

**School District of the City of  
Dearborn, Michigan**  
(includes P-12 and  
Henry Ford Community College)

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**Financial Report  
with Supplemental Information  
June 30, 2013**

# School District of the City of Dearborn, Michigan

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# School District of the City of Dearborn, Michigan

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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, each 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, 2013 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 Community 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.

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

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, each 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, 2013 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 discussed in Note 14 to the basic financial statements, in July 2012, the entity adopted the provisions of Governmental Accounting Standards Board Statement Nos. 62, 63, and 65. Our opinion is not modified with respect to this matter.

### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund budgetary comparison schedules, 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 accompanying 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.

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

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 November 12, 2013 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.

*Plante & Morse, PLLC*

November 12, 2013

# **School District of the City of Dearborn, Michigan**

## **Management's Discussion and Analysis (Unaudited) - Introduction**

### **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, 2013. 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 Community College (the "College") represents the post-secondary education component of the School District. Henry Ford Community 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, 2013. 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 and the Debt Service 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 net position, presents financial information about activities for which the P-12 acts solely as an agent for the benefit of students and parents.

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 Fund

Other Supplemental Information

# **School District of the City of Dearborn, Michigan**

## **Management's Discussion and Analysis (Unaudited) - Introduction (Continued)**

### ***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 and liabilities, 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 and liabilities, 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 Community College Foundation.

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) - Introduction (Continued)

### *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 include only the activities of the P-12 and 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 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.

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

The School District is the trustee, or fiduciary, 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.

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) - P-12

### Dearborn Public Schools (P-12)

Recall that the statement of net position provides the perspective of the School District as a whole. Table I provides a summary of the P-12's net position as of June 30, 2013 and 2012, which are reported as governmental activities of the School District:

Table I

	Governmental Activities	
	June 30	
	2013	2012
	(in millions)	
<b>Assets</b>		
Current assets	\$ 46.9	\$ 41.5
Restricted assets	5.8	6.4
Capital assets	<u>218.0</u>	<u>222.0</u>
Total assets	270.7	269.9
<b>Deferred Outflows of Resources -</b>		
Deferred charges on bond refunding	<u>0.5</u>	<u>-</u>
Total assets and deferred outflow of resources	271.2	269.9
<b>Liabilities</b>		
Current liabilities	56.0	44.4
Long-term liabilities	<u>107.7</u>	<u>122.9</u>
Total liabilities	<u>163.7</u>	<u>167.3</u>
<b>Net Position</b>		
Net investment in capital assets	93.6	87.7
Restricted	6.6	5.2
Unrestricted	<u>7.3</u>	<u>9.7</u>
Total net position	<u>\$ 107.5</u>	<u>\$ 102.6</u>

# **School District of the City of Dearborn, Michigan**

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## **Management's Discussion and Analysis (Unaudited) - P-12**

The above analysis focuses on the net position (see Table 1) of the P-12. The change in net position (see Table 2) of the P-12's activities is discussed below. The P-12's net position was \$107.5 million at June 30, 2013. Capital assets, net of related debt, totaling \$93.6 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, \$7.3 million, was unrestricted.

The \$7.3 million in unrestricted net position of governmental activities represents the accumulated results of all past years' P-12 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.

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) - P-12 (Continued)

The results of this year's operations for the P-12 as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal years 2013 and 2012.

Table 2

	Governmental Activities	
	Year Ended June 30	
	2013	2012
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 5.9	\$ 7.1
Operating grants	47.5	47.5
General revenue:		
Property taxes	55.9	56.0
State foundation allowance	118.3	117.6
Federal sources - Unrestricted	0.1	0.2
Total revenue	227.7	228.4
<b>Functions/Program Expenses</b>		
Instruction	124.9	118.5
Support services	76.6	75.0
Food services	6.7	7.2
Athletics	2.0	2.1
Interest on long-term debt	6.1	6.9
Other	0.4	0.4
Depreciation (unallocated)	6.1	8.4
Total functions/program expenses	222.8	218.5
<b>Increase in Net Position</b>	<b>\$ 4.9</b>	<b>\$ 9.9</b>

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) - P-12 (Continued)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$222.8 million. Certain activities were partially funded from those who benefited from the programs, \$5.9 million, or by other governments and organizations that subsidized certain programs with grants and contributions, \$47.5 million. We paid for the remaining "public benefit" portion of our governmental activities with \$55.9 million in taxes, \$118.3 million in state foundation allowance, and \$0.1 million in unrestricted federal sources.

The P-12 experienced an increase in net position of \$4.9 million. Key reasons for the change in net position are due to the following:

- The investment of \$2.1 million in property and equipment in our buildings and facilities to maintain usability, appearance, and sound infrastructure
- The refunding of \$9.7 million in bonds from both the 2003 refunding bonds and the 2004 building and site bonds
- The planned reduction of debt service and capital project related funds as those funds are spent to pay for specific bond related and capital related expenditures

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 \$15.6 million, which is a decrease of \$2.2 million from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund, the fund balance decreased by \$2,544,279, a smaller decrease than originally planned in the final budget, at \$2,900,344. The decrease was lower than the final budget due primarily to successful cuts to expenditures and more favorable state revenue from prior period adjustments.

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

# **School District of the City of Dearborn, Michigan**

## **Management's Discussion and Analysis (Unaudited) - P-12 (Continued)**

The P-12 special revenue funds reported a net increase in fund balance of approximately \$211,000. This was mainly due to an increase in the Adult Education Fund fund balance of \$105,575 and an increase in the Cafeteria Fund fund balance of \$141,581.

Combined, the P-12 debt service funds showed a fund balance increase of approximately \$1,100,000. Millage rates were increased in 2013 to pay the required principal and interest. Millage rates are determined annually to ensure that the School District (including the P-12 and the College) accumulates sufficient resources to pay annual bond issue-related debt service. Debt service funds fund balances are restricted since they can only be used to pay debt service obligations.

The combined capital projects funds fund balance decreased by approximately \$940,000 due to the spending of the proceeds from the 2010 QSCB issue.

### **General Fund Budgetary Highlights**

Over the course of the year, the P-12 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 in June. A schedule showing the P-12 revise original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

There were adjustments made to the 2012-2013 original revenue budget. Budgeted property tax, which falls under local revenue, was increased to reflect higher anticipated collections. Budgeted state aid revenue was increased by \$2,075,533 primarily to reflect higher enrollment as well as to account for one-time state aid payments related to MPSERS 147(c) retirement costs.

There were variances between the final budgeted expenses and actual. Those variances are due to increased costs primarily within basic programs related to teacher salaries and benefits and substitute/contract teacher costs. In addition, instructional staff expenses were \$2,127,674 favorable to budget due primarily to a \$1,923,125 classification for the instructional technology budget. The actual instructional technology expenses of \$1,572,133 are included within the central support program classification. Furthermore, there were higher than budgeted workers' compensation claims and lower indirect cost reimbursements/credits within the business services program classification.

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) - P-12 (Continued)

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2013, the P-12 had \$316.9 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and adjustments) of approximately \$2.1 million, or 0.6 percent, from last year.

This year's gross additions of \$2.1 million included land improvements, technology, and building renovations.

