the College's financial report to account for these differences. Audited financial statements of the Foundation may be obtained by contacting the Foundation at 5101 Evergreen Road, Dearborn, MI 48128.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit, as applicable. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All P-12 activities are classified as governmental activities, and all college and component unit activities are classified as business-type activities. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

Note 1 - Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the School District's business-type and governmental activities. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

Fund Accounting

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The School District reports the following fund as a major governmental fund:

- The General Fund is the P-12's primary operating fund because it accounts for all financial resources of the P-12 used to provide government services other than those specifically assigned to another fund.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, and equipment; technology upgrades; and remodeling and repairs for the P-12. The funds operate until the purpose for which they were created is accomplished.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt for the P-12.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds

The proprietary funds are where the College and component unit functions are reported. The proprietary fund statements are accounted for using an economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned, and expenses are recorded when an obligation has been incurred. The College's policy for defining operating activities, as reported on the statement of revenue, expenses, and changes in net position, is to report those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all the College's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenue, as defined by GASB Statement No. 34, including state appropriations, property taxes, grants, and investment income. Student tuition and related revenue and expenses of an academic semester are reported in the fiscal year in which the program is conducted.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the School District's programs. The School District maintains a student activity agency fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and are held for the students.

Interfund Activity

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Note 1 - Significant Accounting Policies (Continued)

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Proprietary funds and fiduciary funds, as applicable, use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value, except for investments in external investment pools, which are valued at amortized cost.

Receivables and Payables

In general, outstanding balances between funds are reported as due to/from other funds. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

Accounts and grants receivable consist of amounts due from the State of Michigan for state appropriations and due from federal, state, and local governments in connection with the reimbursement of allowable expenditures made pursuant to the School District's grants and contracts. Accounts receivable also include tuition and fee charges to students and other third parties and auxiliary enterprise services provided to students, faculty, and staff.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Restricted Assets

The unspent bond proceeds and related interest of the capital projects funds require amounts to be set aside for construction. Cash held in debt service funds is restricted for bond repayment and in set-aside accounts. These amounts have been classified as restricted assets.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the P-12 as assets with an initial individual cost of more than \$15,000 and an estimated useful life in excess of one year. The College's capitalization policy includes all items with a cost of \$5,000 or more and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Note 1 - Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings	50
Building improvements	15-50
Land improvements	25
Equipment, vehicles, and furniture	5-10

Compensated Absences (Vacation) and Early Retirement Benefits

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

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The first type of deferred outflow of resources is the deferred charge on refunding bond issuances, which results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second deferred outflow of resources relates to deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 9.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflow of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments. More detailed information can be found in Note 9.

Note 1 - Significant Accounting Policies (Continued)

The College and the P-12 reported deferred inflows of resources at June 30, 2020 on the statement of net position, including \$5,151,704 and \$16,498,392, respectively, for funding received through state appropriations for contributions to the MPSERS pension plan after the measurement date and \$21,336,965 and \$60,191,222, respectively, related to the pension and OPEB plans described in Note 9.

Pensions

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from the MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Other Postemployment Benefit Costs

The School District offers retiree health care benefits to retirees. The School District records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the MPSERS plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 1 - Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the finance director to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Scholarship Discounts and Allowances

Student tuition, fee revenue, and certain other revenue from students are reported net of scholarship discounts and allowances in the statement of revenue, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenue in the College's financial statements. To the extent that revenue from such programs is used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Note 1 - Significant Accounting Policies (Continued)

Property Tax Revenue

Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. Tax collections are forwarded to the School District as collected by the assessing municipalities through March 1, at which time they are considered delinquent and added to county tax rolls. Any delinquent taxes collected by the county are remitted to the School District by June 30. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Tuition and Fees

The academic programs are offered in traditional fall, winter, spring, and summer semesters. Revenue from tuition and student fees is recognized during the academic term. Revenue from the spring and summer semesters, which occurs from May to August, is split and recognized proportionally to the number of days of the semester within the fiscal year. Tuition revenue is reported at established rates net of institutional financial aid and discounts provided by the College to the students.

College Unearned Revenue

Revenue received prior to year end that is related to the next fiscal period is recorded as unearned revenue. This includes \$173,979 for the fall semester and \$2,395,197 of unearned revenue in the summer semester, which began in June 2020 and ended in August 2020. It also includes deferred tuition of \$958,381 for courses unable to move online as a result of the COVID-19 pandemic described in Note 17. The remaining amount of \$578,801 included within unearned revenue relates to deferred grant revenue at year end.

Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Comparative Data/Reclassifications

Comparative data is not included in the School District's financial statements.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District has evaluated the impact this standard will have on the financial statements. The provisions of this statement were originally effective for the School District's financial statements for the year ended June 30, 2020 but were extended to June 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*. As of July 1, 2020, the School District will report the activities and the related balances currently reported as fiduciary in a newly created special revenue fund.

Note 1 - Significant Accounting Policies (Continued)

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the School District's financial statements for the year ending June 30, 2021, but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The School District does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In June 2020, the Governmental Accounting Standards Board issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies application of GASB Statement No. 84 to these types of plans. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the College's fiscal year ending June 30, 2022.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund, proprietary, debt service, and all special revenue funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The P-12 budgeted revenue was decreased during the year in response to a decrease in anticipated state revenue due to the COVID-19 pandemic.

The P-12 budgets and reports capital outlay expenditures within the related function in the budgetary comparison schedules. In accordance with generally accepted accounting principles, the P-12 reports capital outlay separately in the statement of revenue, expenditures, and changes in fund balances.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

The P-12 did not have significant expenditure budget variances.

Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated eight banks and credit unions for the deposit of its funds.

At year end, P-12 had \$27,649,406 in investment pool funds at Comerica Bank, which is recorded at amortized cost. There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost.

At year end, the College had \$7,179,900 in investment pools in the Michigan Liquid Asset Fund, which is recorded at amortized cost. There are no limitations or restrictions on participant withdrawals, except that there is a one-day minimum investment period, and investments may not be redeemed for at least 14 calendar days, with the exception of direct investments of funds distributed by the State of Michigan. Redemptions made prior to the applicable 14-day period are subject to a penalty equal to 15 days' interest on the amount so redeemed.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$46,049,562 had \$43,299,562 of bank deposits (certificates of deposit and checking and savings accounts) that was uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The College's investments are all in the name of the College. The investments are custodied with each bank from which they were purchased. Therefore, custodial risk is limited.

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy minimizes interest rate risk by requiring the structuring of 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; 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 School District's cash requirements. The P-12's investments in governmental cash investment funds of \$27,649,406 have a weighted-average maturity of less than one year.

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At year end, the College had the following investments and maturities:

Investments	Fair Value	Less Than 1 Year	1-5 Years
Certificate of deposit	\$ 3,278,359	\$ 3,278,359	\$ -
U.S. Treasury bills	507,223	-	507,223
Corporate paper	21,951,658	21,951,658	-
Michigan Liquid Asset Fund - Investment Pools*	7,179,900	7,179,900	-
Total	<u>\$ 32,917,140</u>	<u>\$ 32,409,917</u>	<u>\$ 507,223</u>

*Investment fair value reported at amortized cost.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

The College is authorized by Michigan Public Act 331 of 1966, as amended through 2012, and by resolution of the board of trustees to invest surplus monies in bonds, bills, and notes of the United States or obligations of the State of Michigan, mutual funds and investment pools that are composed of authorized investments, bankers' acceptances, commercial paper rated prime by at least one of the standard rating services, negotiable certificates of deposits, and certain repurchase agreements. The College has no investment policy that would further limit its investment choices.