P-12 capital assets consist of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 11,423,864	\$ 11,423,864
Construction in progress	-	288,378
Buildings and building improvements	257,230,272	255,781,665
Land improvements	10,678,877	9,820,988
Buses and other vehicles	8,895,517	8,895,517
Equipment and other	<u>28,656,465</u>	<u>28,590,101</u>
Total capital assets	<u><b>\$ 316,884,995</b></u>	<u><b>\$ 314,800,513</b></u>

We anticipate capital additions will be approximately \$1.0 million for the 2013-2014 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 School District had \$121.4 million in bonds outstanding (excluding related discounts, premiums, and issuance costs) versus \$135.4 million in the previous year - a change of approximately 10.3 percent. Those bonds consisted of the following:

	<u>2013</u>	<u>2012</u>
General obligation bonds	<u><b>\$ 121,426,843</b></u>	<u><b>\$ 135,355,137</b></u>

# **School District of the City of Dearborn, Michigan**

## **Management's Discussion and Analysis (Unaudited) - P-12 (Continued)**

The School District's general obligation bond ratings range from A+ and Aa3. 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 significantly below this \$671 million statutorily imposed limit.

Other obligations include accrued vacation pay, compensated absences, debt premiums and discounts, and self-insurance liabilities. 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 considered many factors when setting the P-12's 2013-2014 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 blended count for 2013-2014 fiscal year is 90 percent of the October 2013 count and 10 percent of the February 2014 count. The 2013-2014 budget was adopted in June 2013, based upon an estimate of students that will be enrolled in October 2013. Over 90 percent of total General Fund revenue is derived from the foundation allowance. Under state law, the P-12 cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2013-2014 school year, we anticipate that the fall student count will actually be 1.3 percent higher than originally budgeted. Once the final student count and related per-pupil funding are validated, state law requires the P-12 to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Since the P-12'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 school districts. The State has passed its final school aid budget, which reflects a \$30.00 increase in per-pupil funding to our School District. However, we will continue to monitor the economic climate of the nation and the State and pay close attention to the revenue conferences to determine the State's ability to pay all of its obligations of the school aid budget. Once October student count numbers are finalized, we will produce a first revision of the 2013-2014 budget. Any changes to the State's ability to pay 100 percent of the school aid budget will also require potential budget amendments.

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) Henry Ford Community College

### Henry Ford Community College

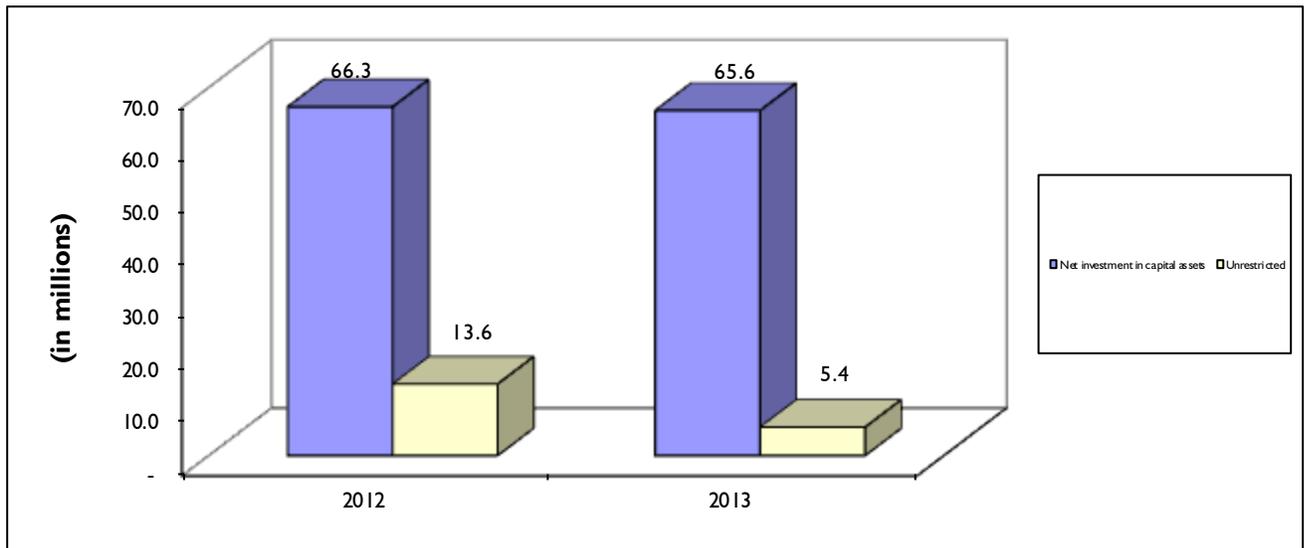
This discussion and analysis of Henry Ford Community College's (the "College") financial statements provide an overview of the College's financial activities for the year ended June 30, 2013. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

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 at June 30, 2013 deteriorated from June 30, 2012. In total, the College's net position decreased \$8.9 million, or 11.1 percent, from the prior year. The overall decrease is primarily the result of a decrease in unrestricted net position from operations.

The following chart provides a graphic breakdown of net position by category as of June 30, 2013 and 2012:



# **School District of the City of Dearborn, Michigan**

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## **Management's Discussion and Analysis (Unaudited) Henry Ford Community College (Continued)**

### **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.

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, 2013 and 2012:

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) Henry Ford Community College (Continued)

### Condensed Net Position as of June 30

(in millions)

	2012	2013	Increase (Decrease)	Percent Change
<b>Assets</b>				
Current assets	\$ 27.0	\$ 17.9	\$ (9.1)	(33.7)
Restricted assets	2.3	2.0	(0.3)	(13.0)
Capital assets - Net	<u>102.8</u>	<u>98.8</u>	<u>(4.0)</u>	(3.9)
Total assets	132.1	118.7	(13.4)	(10.1)
<b>Liabilities</b>				
Current liabilities	16.1	14.1	(2.0)	(12.4)
Long-term liabilities	<u>36.1</u>	<u>33.6</u>	<u>(2.5)</u>	(6.9)
Total liabilities	<u>52.2</u>	<u>47.7</u>	<u>(4.5)</u>	(8.6)
<b>Net Position</b>				
Net investment in capital assets	66.3	65.6	(0.7)	(1.1)
Unrestricted	<u>13.6</u>	<u>5.4</u>	<u>(8.2)</u>	(60.3)
Total net position	<u><b>\$ 79.9</b></u>	<u><b>\$ 71.0</b></u>	<u><b>\$ (8.9)</b></u>	(11.1)

Net position represents the difference between the College's assets and liabilities and, at June 30, 2013, the net position of the College was \$71 million. The strength in total assets of \$118.7 million lies primarily with net investment in capital assets, which is \$65.6 million. The College's net position decreased in 2013 because operational expenses exceeded revenues due to adjustments in bad debt allowances and due to decreases in enrollment in comparison to prior years. Over the past 10 years, several capital projects have been completed which increased the square footage of the campus by nearly 50 percent. For example, in fiscal year 2008-2009, a capital project to reconstruct the parking lots on the main campus commenced. The project was substantially completed in fiscal year 2009-2010 for a total cost of \$22.4 million and was financed by the sale of bonds. Also in 2009, the College acquired 9.9 acres contiguous to the main campus with three buildings containing approximately 140,000 square feet. The purchase was financed by the sale of bonds. Furthermore, in 2009, the College acquired approximately seven acres on the East Campus (M-Tec and Nursing) with one building of approximately 39,000 square feet. The purchase was financed from an allocation of unrestricted net position.

Current assets decreased \$9.1 million, or 33.7 percent, over the prior year as a result of a decrease in accounts receivable and in cash and cash equivalents. Cash decreased and capital assets increased as a result of the completion of the Science Building project.

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) Henry Ford Community College (Continued)

Current liabilities decreased \$2.0 million, or 12.4 percent, due to accounts payable decreases related to status of construction projects near year end, as well as reductions in the current portion of bonds payable. Long-term liabilities showed a decrease of \$2.5 million related to an overall reduction in bonds payable.

The following is an analysis of the major components of the changes in net position of the College for the years ended June 30, 2013 and 2012:

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

	2012	2013	Increase (Decrease)	Percent Change
<b>Operating Revenue</b>				
Tuition and fees	\$ 13.4	\$ 16.1	\$ 2.7	20.1
Grants and contracts	13.3	7.6	(5.7)	(42.9)
Auxiliary enterprises	11.4	10.6	(0.8)	(7.0)
Other	3.8	2.2	(1.6)	(42.1)
Total operating revenue	41.9	36.5	(5.4)	(12.9)
<b>Operating Expenses</b>				
Instruction	50.3	48.8	(1.5)	(3.0)
Instructional support	8.6	9.1	0.5	5.8
Student services	14.6	14.9	0.3	2.1
Institutional administration	15.4	20.6	5.2	33.8
Physical plant operations	8.4	8.2	(0.2)	(2.4)
Auxiliary enterprises	10.1	9.8	(0.3)	(3.0)
Depreciation expense	6.2	7.4	1.2	19.4
Repairs and maintenance	2.2	1.3	(0.9)	(40.9)
Total operating expenses	115.8	120.1	4.3	3.7
<b>Operating Loss</b>	(73.9)	(83.6)	(9.7)	13.1
<b>Nonoperating Revenue (Expense)</b>				
Federal grants	44.3	41.9	(2.4)	(5.4)
State appropriations	20.2	21.7	1.5	7.4
Property taxes	13.6	13.2	(0.4)	(2.9)
Other nonoperating expenses	(2.4)	(2.1)	0.3	(12.5)
Net nonoperating revenue	75.7	74.7	(1.0)	(1.3)
<b>Increase (Decrease) in Net Position</b>	1.8	(8.9)	(10.7)	(594.4)
<b>Net Position - Beginning of year (as restated)</b> (Note 14)	78.1	79.9	1.8	2.3
<b>Net Position - End of year</b>	<u>\$ 79.9</u>	<u>\$ 71.0</u>	<u>\$ (8.9)</u>	(11.1)

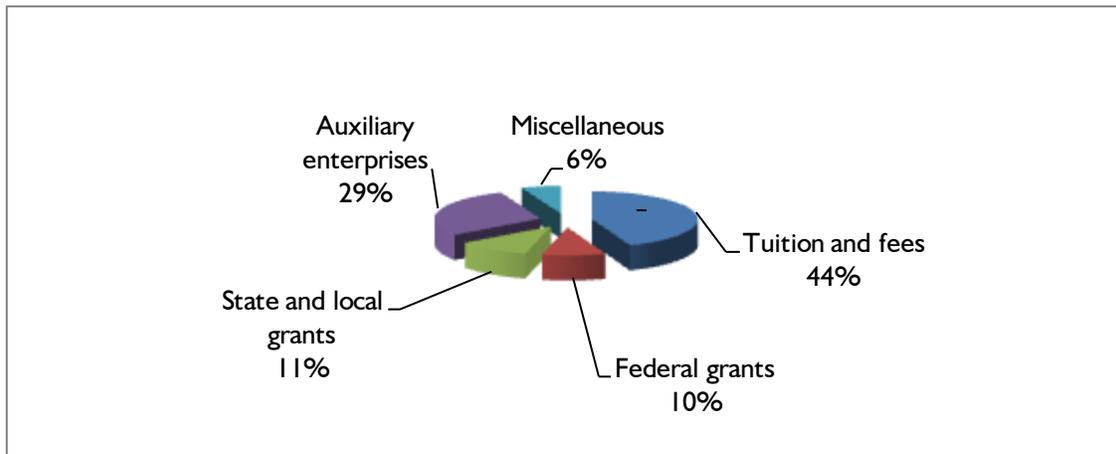
# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) Henry Ford Community College (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 12.9 percent, from \$41.9 million to \$36.5 million. The decrease is a result of the decreased grants received from the State of Michigan for the construction of the Science Building as compared to 2012. The following is a graphic illustration of operating revenue by source for the year ended June 30, 2013:



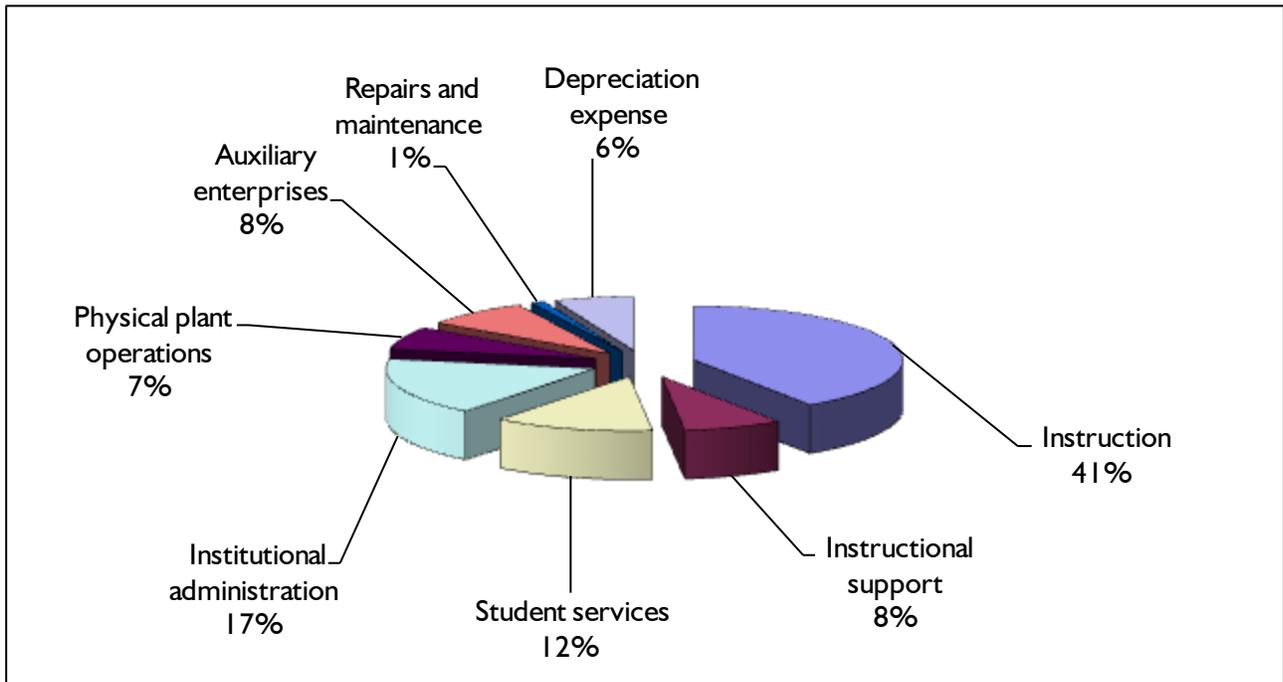
### Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. Overall, operating expenses increased 4.3 percent. Decreases in instruction relate primarily to decreased enrollment. Increases in student services and institutional administration relate to increased costs for benefits, the state retirement program, early retirement incentives, and bad debt expenses. Other expense increases came primarily from facilities improvements. For the fiscal year ended June 30, 2013, depreciation expense was \$7.4 million, up 19.4 percent from 2012.