At year end, the maturities of investments and credit quality ratings of debt securities (other than the U.S. government) held by the P-12 are as follows:

Investment	Fair Value	Maturity Date	Rating	Rating Organization
Comerica Governmental Cash Investment Fund*	\$ 27,649,406	N/A	N/A**	N/A**

*Investment fair value reported at amortized cost.

**Investment is a collective fund and not rated by rating agencies.

School District of the City of Dearborn, Michigan

Notes to Financial Statements

June 30, 2020

Note 3 - Deposits and Investments (Continued)

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) held by the College are as follows:

Investment	Fair Value	Rating	Rating Organization
Certificate of deposit	\$ 3,278,359	N/A	N/A
Corporate paper	21,951,658	P1 and P2	Moody's
Michigan Liquid Asset Fund - Investment Pools*	7,179,900	AAAm	S&P
Total	<u>\$ 32,409,917</u>		

*Investment fair value reported at amortized cost

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer. The School District's investment policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. All of the School District's investments are invested with certain investment pools.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's investment policy prohibit investments in foreign currency.

Note 4 - Receivables

Receivables at year end for the School District's individual major funds and the nonmajor funds in the aggregate, proprietary fund, and component unit, including the applicable allowances for uncollectible accounts, are as follows:

	Primary Government		Proprietary Fund	Henry Ford College Foundation	Total
	General Fund	Other Nonmajor Governmental Funds			
Receivables:					
Accounts, grants, and other	\$ 690,407	\$ 7,162,865	\$ 40,386,930	\$ 118,706	\$ 48,358,908
Intergovernmental	29,482,397	-	2,673,823	-	32,156,220
Less allowance for uncollectibles	-	-	(35,220,684)	-	(35,220,684)
Net receivables	<u>\$ 30,172,804</u>	<u>\$ 7,162,865</u>	<u>\$ 7,840,069</u>	<u>\$ 118,706</u>	<u>\$ 45,294,444</u>

School District of the City of Dearborn, Michigan

Notes to Financial Statements

June 30, 2020

Note 5 - Unearned Revenue

Governmental and proprietary funds report unearned revenue in connection with resources that have been received but not yet earned.

At the end of the current fiscal year, the School District had various components of unearned revenue as follows:

Governmental activities - Tuition and state, federal, and local grant monies received prior to meeting all eligibility requirements	\$ 1,537,667
Business-type activities - Tuition and grant revenue	<u>4,106,358</u>
Total	<u><u>\$ 5,644,025</u></u>

Note 6 - Capital Assets

A summary of changes in the capital assets of governmental activities is as follows:

Governmental Activities

	Balance July 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 11,423,864	\$ -	\$ 200,451	\$ -	\$ 11,624,315
Construction in progress	5,217,969	(5,217,969)	1,098,428	-	1,098,428
Subtotal	16,641,833	(5,217,969)	1,298,879	-	12,722,743
Capital assets being depreciated:					
Buildings	108,466,313	-	-	-	108,466,313
Building improvements	199,478,637	4,990,512	827,120	-	205,296,269
Land improvements	23,144,839	223,000	1,602,216	-	24,970,055
Buses and other vehicles	10,349,347	-	486,624	(17,570)	10,818,401
Equipment and other	42,732,415	4,457	753,859	-	43,490,731
Subtotal	384,171,551	5,217,969	3,669,819	(17,570)	393,041,769
Accumulated depreciation:					
Buildings	42,153,225	-	1,627,742	-	43,780,967
Building improvements	51,453,149	-	4,190,152	-	55,643,301
Land improvements	5,832,004	-	966,357	-	6,798,361
Buses and other vehicles	6,864,598	-	755,802	(3,295)	7,617,105
Equipment and other	35,502,127	-	2,761,681	-	38,263,808
Subtotal	141,805,103	-	10,301,734	(3,295)	152,103,542
Net capital assets being depreciated	242,366,448	5,217,969	(6,631,915)	(14,275)	240,938,227
Net governmental activities capital assets	<u>\$ 259,008,281</u>	<u>\$ -</u>	<u>\$ (5,333,036)</u>	<u>\$ (14,275)</u>	<u>\$ 253,660,970</u>

Depreciation for the fiscal year ended June 30, 2020 totaled \$10,301,734 for governmental capital assets. Depreciation expense was not charged to activities, as the School District's assets benefit multiple activities and allocation is not practical.

Construction Commitments

The School District has active construction projects at year end. At year end, the School District's remaining commitments with contractors are \$3,729,185.

School District of the City of Dearborn, Michigan

Notes to Financial Statements

June 30, 2020

Note 6 - Capital Assets (Continued)

A summary of changes in the capital assets of business-type activities is as follows:

Business-type Activities

	Balance July 1, 2019	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 3,482,436	\$ -	\$ -	\$ 3,482,436
Construction in progress	1,884,207	1,210,493	(1,802,279)	1,292,421
Subtotal	5,366,643	1,210,493	(1,802,279)	4,774,857
Capital assets being depreciated:				
Buildings	93,694,224	-	138,197	93,832,421
Building improvements	30,950,370	137,300	1,348,207	32,435,877
Land improvements	23,506,972	20,550	42,590	23,570,112
Furniture and library books	4,824,051	40,154	-	4,864,205
Equipment and other vehicles	37,047,602	1,628,997	257,793	38,934,392
Subtotal	190,023,219	1,827,001	1,786,787	193,637,007
Accumulated depreciation:				
Buildings	52,838,540	2,072,168	-	54,910,708
Building improvements	24,281,837	2,333,617	-	26,615,454
Land improvements	12,593,086	1,565,348	-	14,158,434
Furniture and library books	3,921,281	302,327	-	4,223,608
Equipment and other vehicles	29,082,073	2,234,122	-	31,316,195
Subtotal	122,716,817	8,507,582	-	131,224,399
Net capital assets being depreciated	67,306,402	(6,680,581)	1,786,787	62,412,608
Net business-type activity capital assets	\$ 72,673,045	\$ (5,470,088)	\$ (15,492)	\$ 67,187,465

Depreciation for the fiscal year ended June 30, 2020 totaled \$8,507,582 for business-type capital assets.

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	General Fund	Nonmajor Funds	Fiduciary Fund	
General Fund	\$ -	\$ -	\$ 182,515	\$ 182,515
Nonmajor funds	7,021,360	2,479,837	-	9,501,197
Total	\$ 7,021,360	\$ 2,479,837	\$ 182,515	\$ 9,683,712

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

School District of the City of Dearborn, Michigan

Notes to Financial Statements

June 30, 2020

Note 7 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Other nonmajor governmental funds	General Fund	\$ 2,330,109
General Fund	Other nonmajor governmental funds	8,855,030
Other nonmajor governmental funds	Other nonmajor governmental funds	336,897
	Total	<u>\$ 11,522,036</u>

The transfers from the General Fund to other nonmajor governmental funds subsidized operations of the Cafeteria and General Building and Site funds and serviced nonvoted debt obligations for the School District. The transfers from other nonmajor governmental funds to the General Fund are for reimbursement to the General Fund for indirect costs and costs paid on behalf of other nonmajor governmental funds. Transfers between other nonmajor governmental funds involve special revenue and capital project funds.