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) Henry Ford Community College (Continued)

The following is a graphic illustration of operating expenses by source:



### Nonoperating Revenue

Nonoperating revenue is all revenue sources that are primarily nonexchange 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.

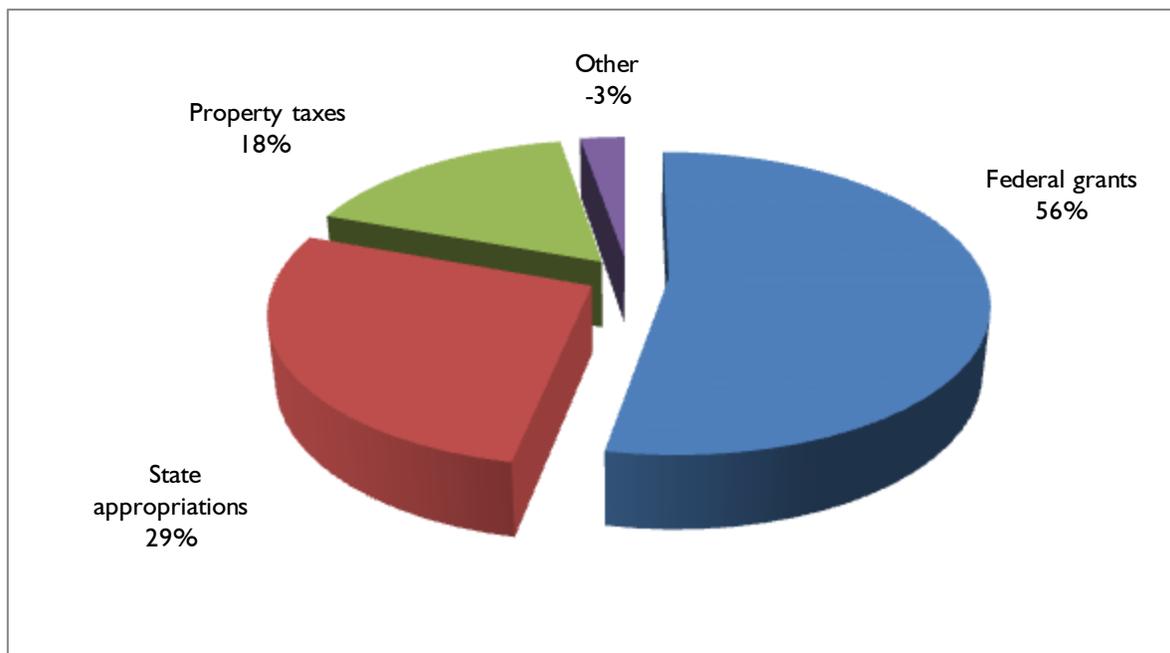
In fiscal year 2012-2013, the State of Michigan increased state aid support for community colleges in order to partially alleviate the burden of increased MPSERS contributions. Property tax revenue decreased slightly for the fiscal year as a result of declines in taxable values.

Federal grant revenue decreased by approximately \$2.4 million from \$44.3 million to \$41.9 million as a result of enrollment and financial aid declines.

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) Henry Ford Community College (Continued)

The following is a graphic illustration of nonoperating 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 (Unaudited) Henry Ford Community College (Continued)

### Cash Flows for the Year (in millions)

	2012	2013	Increase (Decrease)	Percent Change
<b>Cash (Used in) Provided by</b>				
Operating activities	\$ (68.4)	\$ (72.9)	\$ (4.5)	(6.6)
Noncapital financing activities	76.5	73.7	(2.8)	(3.7)
Capital and related financing activities	(21.8)	(6.2)	15.6	71.6
Investing activities	-	-	-	-
<b>Net Decrease in Cash</b>	(13.7)	(5.4)	8.3	60.0
<b>Cash - Beginning of year</b>	26.4	12.7	(13.7)	(51.9)
<b>Cash - End of year</b>	<u>\$ 12.7</u>	<u>\$ 7.3</u>	<u>\$ (5.4)</u>	(42.5)

Overall, total cash balances as of June 30, 2013 decreased from June 30, 2012 to \$7.3 million from \$12.7 million. Total cash used for operating activities showed an increase of \$4.5 million over the prior year. Net cash provided by noncapital financing activities decreased by \$2.8 million.

### Capital Assets

At June 30, 2013, the College held \$167.0 million in capital assets. Depreciation charges totaled \$7.4 million for the current year. The Science Building was completed this year. Other building improvement projects completed this year include refurbishments to the math division classrooms and telecommunication upgrades. Equipment purchases include technology upgrades to classrooms and laboratories.

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) Henry Ford Community College (Continued)

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

	2012	2013	(Decrease) Increase
Land	\$ 3.5	\$ 3.5	\$ -
Construction in progress	20.5	1.7	(18.8)
Land improvements	21.4	21.7	0.3
Buildings	85.1	93.7	8.6
Building improvements	11.2	21.1	9.9
Furniture	2.2	3.3	1.1
Equipment and other vehicles	19.9	22.0	2.1
Total	<u>\$ 163.8</u>	<u>\$ 167.0</u>	<u>\$ 3.2</u>

### Long-term Debt

At June 30, 2013, the College had approximately \$35.6 million of bonds and notes payable outstanding as compared with \$39.2 million at June 30, 2012. A portion of the bonds payable were refunded during the 2012-2013 fiscal year. More detailed information about the College's long-term liabilities is presented in the notes to the financial statements.

### Economic Factors that Will Affect the Future

Over the past five years, 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.

Henry Ford Community College, along with 12 other community colleges, is the recipient of a U.S. Department of Labor grant under the Trade Adjustment Assistance Community College and Career Training program (TAACCCT) for \$15 million.

The TAACCCT grant program provides eligible institutions of higher education, as defined in Section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002), with funds to expand and improve their ability to deliver education and career training programs that can be completed in two years or less and are suited for workers who are eligible for training under the Trade Adjustment Assistance (TAA) for Workers Program of the Trade Act of 1974, as well as other adults. The funds will be used to develop new education and career training program strategies or for replicating existing evidence-based design, development, and/or delivery strategies for such programs.

# School District of the City of Dearborn, Michigan

## Management's Discussion and Analysis (Unaudited) Henry Ford Community College (Continued)

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 been held flat in recent years, a 7 percent increase was realized in the 2012-2013 fiscal year primarily as a result of the MPSERS UAAL rate stabilization payment approximating \$874,000. State equalized value and taxable values have continued to decrease in the College's taxing district. Accordingly, a continued modest decrease in property tax revenue similar to the current year is expected for the 2013-2014 fiscal year. Henry Ford Community College will continue to partner with the State as well as business and industry to move Michigan forward and to provide the right education for the new economy.

GASB pronouncement No. 68 will be addressing the accounting and financial reporting of the unfunded pension liability. According to College estimates, the College's portion of the unfunded pension liability is approximately \$101 million. A future GASB pronouncement is expected to address the unfunded postemployment health care benefit. The College estimates that its share of the unfunded postemployment benefit liability is approximately \$117 million.

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

- Tuition for the fall 2013 semester was not increased from the prior year. Rates per credit hour were \$82 for in-district students, \$142 for out-of-district students, and \$147 for international students. However, effective for the winter 2014 semester, tuition rates per credit hour have been increased to \$87 for in-district students, \$149.25 for out-of-district students, and \$154.25 for international students. The increase is estimated to generate \$900,000 for fiscal year 2014, ending June 30, 2014. Procedures to reduce the bad debt allowance and to collect tuition have been put into practice for 2013-2014.
- The faculty contract was re-opened in May 2013, with the faculty union agreeing to negotiated wage and benefit savings for fiscal year 2014 of over \$5,700,000 and an additional \$1,200,000 in savings for fiscal year 2015 and 2016. The savings are being realized from (1) health care plan changes of \$1,200,000, (2) a retirement plan for 16 faculty members, saving a net \$1,800,000, (3) savings in extra-contractual wages of \$1,375,000 (30 percent reduction), and (4) the deferral of filling 15 retire positions, saving \$1,350,000.
- For fiscal year 2014, the College will be subject to Section 4 of Michigan Public Act 152 of 2011. This act will allow the College to cap the costs related medical benefits that are offered to its employees. The College's share of medical benefits will not exceed 80 percent of the total annual cost of all the medical benefit plans it offers for its employees. The annual savings for fiscal year 2014 will be approximately \$1,600,000, with savings estimated at \$2,100,000 once the act is fully implemented.

# School District of the City of Dearborn, Michigan

## Statement of Net Position June 30, 2013

	Governmental Activities	Business-type Activities (Henry Ford Community College)	Component Unit (Henry Ford Community College Foundation)	Total (Memo Only)
<b>Assets and Deferred Outflow of Resources</b>				
<b>Current Assets</b>				
Cash and investments (Note 3)	\$ 11,439,006	\$ 5,242,800	\$ 10,265,955	\$ 26,947,761
Receivables - Net (Note 4):				
Accounts and grants	2,914,294	5,888,306	-	8,802,600
Contributions	-	-	101,526	101,526
Due from other governmental units	28,288,576	4,618,899	-	32,907,475
Internal balances	20,137	(20,137)	-	-
Inventories	191,351	1,301,656	-	1,493,007
Prepaid costs	4,063,584	875,309	-	4,938,893
	<u>46,916,948</u>	<u>17,906,833</u>	<u>10,367,481</u>	<u>75,191,262</u>
<b>Restricted Assets</b> (Note 10)	5,773,364	2,014,126	-	7,787,490
<b>Capital Assets - Net</b> (Note 5)	218,031,099	98,757,302	-	316,788,401
<b>Deferred Outflow of Resources -</b>				
Deferred charges on bond refunding (Note 7)	473,451	-	-	473,451
	<u>473,451</u>	<u>-</u>	<u>-</u>	<u>473,451</u>
Total assets and deferred outflows of resources	<u>\$ 271,194,862</u>	<u>\$ 118,678,261</u>	<u>\$ 10,367,481</u>	<u>\$ 400,240,604</u>

# School District of the City of Dearborn, Michigan

## Statement of Net Position (Continued) June 30, 2013

	Governmental Activities	Business-type Activities (Henry Ford Community College)	Component Unit (Henry Ford Community College Foundation)	Total (Memo Only)
<b>Liabilities and Net Position</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 7,740,330	\$ 3,740,964	\$ 5,020	\$ 11,486,314
Scholarships payable	-	-	56,971	56,971
Accrued payroll and other liabilities	17,731,061	3,963,589	-	21,694,650
Unearned revenue (Note 4)	891,979	2,939,075	-	3,831,054
Internal balances	279,387	(279,387)	-	-
Deposits held for others	-	127,988	-	127,988
State aid anticipation note (Note 7)	11,200,000	-	-	11,200,000
Other liabilities	60,784	-	-	60,784
Current portion of long-term liabilities (Note 7)	18,049,319	3,597,631	-	21,646,950
Total current liabilities	55,952,860	14,089,860	61,991	70,104,711
<b>Long-term Liabilities</b> - Net of current portion (Note 7)	107,688,326	33,629,660	-	141,317,986
Total liabilities	163,641,186	47,719,520	61,991	211,422,697
<b>Net Position</b>				
Net investment in capital assets	93,590,858	65,557,070	-	159,147,928
Restricted:				
Debt service	5,515,198	-	-	5,515,198
Temporarily - Component unit (expendable)	-	-	2,441,161	2,441,161
Permanently - Component unit (nonexpendable)	-	-	3,746,806	3,746,806
Food service	1,121,077	-	-	1,121,077
Unrestricted	7,326,543	5,401,671	4,117,523	16,845,737
Total net position	107,553,676	70,958,741	10,305,490	188,817,907
Total liabilities and net position	<u>\$ 271,194,862</u>	<u>\$ 118,678,261</u>	<u>\$ 10,367,481</u>	<u>\$ 400,240,604</u>

# School District of the City of Dearborn, Michigan

	Program Revenue		
	Expenses	Charges for Services	Operating Grants/Contributions
<b>Functions/Programs</b>			
Primary government:			
Governmental activities:			
Instruction	\$ 124,938,184	\$ 4,272,554	\$ 41,473,322
Support services	76,588,478	-	-
Food services	6,707,620	1,554,770	6,040,108
Athletics	2,023,276	102,065	-
Interest on long-term debt	6,145,714	-	-
Other	348,878	-	-
Depreciation (unallocated)	6,076,422	-	-
Total governmental activities	222,828,572	5,929,389	47,513,430
Business-type activities - Henry Ford Community College			
	122,165,404	28,839,126	7,586,559
Component unit - Henry Ford Community College Foundation			
	1,052,662	-	897,029
Total	<b><u>\$ 346,046,638</u></b>	<b><u>\$ 34,768,515</u></b>	<b><u>\$ 55,997,018</u></b>

General revenue:

Taxes:

Property taxes - Levied for general purposes

Property taxes - Levied for debt service

Federal sources - Pell

Federal sources - Unrestricted

State aid not restricted to specific purposes

Interest earnings and other

Total general revenue

**Change in Net Position**

**Net Position** - Beginning of year - As restated (Note 14)

**Net Position** - End of year

**Statement of Activities**  
**Year Ended June 30, 2013**

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Component Unit - Henry Ford Community College Foundation	Total (Memo Only)
\$ (79,192,308)	\$ -	\$ -	\$ (79,192,308)
(76,588,478)	-	-	(76,588,478)
887,258	-	-	887,258
(1,921,211)	-	-	(1,921,211)
(6,145,714)	-	-	(6,145,714)
(348,878)	-	-	(348,878)
<u>(6,076,422)</u>	<u>-</u>	<u>-</u>	<u>(6,076,422)</u>
(169,385,753)	-	-	(169,385,753)
-	(85,739,719)	-	(85,739,719)
<u>-</u>	<u>-</u>	<u>(155,633)</u>	<u>(155,633)</u>
(169,385,753)	(85,739,719)	(155,633)	(255,281,105)
38,080,849	13,242,640	-	51,323,489
17,879,671	-	-	17,879,671
-	41,882,064	-	41,882,064
90,598	-	-	90,598
118,308,451	21,684,398	-	139,992,849
4,429	11,479	883,080	898,988
<u>174,363,998</u>	<u>76,820,581</u>	<u>883,080</u>	<u>252,067,659</u>
4,978,245	(8,919,138)	727,447	(3,213,446)
<u>102,575,431</u>	<u>79,877,879</u>	<u>9,578,043</u>	<u>192,031,353</u>
<b><u>\$ 107,553,676</u></b>	<b><u>\$ 70,958,741</u></b>	<b><u>\$ 10,305,490</u></b>	<b><u>\$ 188,817,907</u></b>