Note 8 - Long-term Obligations

Long-term debt activity for the year ended June 30, 2020 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable - Other debt:					
General obligation	\$ 106,659,187	-	\$ (11,650,460)	\$ 95,008,727	\$ 12,108,722
Issuance premiums	6,659,728	-	(1,209,679)	5,450,049	1,209,680
Total bonds payable	113,318,915	-	(12,860,139)	100,458,776	13,318,402
Compensated absences	515,136	-	(73,547)	441,589	441,589
Risk management and claims (Note 10)	560,852	-	(258,975)	301,877	301,877
Total governmental activities long-term debt	<u>\$ 114,394,903</u>	<u>\$ -</u>	<u>\$ (13,192,661)</u>	<u>\$ 101,202,242</u>	<u>\$ 14,061,868</u>

The current year expense for general obligation deferred outflows related to deferred charges on bond refunding is \$43,580 with a balance of \$168,389 at June 30, 2020.

School District of the City of Dearborn, Michigan

Notes to Financial Statements

June 30, 2020

Note 8 - Long-term Obligations (Continued)

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
General obligations	\$ 26,060,813	\$ 13,900,000	\$ (1,159,540)	\$ 38,801,273	\$ 2,126,279
Less deferred amounts -					
Deferred outflows - Deferred charges on bond refunding	(453,455)	-	30,227	(423,228)	-
Issuance (discount) premiums	1,610,778	1,342,788	(90,707)	2,862,859	-
Total bonds payable	27,218,136	15,242,788	(1,220,020)	41,240,904	2,126,279
Direct borrowing - Note payable	314,467	-	(100,675)	213,792	104,767
Severance and other obligations	150,541	-	(133,069)	17,472	12,855
Risk management (Note 10)	420,427	727,044	(789,210)	358,261	358,261
Total business-type activities long-term debt	\$ 28,103,571	\$ 15,969,832	\$ (2,242,974)	\$ 41,830,429	\$ 2,602,162

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The School District's qualified bonds are fully guaranteed by the State of Michigan. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District for qualified bonds.

The School District issued Qualified School Construction Bonds in a previous year. Qualified School Construction Bonds, a program under the America Recovery and Reinvestment Act of 2009, provide funding for state and local governments at lower borrowing costs of state and local governments than traditional tax-exempt bonds. The federal interest subsidy is indicated as a reduction of interest payments in the table below. The net interest column indicates the amount of cash that the School District will pay in interest.

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities				Business-type Activities				
	Other Debt				Direct Borrowing		Other Debt		
	Principal	Interest	Interest Subsidy	Total - Net	Principal	Interest	Principal	Interest - Net of Interest Subsidy	Total - Net
2021	\$ 12,108,722	\$ 4,898,027	\$ (801,000)	\$ 16,205,749	\$ 104,767	\$ 8,688	\$ 2,126,279	\$ 1,024,320	\$ 3,264,054
2022	12,389,301	4,304,828	(801,000)	15,893,129	109,025	4,431	2,175,699	1,016,993	3,306,148
2023	4,287,563	3,697,756	(801,000)	7,184,319	-	-	2,252,437	954,035	3,206,472
2024	4,148,141	3,495,204	(801,000)	6,842,345	-	-	2,321,858	888,962	3,210,820
2025	3,775,000	3,301,500	(801,000)	6,275,500	-	-	2,330,000	824,483	3,154,483
2026-2030	36,900,000	10,663,969	(1,702,125)	45,861,844	-	-	12,820,000	3,752,086	16,572,086
2031-2035	21,400,000	2,733,750	-	24,133,750	-	-	10,095,000	1,318,650	11,413,650
2036-2039	-	-	-	-	-	-	4,680,000	400,263	5,080,263
Total	\$ 95,008,727	\$ 33,095,034	\$ (5,707,125)	\$ 122,396,636	\$ 213,792	\$ 13,119	\$ 38,801,273	\$ 10,179,792	\$ 49,207,976

Note 8 - Long-term Obligations (Continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Qualified bonds are fully guaranteed by the State of Michigan. Bonds and notes payable and installment purchase agreements consist of the following:

	Allocated to	
	Governmental Activities	Business-type Activities
\$15,000,000 building and site bonds that are designated qualified school construction bonds, due in a lump-sum payment of \$15,000,000 on May 1, 2027, bearing interest at 6.625 percent. The School District will receive direct payment from the United States Treasury equal to 5.34 percent of yearly interest payable on the bonds	\$ 15,000,000	\$ -
\$17,055,000 refunding bonds, due in annual installments of \$550,000 to \$1,195,000 through May 1, 2039, interest at 5.00 percent	-	16,505,000
\$13,900,000 energy conservation bonds, due in annual installments of \$1,055,000 to \$1,310,000 through May 1, 2033, interest at 3.00 percent	-	13,900,000
\$9,730,000 qualified refunding bonds, due in annual installments of \$539,301 to \$552,563 through May 1, 2024, interest at 2.50 percent to 4.00 percent	2,183,727	286,273
\$68,475,000 qualified serial bonds, due in annual installments of \$2,800,000 to \$5,700,000 through May 1, 2034, interest at 4.0 percent to 5.0 percent	59,925,000	-
\$2,480,000 qualified serial bonds, due in annual installments of \$340,000 to \$360,000 through May 1, 2023, interest at 3.00 percent to 3.25 percent	1,050,000	-
\$9,165,000 refunding bonds, due in annual installments of \$515,000 to \$790,000 through May 1, 2032, interest at 3.00 percent to 3.25 percent	-	8,110,000
\$45,520,000 qualified refunding bonds, due in annual installments of \$8,425,000 through May 1, 2022, interest at 5.00 percent	16,850,000	-
\$532,188 note payable for the purchase of IT equipment, due in annual installments ranging from \$100,676 to \$109,910 through November 29, 2021. This note is considered a direct borrowing and held between the School District and the bank. The outstanding note is secured with collateral of the related equipment held at the College and contains a provision that, if the College is unable to make payment, the bank can declare all outstanding installment payments to be due immediately	-	213,792
Total bonds and notes payable	\$ 95,008,727	\$ 39,015,065

Bond Refunding

In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2020, \$43,595,000 of bonds outstanding is considered defeased.

Note 9 - Michigan Public School Employees' Retirement System

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools> or by writing to the Office of Retirement Services at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree health care and keeping the premium subsidy benefit described above or choosing not to pay the 3 percent 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 health care expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stopped paying the 3 percent contribution to the retiree health care as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The School District's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates is as follows for both the College and P-12:

	Pension	OPEB
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The P-12's required and actual pension contributions to the plan for the year ended June 30, 2020 were \$42,580,943, which include the P-12's contributions required for those members with a defined contribution benefit. The P-12's required and actual pension contributions include an allocation of \$16,498,392 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2020.

The College's required and actual pension contributions to the plan for the year ended June 30, 2020 were \$12,734,019, which include the College's contributions required for those members with a defined contribution benefit. The College's required and actual pension contributions include an allocation of \$5,151,704 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability stabilization rate for the year ended June 30, 2020.