# School District of the City of Dearborn, Michigan

## Governmental Funds Balance Sheet June 30, 2013

	General Fund	Debt Service Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments (Note 3)	\$ 10,515,306	\$ -	\$ 923,700	\$ 11,439,006
Accounts and grants receivable (Note 4)	174,673	-	2,739,621	2,914,294
Due from other governments (Note 4)	28,288,576	-	-	28,288,576
Internal balances	20,137	-	-	20,137
Due from other funds (Note 6)	899,506	601,191	1,744,311	3,245,008
Prepaid costs	4,062,789	-	795	4,063,584
Inventories	101,538	-	89,813	191,351
Restricted assets (Note 10)	-	5,773,319	45	5,773,364
<b>Total assets</b>	<b>\$ 44,062,525</b>	<b>\$ 6,374,510</b>	<b>\$ 5,498,285</b>	<b>\$ 55,935,320</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts and contracts payable	\$ 6,411,277	\$ -	\$ 679,177	\$ 7,090,454
Accrued salary, wage, and fringe benefits payable	15,964,301	-	1,766,760	17,731,061
Due to other funds (Note 6)	2,345,502	-	712,251	3,057,753
State aid anticipation note (Note 7)	11,200,000	-	-	11,200,000
Other current liabilities	38,603	-	-	38,603
Internal balances	279,387	-	-	279,387
Unearned revenue (Note 4)	39,548	-	852,431	891,979
<b>Total liabilities</b>	<b>36,278,618</b>	<b>-</b>	<b>4,010,619</b>	<b>40,289,237</b>
<b>Fund Balances</b>				
Nonspendable:				
Inventory	101,538	-	89,813	191,351
Prepaid costs	4,062,789	-	795	4,063,584
Restricted:				
Debt service	-	6,374,510	-	6,374,510
Food service	-	-	1,031,264	1,031,264
Assigned - Adult education	-	-	267,257	267,257
Assigned - Capital projects	-	-	135,895	135,895
Unassigned	3,619,580	-	(37,358)	3,582,222
<b>Total fund balances</b>	<b>7,783,907</b>	<b>6,374,510</b>	<b>1,487,666</b>	<b>15,646,083</b>
<b>Total liabilities and fund balances</b>	<b>\$ 44,062,525</b>	<b>\$ 6,374,510</b>	<b>\$ 5,498,285</b>	<b>\$ 55,935,320</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# School District of the City of Dearborn, Michigan

## Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2013

**Fund Balance - Total Governmental Funds** \$ 15,646,083

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 governmental funds:

Capital assets	\$ 316,884,995	
Accumulated depreciation	<u>(98,853,896)</u>	218,031,099

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds and notes payable including premium/discount	(124,913,692)	
Compensated absences and severance agreements	(311,979)	
Risk management and claims	<u>(511,974)</u>	(125,737,645)

Accrued interest payable is not included as a liability in governmental funds (859,312)

Deferred outflows of resources (deferred interest) that do not benefit the current period are not reported in the governmental funds 473,451

**Net Position - Governmental Activities** **\$ 107,553,676**

# School District of the City of Dearborn, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2013

	General Fund	Debt Service Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>				
Local:				
Property taxes	\$ 38,080,849	\$ 17,879,671	\$ -	\$ 55,960,520
Investment income	78	3,996	355	4,429
Tuition and other local revenue	370,369	-	1,692,567	2,062,936
Food service	-	-	1,554,770	1,554,770
Athletic gate receipts	102,065	-	-	102,065
Total local	38,553,361	17,883,667	3,247,692	59,684,720
State	130,043,631	-	4,224,360	134,267,991
Federal	90,598	801,000	21,671,690	22,563,288
Interdistrict - Incoming transfers from other districts	2,209,618	-	9,081,200	11,290,818
Total revenue	170,897,208	18,684,667	38,224,942	227,806,817
<b>Expenditures</b>				
Current:				
Instruction	102,299,693	-	19,707,367	122,007,060
Support services	66,174,659	-	8,830,249	75,004,908
Community services	321,408	-	1,165,422	1,486,830
Food service	-	-	6,707,620	6,707,620
Athletics	2,023,276	-	-	2,023,276
Capital outlay	289,227	-	2,112,998	2,402,225
Debt service:				
Principal payments	-	12,871,319	-	12,871,319
Interest and other	-	6,145,714	-	6,145,714
Fees and other bond costs	-	109,588	-	109,588
Total expenditures	171,108,263	19,126,621	38,523,656	228,758,540
<b>Excess Expenditures Over Revenue</b>	(211,055)	(441,954)	(298,714)	(951,723)
<b>Other Financing Sources (Uses)</b>				
Payment to escrow agent	-	(10,481,597)	-	(10,481,597)
Transfers in (Note 6)	1,779,519	2,768,746	1,382,981	5,931,246
Transfers out (Note 6)	(4,112,743)	-	(1,818,503)	(5,931,246)
Face value of debt issued	-	8,602,293	-	8,602,293
Premium on debt issued	-	629,467	-	629,467
Total other financing (uses) sources	(2,333,224)	1,518,909	(435,522)	(1,249,837)
<b>Net Change in Fund Balances</b>	(2,544,279)	1,076,955	(734,236)	(2,201,560)
<b>Fund Balances - Beginning of year</b>	10,328,186	5,297,555	2,221,902	17,847,643
<b>Fund Balances - End of year</b>	<b>\$ 7,783,907</b>	<b>\$ 6,374,510</b>	<b>\$ 1,487,666</b>	<b>\$ 15,646,083</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# School District of the City of Dearborn, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2013

**Net Change in Fund Balances - Total Governmental Funds** \$ (2,201,560)

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

Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (6,076,422)	
Capitalized capital outlay	<u>2,084,482</u>	(3,991,940)

Underwriter's premiums and deferred charges are reported as revenue and expenditures in the funds and amortized in the statement of activities (3,483,018)

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 210,190

Repayment of bond and note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 22,530,587

Deferred interest is reported as an expenditure in the governmental funds but is capitalized and amortized in the statement of activities 473,451

Bond proceeds provide financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of activities (8,602,293)

Compensated absences, as well as estimated self-insured liability claims, are recorded when earned or incurred in the statement of activities. In the current year, certain liabilities were reduced by the collective bargaining agreement 42,828