The P-12's required and actual OPEB contributions to the plan for the year ended June 30, 2020 were \$11,369,536, which include the School District's contributions required for those members with a defined contribution benefit.

The College's required and actual OPEB contributions to the plan for the year ended June 30, 2020 were \$3,322,005, which include the College's contributions required for those members with a defined contribution benefit.

The P-12 and the College's required and actual OPEB contributions did not include an allocation of revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability stabilization rate for the year ended June 30, 2020.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Net Pension Liability

At June 30, 2020, the School District reported a liability of \$645,157,962 (the P-12 totaled \$493,600,427 and the College totaled \$151,557,535) for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the P-12's proportion was 1.4905 percent and 1.4771 percent, respectively, representing a change of 0.91 percent. At September 30, 2019 and 2018, the College's proportion was 0.4576 percent and 0.4644 percent, respectively, representing a change of 1.44 percent.

Net OPEB Liability

At June 30, 2020, the School District reported a liability of \$139,681,927 (the P-12 totaled \$107,324,382 and the College totaled \$32,357,545) for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2020 was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the P-12's proportion was 1.4952 percent and 1.4920 percent of MPSERS, respectively, representing a change of 0.22 percent. At September 30, 2019 and 2018, the College's proportion was 0.4508 percent and 0.4568 percent of MPSERS, respectively, representing a change of 1.30 percent.

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

For the year ended June 30, 2020, the P-12 recognized pension expense of \$81,697,337, inclusive of payments to fund the MPSERS UAAL stabilization rate. For the year ended June 30, 2020, the College recognized pension expense of \$25,228,613.

At June 30, 2020, the P-12 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,212,474	\$ 2,058,267
Changes in assumptions	96,647,311	-
Net difference between projected and actual earnings on pension plan investments	-	15,819,055
Changes in proportion and differences between the P-12's contributions and proportionate share of contributions	6,891,889	795,991
The P-12's contributions to the plan subsequent to the measurement date	35,628,590	-
Total	<u>\$ 141,380,264</u>	<u>\$ 18,673,313</u>

June 30, 2020

Note 9 - Michigan Public School Employees' Retirement System (Continued)

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 679,328	\$ 633,454
Changes in assumptions	29,675,072	-
Net difference between projected and actual earnings on pension plan investments	-	4,857,161
Changes in proportion and differences between college contributions and proportionate share of contributions	1,191,852	2,182,276
College contributions subsequent to the measurement date	10,711,511	-
Total	\$ 42,257,763	\$ 7,672,891

Additionally, the P-12 and the College reported deferred inflows of resources at June 30, 2020 on the statement of net position of \$16,498,392 and \$5,151,704, respectively, for funding received through state appropriations for contributions to the MPSERS pension plan after the measurement date, which are not included in the tables above.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	P-12	College	Total
2021	\$ 35,369,274	\$ 10,150,054	\$ 45,519,328
2022	27,097,181	7,338,455	34,435,636
2023	17,612,310	4,535,529	22,147,839
2024	6,999,596	1,850,798	8,850,394
Total	\$ 87,078,361	\$ 23,874,836	\$ 110,953,197

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2020, the P-12 recognized OPEB expense of \$3,190,243. For the year ended June 30, 2020, the College recognized OPEB expense of \$3,322,005.

School District of the City of Dearborn, Michigan

Notes to Financial Statements

June 30, 2020

Note 9 - Michigan Public School Employees' Retirement System (Continued)

At June 30, 2020, the P-12 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 39,380,351
Changes in assumptions	23,255,021	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,866,422
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	1,964,817	271,136
P-12 employer contributions to the plan subsequent to the measurement date	8,032,745	-
	<u>\$ 33,252,583</u>	<u>\$ 41,517,909</u>
Total		

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 11,872,898
Changes in assumptions	7,011,225	-
Net difference between projected and actual earnings on OPEB plan investments	-	562,713
Changes in proportionate share or difference between College amount contributed and proportionate share of contributions	11,472	1,228,463
College employer contributions to the plan subsequent to the measurement date	2,334,556	-
	<u>\$ 9,357,253</u>	<u>\$ 13,664,074</u>
Total		

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	P-12	College	Total
2021	\$ (4,551,328)	\$ (1,812,376)	\$ (6,363,704)
2022	(4,551,328)	(1,812,376)	(6,363,704)
2023	(3,590,727)	(1,533,740)	(5,124,467)
2024	(2,306,282)	(1,015,420)	(3,321,702)
2025	(1,298,406)	(467,465)	(1,765,871)
Total	<u>\$ (16,298,071)</u>	<u>\$ (6,641,377)</u>	<u>\$ (22,939,448)</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2021).

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2019 are based on the results of an actuarial valuation as of September 30, 2018 and rolled forward. The total pension liability and OPEB liability were determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75% (Year 1 graded to 3.5% year 12)
Health care cost trend rate - OPEB	7.50%	RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% male and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Mortality basis		Annual noncompounded for MIP members
Cost of living pension adjustments	3.00%	

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

Significant assumption changes since the prior measurement date, September 30, 2018, for pension and OPEB include a reduction in both discount rates, continued impact of the updated experience study that resulted in a lower than projected per person health benefit cost for OPEB, and favorable investment experience for both plans. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2019, depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

June 30, 2020

Note 9 - Michigan Public School Employees' Retirement System (Continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.50 %
Private equity pools	18.00	8.60
International equity pools	16.00	7.30
Fixed-income pools	10.50	1.20
Real estate and infrastructure pools	10.00	4.20
Absolute return pools	15.50	5.40
Short-term investment pools	2.00	0.80
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.3 percent.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
P-12	\$ 641,712,132	\$ 493,600,427	\$ 370,810,720
College	197,034,491	151,557,535	113,855,571

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
P-12	\$ 131,649,482	\$ 107,324,382	\$ 86,898,054
College	39,691,391	32,357,545	26,199,151

June 30, 2020

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.50%)	Current Rate (7.50%)	1 Percentage Point Increase (8.50%)
P-12	\$ 86,032,067	\$ 107,324,382	\$ 131,646,596
College	25,938,062	32,357,545	39,690,521

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2020, the P-12 reported a payable of \$7,630,981 and \$1,314,376 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2020. At June 30, 2020, the College reported a payable of \$1,491,916 and \$233,936 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2020.

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for health claims and participates in the Metropolitan Association for Improved School Legislation (risk pool) for claims relating to property coverage and general liability. The College is no longer self-insured for vision and prescriptions as of September 30, 2013. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past five fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

For risk retention situations (other than commercial coverage or risk-sharing pools), the School District estimates the liability for dental and workers' compensation claims that have been incurred through the end of the fiscal year, including both claims that have been reported, as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2020	2019
Estimated liability - Beginning of year	\$ 981,279	\$ 875,517
Estimated claims incurred - Including changes in estimates	619,008	1,364,364
Claim payments	(940,149)	(1,258,602)
Estimated liability - End of year	<u>\$ 660,138</u>	<u>\$ 981,279</u>

Note 10 - Risk Management (Continued)

Property and General Liability

The P-12 and the College have limited risk management programs for property coverage and general liability. Risk management pool assets are held and administered by the Metropolitan Association for Improved School Legislation for the P-12 and by the Michigan Community College Risk Management Authority for the College. Premiums are paid by the P-12's General Fund and are available to pay claims, claim reserves, and administrative costs of the program. Premiums are paid by the College and are available to pay claims, claim reserves, and administration costs of the program up to a maximum of \$15,000 per claim or up to \$45,000 per year. During fiscal year 2020, approximately \$599,000 and \$329,000 was paid in premiums by the P-12 and the College, respectively. An excess insurance policy covers individual claims in excess of \$1,000 for the P-12 and \$10,000 for the College.