**Change in Net Position of Governmental Activities** \$ 4,978,245

# School District of the City of Dearborn, Michigan

## Proprietary Funds Statement of Net Position June 30, 2013

	Henry Ford Community College	Component Unit - Henry Ford Community College Foundation
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 3)	\$ 5,242,800	\$ 471,665
Investments (Note 3)	-	9,794,290
Receivables - Net (Note 4):		
Accounts and grants	5,888,306	-
Contributions	-	101,526
Due from other governmental units	4,618,899	-
Internal balances	(20,137)	-
Inventories	1,301,656	-
Prepaid costs	875,309	-
Total current assets	17,906,833	10,367,481
<b>Restricted Assets</b> (Note 10)	2,014,126	-
<b>Capital Assets - Net</b> (Note 5)	98,757,302	-
Total Assets	<b>\$ 118,678,261</b>	<b>\$ 10,367,481</b>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 3,709,047	\$ 5,020
Scholarships payable	-	56,971
Accrued payroll and other liabilities	3,995,506	-
Unearned revenue	2,939,075	-
Internal balances	(279,387)	-
Deposits held for others	127,988	-
Current portion of long-term liabilities (Note 7)	3,597,631	-
Total current liabilities	14,089,860	61,991
<b>Long-term Liabilities - Net of current portion</b> (Note 7)	33,629,660	-
Total liabilities	47,719,520	61,991
<b>Net Position</b>		
Net investment in capital assets	65,557,070	-
Restricted:		
Temporarily - Component unit (expendable)	-	2,441,161
Permanently - Component unit (nonexpendable)	-	3,746,806
Unrestricted (Note 13)	5,401,671	4,117,523
Total net position	70,958,741	10,305,490
Total liabilities and net position	<b>\$ 118,678,261</b>	<b>\$ 10,367,481</b>

# School District of the City of Dearborn, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

	Henry Ford Community College	Component Unit - Henry Ford Community College Foundation
<b>Operating Revenue</b>		
Tuition and fees - Net of scholarship allowance of \$41,882,063	\$ 16,096,138	\$ -
Federal grants	3,532,797	-
State and local grants and gifts	4,045,751	481,437
Auxiliary enterprises	10,563,738	-
Miscellaneous	2,191,099	415,592
Total operating revenue	36,429,523	897,029
<b>Operating Expenses</b>		
Instruction	48,767,682	-
Instructional support	9,134,045	324,325
Student services	14,843,498	312,745
Institutional administration	20,685,122	415,592
Physical plant operations	8,187,501	-
Auxiliary enterprises	9,783,683	-
Repairs and maintenance	1,256,809	-
Depreciation expense	7,368,110	-
Total operating expenses	120,026,450	1,052,662
<b>Operating Loss</b>	(83,596,927)	(155,633)
<b>Nonoperating Revenue (Expenses)</b>		
Federal grants	41,882,064	-
State appropriations	21,684,398	-
Property taxes	13,242,640	-
Investment income	11,479	883,080
Interest on capital asset-related debt expenses	(2,142,792)	-
Net nonoperating revenue	74,677,789	883,080
<b>(Decrease) Increase in Net Position</b>	(8,919,138)	727,447
<b>Net Position - Beginning of year (as restated) (Note 14)</b>	79,877,879	9,578,043
<b>Net Position - End of year</b>	<b>\$ 70,958,741</b>	<b>\$ 10,305,490</b>

# School District of the City of Dearborn, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2013

	Henry Ford Community College	Component Unit - Henry Ford Community College Foundation
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 17,070,673	\$ -
Grants, contracts, and gifts	9,172,704	446,366
Payments to suppliers	(64,457,536)	(447,274)
Payments to employees	(47,488,598)	-
Payments to educational scholarship and special program funds	-	(681,769)
Auxiliary enterprise charges	10,563,738	-
Other	2,191,099	649,860
	<u>(72,947,920)</u>	<u>(32,817)</u>
<b>Net cash used in operating activities</b>		
<b>Cash Flows from Noncapital Financing Activities</b>		
Local property taxes	10,232,660	-
Pell grant revenue	41,882,064	-
William D. Ford direct lending receipts	54,044,462	-
William D. Ford direct lending disbursements	(53,158,788)	-
State appropriations	20,728,227	-
	<u>73,728,625</u>	<u>-</u>
<b>Net cash provided by noncapital financing activities</b>		
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(3,482,292)	-
Principal paid on capital debt	(4,820,000)	-
Proceeds from issuance of debt	1,264,900	-
Property tax collections	2,966,337	-
Permanently restricted contributions	-	31,113
Interest paid on capital debt	(2,166,378)	-
	<u>(6,237,433)</u>	<u>31,113</u>
<b>Net cash (used in) provided by capital and related financing activities</b>		
<b>Cash Flows from Investing Activities</b>		
Interest on investments	11,479	215,722
Purchase of investments	-	(4,895,031)
Proceeds from sale of investments	-	4,313,314
	<u>11,479</u>	<u>(365,995)</u>
<b>Net cash provided by (used in) investing activities</b>		
<b>Net Decrease in Cash and Cash Equivalents</b>	(5,445,249)	(367,699)
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>12,702,175</u>	<u>839,364</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$ 7,256,926</b></u>	<u><b>\$ 471,665</b></u>
<b>Supplemental Cash Flow Information</b>		
Cash and cash equivalents	\$ 5,242,800	\$ 471,665
Restricted assets	<u>2,014,126</u>	<u>-</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$ 7,256,926</b></u>	<u><b>\$ 471,665</b></u>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# School District of the City of Dearborn, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2013

	Henry Ford Community College	Component Unit - Henry Ford Community College Foundation
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (83,596,927)	\$ (155,633)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	7,368,110	-
Permanently restricted contributions	-	(31,113)
Bad debt expense	11,571,229	-
(Increase) decrease in assets:		
Accounts receivable	(9,291,203)	-
Contributions receivable	-	77,547
Federal and state grant receivable	1,802,419	-
Inventories	(29,405)	-
Prepaid assets and other current assets	299,225	-
Due from other funds of DPS	(169,943)	-
(Decrease) increase in liabilities:		
Accounts payable	(284,087)	31,683
Scholarships payable	-	44,699
Accrued payroll and other compensation	919,079	-
Other accrued liabilities	(15,340)	-
Deposits	(7,323)	-
Unearned tuition and fees	(1,513,754)	-
Net cash used in operating activities	<b>\$ (72,947,920)</b>	<b>\$ (32,817)</b>

There were no noncash capital, noncapital, or investing activities for the year ended June 30, 2013.

# School District of the City of Dearborn, Michigan

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## Fiduciary Fund Statement of Fiduciary Net Position June 30, 2013

	<u>Agency Funds</u>
<b>Assets - Cash and investments (Note 3)</b>	<b><u>\$ 1,334,478</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 22,698
Due to other funds (Note 6)	187,255
Due to student/recipient groups	<u>1,124,525</u>
Total liabilities	<b><u>\$ 1,334,478</u></b>

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2013

### Note 1 - Summary of Significant Accounting Policies

The accounting policies of the School District of the City of Dearborn, Michigan (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The School District includes the operations related to preschool through grade 12 (the "P-12") and Henry Ford Community 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, an entity 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. Blended component units, although legally separate entities, are, in substance, part of the School District's operations. 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 Community 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 Community 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 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, Michigan 48128.

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2013

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School District and its component unit. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All P-12 activities are classified as governmental activities and all College and component unit activities are classified as business-type activities.

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

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between business-type and governmental activities, where eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2013

### Note 1 - Summary of Significant Accounting Policies (Continued)

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

#### Fund Financial Statements

Governmental funds are those funds through which P-12 functions are financed. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the P-12 considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other governmental fund revenue items are considered to be available only when cash is received by the P-12.

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2013

### Note 1 - Summary of Significant Accounting Policies (Continued)

The proprietary funds are where the College and component unit functions are reported and the fiduciary funds are used to account for assets held by the P-12 in a trustee capacity or as an agent. The proprietary fund and fiduciary 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.