Dental

The self-insured dental plan covers all employees of Henry Ford College. Claims are funded by the College and paid by the plan administrator. The College pays all administrative costs of the plan. During fiscal year 2020, \$401,601 was charged to expense relating to these benefits, including claims incurred but not reported.

Workers' Compensation

The self-insured workers' compensation plan covers all employees of Henry Ford College. Claims are funded by the School District and paid by the plan administrator. An insurance policy covers claims in excess of \$400,000 per occurrence. During fiscal year 2020, \$17,780 was charged to expense relating to these benefits, including claims incurred but not reported.

Note 11 - Restricted Assets

The balance of the P-12 restricted assets account at June 30, 2020 of \$10,382,839 represents bonded debt service reserve. The balance of the College restricted asset account at June 20, 2020 of \$14,950,983 represents unspent bond proceeds.

Note 12 - Contingent Liabilities

In the normal course of their activities, the P-12 and the College are parties to various legal actions. It is the opinion of officials of both the P-12 and the College that potential claims in excess of insurance coverage resulting from pending litigation will not have a material effect on the financial statements and no reserves for losses are accrued.

Note 13 - Henry Ford College Foundation

Henry Ford College Foundation was organized to develop fundraising programs and events and to administer the resulting assets in order to provide scholarships to students and other financial assistance to Henry Ford College's special programs and department projects.

The Internal Revenue Service has determined that the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded.

The College assumes the liability for the salaries of the Foundation's employees and certain general and administrative expenses. Expenses assumed by the College were \$752,651 for the year ended June 30, 2020.

June 30, 2020

Note 14 - Designated Net Position

Within the proprietary funds' unrestricted net position, certain amounts are designated at June 30, 2020. The amounts are as follows:

	General Fund	Designated Fund
Working capital	\$ 13,721,909	\$ -
Technology improvements	-	2,950,224
Programming	-	5,973
Total	\$ 13,721,909	\$ 2,956,197

Note 15 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2020</u>				
	<u>Quoted Prices in</u>			
	<u>Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Balance at June 30, 2020</u>
P-12 investments - Fixed income - Treasuries	\$ -	\$ 9,510,218	\$ -	\$ 9,510,218
College investments:				
Fixed income - Corporate paper	-	21,951,658	-	21,951,658
Fixed income - Certificate of deposits - Participating	-	3,278,359	-	3,278,359
Fixed income - Treasuries	-	507,223	-	507,223
Total college investments	-	25,737,240	-	25,737,240
Foundation investments:				
Fixed income - Core	5,202,651	-	-	5,202,651
Equity - Large growth and value	11,212,848	-	-	11,212,848
Total foundation investments	16,415,499	-	-	16,415,499
Total assets	\$ 16,415,499	\$ 35,247,458	\$ -	\$ 51,662,957

Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities.

Note 15 - Fair Value Measurements (Continued)

The fair value of investments of the P-12 and the College at June 30, 2020 was determined primarily based on Level 2 inputs. The P-12 and the College estimate the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Short-term investments on the proprietary funds' statement of net position at June 30, 2020 include investments in Michigan Liquid Asset Fund - Investment Pools of \$7,179,900.

Component Unit

Investments are presented in the financial statements at fair market value. Unrealized gains or losses are reported as changes in net position in the statements of activities. Realized gains or losses on investments are recorded upon sale and are determined based on specific identification.

Note 16 - Tax Abatements

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974), brownfield redevelopment (PA 381 of 1996), and PILOT (PA346 of 1966) agreements granted by companies within Wayne County that impact the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities, brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties, and PILOT exemptions are intended to sustain apartments and work space for low-income artists.

For the fiscal year ended June 30, 2020, the School District's property tax revenue was reduced by \$726,141 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the School Aid formula. The School District received approximately \$1,507,000 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from the debt service millages. There are no abatements made by the School District.

Note 17 - Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventive or protective actions, such as temporary closures of nonessential business and shelter-at-home guidelines for individuals. As a result, the global economy has been negatively affected, and the School District's operations were also impacted. Due to the governor of Michigan's orders and shelter-at-home guidelines, the P-12 and College shifted to remote online learning environment for all classes.

The pandemic affected the College's on-site revenue sources, such as the on-campus dining locations and bookstore, resulting in lost revenue for the College for the year ended June 30, 2020. To offset the financial impact to students and the losses incurred by the College due to the disruption caused by COVID-19, the College received grants and other relief primarily from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The College was allocated Higher Education Emergency Relief Fund (HEERF) grants totaling \$9,599,186, of which \$4,576,559 was required to be given directly to students. For the year ended June 30, 2020, the College recognized HEERF grant revenue totaling \$3,607,300.

Following the passing of the CARES Act, the U.S. Department of Treasury distributed Coronavirus Relief Fund (CRF) payments to the State of Michigan. During July and August 2020, the P-12 and College received \$7,476,268 and \$2,525,400, respectively, of these restricted CRF funds from the Michigan Department of Education. For the School District, these funds were awarded and received after June 30, 2020 and were excluded from 2019-2020 fiscal year revenue. The CRF funds can only be used for eligible costs and are subject to certain Uniform Guidance and grant-specific reporting requirements.

June 30, 2020

Note 17 - Impact of COVID-19 (Continued)

No impairments were recorded as of June 30, 2020 based on the effect on the School District's operations to date; however, due to the uncertainty surrounding the situation, management's judgment regarding this could change. The severity of the continued impact due to COVID-19 on the School District's financial condition, results of operations, or cash flows will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the School District's community, all of which are uncertain and cannot be predicted.

Required Supplemental Information

School District of the City of Dearborn, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 43,292,952	\$ 44,379,561	\$ 43,970,217	\$ (409,344)
State sources	168,408,564	156,544,857	166,630,531	10,085,674
Federal sources	45,000	45,000	46,778	1,778
Interdistrict - Incoming transfers from other districts	12,672,752	13,311,904	13,857,599	545,695
Total revenue	224,419,268	214,281,322	224,505,125	10,223,803
Expenditures				
Current:				
Instruction:				
Basic programs	113,838,802	112,607,817	112,719,027	111,210
Added needs	18,510,338	18,950,939	18,950,531	(408)
Adult/Continuing education	-	5,910	7,860	1,950
Support services:				
Pupil	12,966,340	13,330,740	13,145,646	(185,094)
Instructional staff	10,635,068	10,969,293	10,288,676	(680,617)
General administration	1,301,701	1,210,138	1,139,149	(70,989)
School administration	16,259,771	16,017,297	16,007,324	(9,973)
Business	2,625,595	2,615,134	2,077,679	(537,455)
Operations and maintenance	28,876,875	28,146,731	24,556,579	(3,590,152)
Pupil transportation services	10,011,491	8,835,754	8,211,549	(624,205)
Central	5,464,118	6,108,638	5,758,587	(350,051)
Other	3,316	60,452	80,225	19,773
Athletics	2,622,927	2,647,810	2,360,945	(286,865)
Community services	83,120	92,261	92,210	(51)
Total expenditures	223,199,462	221,598,914	215,395,987	(6,202,927)
Excess of Revenue Over (Under) Expenditures	1,219,806	(7,317,592)	9,109,138	16,426,730
Other Financing Sources (Uses)				
Transfers in	2,347,605	2,711,743	2,330,109	(381,634)
Transfers out	(4,567,525)	(8,404,480)	(8,855,030)	(450,550)
Total other financing uses	(2,219,920)	(5,692,737)	(6,524,921)	(832,184)
Net Change in Fund Balance	(1,000,114)	(13,010,329)	2,584,217	15,594,546
Fund Balance - Beginning of year	33,632,724	33,632,724	33,632,724	-
Fund Balance - End of year	\$ 32,632,610	\$ 20,622,395	\$ 36,216,941	\$ 15,594,546

School District of the City of Dearborn, Michigan

Required Supplemental Information

Schedule of the School District of the City of Dearborn, Michigan's Proportionate Share of the Net Pension Liability

Michigan Public School Employees' Retirement System

Last Six Plan Years
Years Ended September 30

	2019		2018		2017		2016		2015		2014	
	College	P-12	College	P-12	College	P-12	College	P-12	College	P-12	College	P-12
Proportion of the collective MPERS net pension liability	0.45765 %	1.49049 %	0.46436 %	1.47706 %	0.47006 %	1.46387 %	0.46260 %	1.45070 %	0.44420 %	1.40690 %	0.41190 %	1.36530 %
School District's proportionate share of the net pension liability	\$ 151,557,535	\$ 493,600,427	\$ 139,595,750	\$ 444,032,271	\$ 121,812,093	\$ 379,349,782	\$ 115,404,414	\$ 361,929,771	\$ 108,513,913	\$ 343,626,845	\$ 90,738,688	\$ 300,722,387
Covered payroll	\$ 39,563,341	\$ 130,904,452	\$ 39,016,622	\$ 127,124,502	\$ 39,611,832	\$ 122,229,184	\$ 39,002,600	\$ 124,444,156	\$ 37,594,029	\$ 117,342,529	\$ 35,090,424	\$ 115,972,345
Proportionate share of the net pension liability as a percentage of its covered payroll	383.08 %	377.07 %	357.79 %	349.29 %	307.51 %	310.36 %	295.89 %	290.84 %	288.64 %	292.84 %	258.59 %	259.31 %
MPERS fiduciary net position as a percentage of total pension liability	60.08 %	60.08 %	62.12 %	62.12 %	63.96 %	63.96 %	63.01 %	63.01 %	63.17 %	62.92 %	66.18 %	66.20 %

School District of the City of Dearborn, Michigan

Required Supplemental Information

Schedule of the School District of the City of Dearborn, Michigan's Pension Contributions

Michigan Public School Employees' Retirement System

Last Six Fiscal Years
Years Ended June 30

	2020		2019		2018		2017		2016		2015	
	College	P-12	College	P-12	College	P-12	College	P-12	College	P-12	College	P-12
Statutorily required contribution	\$ 12,456,336	\$ 41,632,190	\$ 12,165,227	\$ 40,027,978	\$ 11,950,133	\$ 37,839,965	\$ 11,211,788	\$ 34,322,159	\$ 10,751,416	\$ 32,998,038	\$ 6,397,865	\$ 25,594,553
Contributions in relation to the contractually required contribution	12,456,336	41,632,190	12,165,227	40,027,978	11,950,133	37,839,965	11,211,788	34,322,159	10,751,416	32,998,038	6,397,865	25,594,553
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 38,550,737	\$132,645,482	\$ 38,945,452	\$130,601,702	\$ 38,942,209	\$126,354,565	\$ 40,361,645	\$121,864,395	\$ 38,380,413	\$118,269,399	\$ 37,197,602	\$117,149,391
Contributions as a Percentage of Covered Payroll	32.31 %	31.39 %	31.24 %	30.65 %	30.69 %	29.95 %	27.78 %	28.16 %	28.01 %	27.90 %	17.20 %	21.85 %

School District of the City of Dearborn, Michigan

Required Supplemental Information

Schedule of the School District of the City of Dearborn, Michigan's Proportionate Share of the Net OPEB Liability

Michigan Public School Employees' Retirement System

**Last Three Plan Years
Plan Years Ended September 30**

	2019		2018		2017	
	College	P-12	College	P-12	College	P-12
Proportion of the net OPEB liability	0.45080 %	1.49524 %	0.45676 %	1.49200 %	0.46946 %	1.46266 %
Proportionate share of the net OPEB liability	\$ 32,357,545	\$ 107,324,382	\$ 36,307,482	\$ 118,598,141	\$ 41,572,746	\$ 129,525,038
Covered payroll	\$ 39,563,341	\$ 130,904,452	\$ 39,016,622	\$ 127,124,502	\$ 39,611,832	\$ 122,229,184
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.79 %	81.99 %	93.06 %	93.29 %	104.95 %	105.97 %
Plan fiduciary net position as a percentage of total OPEB liability	48.67 %	48.67 %	43.10 %	43.10 %	36.53 %	36.53 %

School District of the City of Dearborn, Michigan

Required Supplemental Information
 Schedule of the School District of the City of Dearborn, Michigan's
 OPEB Contributions
 Michigan Public School Employees' Retirement System

	Last Three Fiscal Years					
	Years Ended June 30					
	2020		2019		2018	
	College	P-12	College	P-12	College	P-12
Statutorily required contribution	\$ 3,097,783	\$ 10,658,860	\$ 3,059,175	\$ 10,258,796	\$ 2,814,540	\$ 9,126,243
Contributions in relation to the statutorily required contribution	3,097,783	10,658,860	3,059,175	10,258,796	2,814,540	9,126,243
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 38,550,737	\$ 132,645,482	\$ 38,945,452	\$ 130,601,702	\$ 38,942,209	\$ 126,354,565
Contributions as a Percentage of Covered Payroll	8.04 %	8.04 %	7.86 %	7.86 %	7.23 %	7.22 %

June 30, 2020

Pension Information

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for the reported plan years ended September 30, except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for the reported plan years ended September 30, except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

Other Supplemental Information

School District of the City of Dearborn, Michigan

	Special Revenue Funds				
	Debt Service Fund	Cafeteria	Adult Education	Center Program	Funded Projects
Assets					
Cash and investments	\$ -	\$ 2,216,754	\$ 221,571	\$ -	\$ -
Accounts and grants receivable	-	740,820	285,095	-	6,136,950
Due from other funds	1,888,932	-	-	3,401,736	-
Inventories	-	26,904	-	-	-
Prepaid costs and other assets	-	-	-	-	40,437
Restricted assets	10,382,839	-	-	-	-
Total assets	\$ 12,271,771	\$ 2,984,478	\$ 506,666	\$ 3,401,736	\$ 6,177,387
Liabilities					
Accounts and contracts payable	\$ 157	\$ 336,594	\$ 22,998	\$ 2,598,898	\$ 109,313
Due to other funds	-	334,555	72,511	-	2,072,771
Accrued salary, wage, and fringe benefits payable	-	134,116	44,639	802,838	2,464,636
Unearned revenue	-	-	7,000	-	1,530,667
Total liabilities	157	805,265	147,148	3,401,736	6,177,387
Fund Balances					
Nonspendable:					
Inventory	-	26,904	-	-	-
Prepaid costs	-	-	-	-	40,437
Restricted:					
Debt service	12,271,614	-	-	-	-
Food service	-	2,152,309	-	-	-
Assigned:					
Capital projects	-	-	-	-	-
Adult education	-	-	359,518	-	-
Unassigned fund deficit	-	-	-	-	(40,437)
Total fund balances	12,271,614	2,179,213	359,518	-	-
Total liabilities and fund balances	\$ 12,271,771	\$ 2,984,478	\$ 506,666	\$ 3,401,736	\$ 6,177,387

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2020

Capital Project Funds

2014 Capital Projects	General Building and Site	Total Nonmajor Funds
\$ -	\$ -	\$ 2,438,325
-	-	7,162,865
11,213	4,199,316	9,501,197
-	-	26,904
-	-	40,437
-	-	10,382,839
\$ 11,213	\$ 4,199,316	\$ 29,552,567
\$ 11,213	\$ 568,013	\$ 3,647,186
-	-	2,479,837
-	-	3,446,229
-	-	1,537,667
11,213	568,013	11,110,919
-	-	26,904
-	-	40,437
-	-	12,271,614
-	-	2,152,309
-	3,631,303	3,631,303
-	-	359,518
-	-	(40,437)
-	3,631,303	18,441,648
\$ 11,213	\$ 4,199,316	\$ 29,552,567

School District of the City of Dearborn, Michigan

	Special Revenue Funds				
	Debt Service Fund	Cafeteria	Adult Education	Center Program	Funded Projects
Revenue					
Local sources	\$ 17,984,545	\$ 509,314	\$ 1,082,665	\$ -	\$ 45,942
State sources	1,964,852	391,775	1,725,952	4,345,435	8,311,043
Federal sources	752,540	10,512,355	-	-	16,802,384
Interdistrict - Incoming transfers from other districts	-	-	-	8,186,756	-
Total revenue	<u>20,701,937</u>	<u>11,413,444</u>	<u>2,808,617</u>	<u>12,532,191</u>	<u>25,159,369</u>
Expenditures					
Current:					
Instruction	-	-	1,148,580	8,203,401	17,199,566
Support services	16,158	-	1,166,258	3,997,052	6,410,349
Food services	-	11,899,395	-	-	-
Community services	-	-	457,356	-	1,282,837
Debt service:					
Principal	11,650,460	-	-	-	-
Interest and other	5,444,595	-	-	-	-
Fees and other bond costs	4,750	-	-	-	-
Capital outlay	-	811,355	2,196	130,605	1,896
Total expenditures	<u>17,115,963</u>	<u>12,710,750</u>	<u>2,774,390</u>	<u>12,331,058</u>	<u>24,894,648</u>
Excess of Revenue Over (Under) Expenditures	3,585,974	(1,297,306)	34,227	201,133	264,721
Other Financing Sources (Uses)					
Transfers in	977,869	112,906	-	1,528,976	72,176
Transfers out	-	(600,000)	-	(1,730,109)	(336,897)
Total other financing sources (uses)	<u>977,869</u>	<u>(487,094)</u>	<u>-</u>	<u>(201,133)</u>	<u>(264,721)</u>
Net Change in Fund Balances	4,563,843	(1,784,400)	34,227	-	-
Fund Balances - Beginning of year	<u>7,707,771</u>	<u>3,963,613</u>	<u>325,291</u>	<u>-</u>	<u>-</u>
Fund Balances - End of year	<u><u>\$ 12,271,614</u></u>	<u><u>\$ 2,179,213</u></u>	<u><u>\$ 359,518</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2020

Capital Project Funds		
2014 Capital Projects	General Building and Site	Total Nonmajor Funds
\$ -	\$ -	\$ 19,622,466
-	-	16,739,057
-	-	28,067,279
-	-	8,186,756
-	-	72,615,558
-	-	26,551,547
-	-	11,589,817
-	-	11,899,395
-	-	1,740,193
-	-	11,650,460
-	-	5,444,595
-	-	4,750
-	3,864,990	4,811,042
-	3,864,990	73,691,799
-	(3,864,990)	(1,076,241)
-	6,500,000	9,191,927
-	-	(2,667,006)
-	6,500,000	6,524,921
-	2,635,010	5,448,680
-	996,293	12,992,968
\$ -	\$ 3,631,303	\$ 18,441,648

School District of the City of Dearborn, Michigan

	Combined Total	General Fund	Pension and OPEB Liability Fund*	Auxiliary Services Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 10,810,259	\$ 7,059,067	\$ -	\$ 22,063
Short-term investments	32,409,917	32,409,917	-	-
Receivables - Net:				
Student receivables	2,261,793	2,221,540	-	9,426
Accounts and grants	2,904,453	(19,100)	-	-
Due from other governments	2,673,823	2,673,823	-	-
Due from other funds	88,630	88,630	-	-
Inventories	1,619,693	-	-	1,613,535
Prepaid expenses and other assets	1,290,553	1,290,553	-	-
Total current assets	54,059,121	45,724,430	-	1,645,024
Noncurrent assets:				
Restricted assets - Unspent bond proceeds	14,950,983	-	-	-
Long-term investments	507,223	507,223	-	-
Capital assets - Net	67,187,465	405	-	-
Total noncurrent assets	82,645,671	507,628	-	-
Total assets	136,704,792	46,232,058	-	1,645,024
Deferred Outflows of Resources				
Deferred outflows related to pensions	42,257,763	-	42,257,763	-
Deferred charges on bond refunding	423,228	-	-	-
Deferred OPEB costs	9,357,253	-	9,357,253	-
Total deferred outflows of resources	52,038,244	-	51,615,016	-
Liabilities				
Current liabilities:				
Accounts payable	1,827,501	976,034	-	-
Internal balances	-	21,976,176	-	(4,183,733)
Deposits held for others	101,390	-	-	-
Accrued salary, wage, and fringe benefits payable	6,925,439	6,709,252	-	12,752
Unearned revenue	4,106,358	2,472,954	-	-
Early termination obligation	12,855	12,855	-	-
Risk management	358,261	358,261	-	-
Current portion of long-term liabilities	2,231,046	-	-	-
Total current liabilities	15,562,850	32,505,532	-	(4,170,981)
Noncurrent liabilities:				
Bonds and notes payable - Net of unamortized premium and discounts	39,646,878	-	-	-
Early termination obligation	4,617	4,617	-	-
Net pension liability	151,557,535	-	151,557,535	-
Net OPEB liability	32,357,545	-	32,357,545	-
Total noncurrent liabilities	223,566,575	4,617	183,915,080	-
Total liabilities	239,129,425	32,510,149	183,915,080	(4,170,981)
Deferred Inflows of Resources	26,488,669	-	26,488,669	-
Net Position				
Net investment in capital assets	40,683,752	-	-	-
Unrestricted	(117,558,810)	13,721,909	(158,788,733)	5,816,005
Total net position	\$ (76,875,058)	\$ 13,721,909	\$ (158,788,733)	\$ 5,816,005

Other Supplemental Information
Combining Statement of Net Position
Proprietary Funds

June 30, 2020

Designated Fund	Restricted Fund	Agency Fund	Plant Funds	CARES Fund
\$ 200	\$ 10,001	\$ 100,888	\$ 3,618,040	\$ -
-	-	-	-	-
-	-	30,827	-	-
-	2,923,553	-	-	-
-	-	-	-	-
6,158	-	-	-	-
-	-	-	-	-
6,358	2,933,554	131,715	3,618,040	-
-	-	-	14,950,983	-
-	-	-	-	-
-	-	-	67,187,060	-
-	-	-	-	-
-	-	-	82,138,043	-
6,358	2,933,554	131,715	85,756,083	-
-	-	-	-	-
-	-	-	423,228	-
-	-	-	-	-
-	-	-	423,228	-
-	849,408	-	2,059	-
(3,470,179)	1,106,323	30,325	(19,727,111)	4,268,199
-	-	101,390	-	-
385	6,242	-	196,808	-
519,955	471,209	-	642,240	-
-	-	-	-	-
-	-	-	-	-
-	-	-	2,231,046	-
(2,949,839)	2,433,182	131,715	(16,654,958)	4,268,199
-	-	-	39,646,878	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	39,646,878	-
(2,949,839)	2,433,182	131,715	22,991,920	4,268,199
-	-	-	-	-
-	-	-	40,683,752	-
2,956,197	500,372	-	22,503,639	(4,268,199)
\$ 2,956,197	\$ 500,372	\$ -	\$ 63,187,391	\$ (4,268,199)

*The Pension and OPEB Liability Fund reflects GASB 68 and GASB 75 adjustments and state appropriations for UAAL.

School District of the City of Dearborn, Michigan

	Combined Total	Eliminations	General Fund	Pension and OPEB Liability Fund*
Operating Revenue				
Tuition and fees - Net of scholarship allowance of \$26,623,771	\$ 23,819,545	\$ (26,623,771)	\$ 47,257,282	\$ -
Federal grants	2,451,139	-	-	-
State and local grants and gifts	5,316,389	-	-	-
Auxiliary enterprises	5,129,747	-	-	-
Other funds expenditures for capital assets	-	(1,826,594)	-	-
Miscellaneous	851,551	-	640,117	-
Total operating revenue	37,568,371	(28,450,365)	47,897,399	-
Operating Expenses				
Instruction	53,701,815	(1,063,298)	41,788,673	5,918,469
Information technology	5,499,416	-	5,081,796	417,620
Instructional support	3,730,056	-	2,960,412	757,446
Student services	21,494,661	(26,666,356)	11,959,778	1,578,629
Institutional administration	9,064,853	(476,745)	8,709,428	831,439
Physical plant operations	8,541,459	(226,758)	8,162,555	605,663
Auxiliary enterprises	5,019,426	(17,208)	-	140,306
Repairs and maintenance	1,381,308	-	443,225	-
Depreciation expense	8,507,582	-	-	-
Total operating expenses	116,940,576	(28,450,365)	79,105,867	10,249,572
Operating (Loss) Income	(79,372,205)	-	(31,208,468)	(10,249,572)
Nonoperating Revenue (Expense)				
Federal grants	26,616,074	-	-	-
State appropriations	29,816,573	-	29,820,251	(3,678)
Property taxes	14,007,650	-	13,924,955	-
Investment income	659,824	-	659,824	-
Higher Education Emergency Relief Funds	3,607,300	-	-	-
Interest on capital asset-related debt expenses	(1,330,275)	-	-	-
Total nonoperating revenue (expense)	73,377,146	-	44,405,030	(3,678)
Transfers (Out) In	-	-	(12,961,945)	-
Change in Net Position	(5,995,059)	-	234,617	(10,253,250)
Net Position - Beginning of year	(70,879,999)	-	13,487,292	(148,535,483)
Net Position - End of year	\$ (76,875,058)	\$ -	\$ 13,721,909	\$ (158,788,733)

Other Supplemental Information
Combining Statement of Revenue, Expenses, and Changes in Net Position
Proprietary Funds

Year Ended June 30, 2020

Auxiliary Services Fund	Designated Fund	Restricted Fund	Plant Funds	CARES Fund
\$ -	\$ 1,472,813	\$ -	\$ 1,713,221	\$ -
-	-	2,451,139	-	-
-	-	5,310,389	6,000	-
5,104,274	25,473	-	-	-
-	-	-	1,826,594	-
-	140,872	-	70,562	-
5,104,274	1,639,158	7,761,528	3,616,377	-
1,101	204,279	2,563,600	20,792	4,268,199
-	-	-	-	-
-	12,198	-	-	-
-	83,718	34,538,892	-	-
-	731	-	-	-
-	-	-	(1)	-
4,896,328	-	-	-	-
965	78,820	761,713	96,585	-
-	-	-	8,507,582	-
4,898,394	379,746	37,864,205	8,624,958	4,268,199
205,880	1,259,412	(30,102,677)	(5,008,581)	(4,268,199)
-	-	26,616,074	-	-
-	-	-	-	-
-	-	-	82,695	-
-	-	-	-	-
-	-	3,607,300	-	-
-	-	-	(1,330,275)	-
-	-	30,223,374	(1,247,580)	-
-	(500,104)	379,675	13,082,374	-
205,880	759,308	500,372	6,826,213	(4,268,199)
5,610,125	2,196,889	-	56,361,178	-
\$ 5,816,005	\$ 2,956,197	\$ 500,372	\$ 63,187,391	\$ (4,268,199)

*The Pension and OPEB Liability Fund reflects GASB 68 and 75 adjustments and state appropriations for UAAL

School District of the City of Dearborn, Michigan

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2020

Years Ending June 30	2010 QSCB Principal	2013 Refunding Principal	2015 Site Bond (Series A) Principal	2015 Site Bond (Series B) Principal	2017 Refunding Principal	Total
2021	\$ -	\$ 543,721	\$ 2,800,000	\$ 340,000	\$ 8,425,000	\$ 12,108,721
2022	-	539,301	3,075,000	350,000	8,425,000	12,389,301
2023	-	552,563	3,375,000	360,000	-	4,287,563
2024	-	548,142	3,600,000	-	-	4,148,142
2025	-	-	3,775,000	-	-	3,775,000
2026	-	-	3,975,000	-	-	3,975,000
2027	15,000,000	-	4,175,000	-	-	19,175,000
2028	-	-	4,375,000	-	-	4,375,000
2029	-	-	4,600,000	-	-	4,600,000
2030	-	-	4,775,000	-	-	4,775,000
2031	-	-	5,000,000	-	-	5,000,000
2032	-	-	5,225,000	-	-	5,225,000
2033	-	-	5,475,000	-	-	5,475,000
2034	-	-	5,700,000	-	-	5,700,000
Total remaining payments	\$ 15,000,000	\$ 2,183,727	\$ 59,925,000	\$ 1,050,000	\$ 16,850,000	\$ 95,008,727
Interest rate	6.625%	2.5 - 4.0%	4.0 - 5.0%	3.0 - 3.25%	5.0%	
Original issue	\$ 15,000,000	\$ 8,602,293	\$ 68,475,000	\$ 2,480,000	\$ 45,520,000	\$ 140,077,293

Principal payments for the bond issues are due on May 1 of each year.

Interest payments for the bond issues are due on May 1 and November 1 of each year.