The School District reports the following major governmental funds:

**General Fund** - The General Fund is the P-12's primary operating fund. It accounts for all financial resources of the P-12, except those required to be accounted for in another fund.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for the funding and payment of principal, interest, and related costs on long-term debt for the P-12.

Additionally, the School District reports the following fund types:

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified P-12 purposes. The special revenue funds maintained by the P-12 include the Cafeteria Fund, Adult Education Fund, Funded Projects Fund, and Center Program. Any operating deficit generated by these activities is the responsibility of the General Fund.

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2013

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Capital Projects Funds** - Capital projects funds are used to account for the receipt and disbursement of proceeds from bond issues or other revenue specifically designated for certain capital expenditures of the P-12.

**Fiduciary Funds** - Fiduciary funds are used to account for assets held by the P-12 in a trustee capacity or as an agent. Fiduciary fund net position and results of operations are not included in the government-wide statements. Agency funds are custodial in nature and do not involve measurement of results of operations. The P-12 presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes and a Scholarship Fund to record donations and scholarships awarded to students. The funds are segregated and held in trust for the students and parents.

**Proprietary Funds** - Proprietary funds are used to account for the College and the Foundation as discussed above.

#### **Assets, Liabilities, and Net Position or Equity**

**Cash and Investments** - Cash and investments 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.

**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.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

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.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2013

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Inventories and Prepaid Costs** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds 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 district-wide and fund financial statements.

**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 fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Buildings improvements	15-50 years
Land improvements	25 years
Equipment, vehicles, and furniture	5-10 years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts.

**Compensated Absences (Vacation and Sick Leave) 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 and sick leave benefits and severance agreements. 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.

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2013

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Long-term Obligations** - In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Deferred Outflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**Net Position/Fund Balance** - In the government-wide and proprietary fund statements, the funds report the following components of net position:

- Unrestricted - Net position that is not subject to externally imposed restrictions
- Net investment in capital assets - Capital assets, accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets
- Restricted - Nonexpendable - Net position subject to externally imposed constraints that it be maintained permanently by the Foundation. Nonexpendable net position includes the corpus portion (historical value) of gifts to the Foundation's permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested permanently.

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2013

### Note 1 - Summary of Significant Accounting Policies (Continued)

- Restricted - Expendable - Net position whose use by the School District is subject to externally imposed constraints that can be fulfilled by actions of the School District pursuant to those constraints or that expire by the passage of time.

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are comprised of the following: nonspendable, restricted, committed, assigned, and unassigned.

In the fund financial statements, governmental funds report the following components of fund balance:

- Nonspendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- Committed - Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- Assigned - Intent to spend resources on specific purposes expressed by the director of business services, who is authorized by a resolution approved by the Board of Education to make assignments
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2013

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Scholarship Discounts and Allowances** - Student tuition and fee revenue and certain other revenue from students are reported net of scholarship discounts and allowances in the proprietary funds 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.

**College Unearned Revenue** - Revenue received prior to year end that is related to the next fiscal period is recorded as deferred revenue. This includes \$528,850 for the fall semester and \$2,327,839 of unearned revenue on the summer semester, which began in July 2013 and ended in August 2013.

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

### **Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General, Proprietary, Debt Service, and all Special Revenue Funds. The presentation of the budget information and the basic financial statements is consistent except that capital outlay is presented within the functional categories in the budget and the General Fund budget is presented with the original and amended budget adopted. The budget for athletic activities was adopted separately and the actual results reported, as required by GASB Statement No. 54, as part of the General Fund on the statement of revenue, expenditures, and changes in fund balance. All annual appropriations lapse at fiscal year end.

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2013

### **Note 2 - Stewardship, Compliance, and Accountability (Continued)**

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. The budget was amended during the year in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not reported as nonspendable or assigned fund balance because they are considered lapsed at year end and reappropriated in the following budget year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The School District had significant budget variances in the instructional basic program and support instructional staff categories.

**Capital Projects Fund Compliance** - The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code, with the exception of the illegal borrowing noted on the School District's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

**Fund Deficits** - Under Michigan law, school districts are required to maintain positive fund balance in each fund. The School District has an accumulated fund balance deficit in the Center Program Fund. Management anticipates the Center Program Fund deficit will be recovered in the next fiscal year.

### **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, 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 five banks and credit unions for the deposit of its funds

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2013

### Note 3 - Deposits and Investments (Continued)

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 \$19,271,445 had \$18,429,795 of bank deposits (certificates of deposit, checking, and savings accounts) that were 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 pre-qualifying 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 School District does not have investments with custodial credit risk.

**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 does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. The School District's 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.

**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.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2013

### 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) are as follows:

Investments	Fair Value	Maturities	Rating	Rating Organization
Comerica Governmental Cash Investment Fund	\$ <u>818,369</u>	N/A	A1/P1/F1	N/A*

\* Fund is a bank collective fund and not rated by rating agencies.

**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 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 policy prohibit investment in foreign currency.

**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 and changes in net position. Realized gains or losses on investments are recorded upon sale and are determined based on specific identification. Deposits and investments at June 30, 2013 are comprised primarily of equity securities and mutual funds, but also containing fixed-income funds and money market funds with a fair value of \$9,794,290.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2013

### Note 4 - Receivables and Unavailable/Unearned Revenue

Receivables as of 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:

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Activities	Proprietary Fund	Component Unit	Total
Receivables:						
Accounts, grants, and other	\$ 174,673	\$ 2,739,621	\$ 2,914,294	\$ 33,874,020	\$ 101,526	\$ 36,889,840
Intergovernmental	28,288,576	-	28,288,576	4,618,899	-	32,907,475
Less allowance for uncollectibles	-	-	-	(27,985,714)	-	(27,985,714)
Net receivables	<u>\$ 28,463,249</u>	<u>\$ 2,739,621</u>	<u>\$ 31,202,870</u>	<u>\$ 10,507,205</u>	<u>\$ 101,526</u>	<u>\$ 41,811,601</u>

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also 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 no unavailable revenue and the various components of unearned revenue are as follows:

	Unearned Revenue
Governmental activities - Tuition and state, federal, and local grant monies received prior to meeting all eligibility requirements	\$ 891,979
Business-type activities - Tuition and grant revenue	<u>2,939,075</u>
Total	<u>\$ 3,831,054</u>

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2013

### Note 5 - Capital Assets

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

	Balance June 30, 2012	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2013
Capital assets not being depreciated:					
Land	\$ 11,423,864	\$ -	\$ -	\$ -	\$ 11,423,864
Construction in progress	288,378	(2,372,860)	2,084,482	-	-
Subtotal	11,712,242	(2,372,860)	2,084,482	-	11,423,864
Capital assets being depreciated:					
Buildings	108,700,074	-	-	-	108,700,074
Building improvements	147,081,591	1,448,607	-	-	148,530,198
Land improvements	9,820,988	857,889	-	-	10,678,877
Buses and other vehicles	8,895,517	-	-	-	8,895,517
Equipment and other	28,590,101	66,364	-	-	28,656,465
Subtotal	303,088,271	2,372,860	-	-	305,461,131
Accumulated depreciation:					
Buildings	31,237,638	-	1,621,973	-	32,859,611
Building improvements	27,202,946	-	3,102,411	-	30,305,357
Land improvements	1,291,729	-	414,224	-	1,705,953
Buses and other vehicles	6,811,856	-	521,760	-	7,333,616
Equipment and other	26,233,305	-	416,054	-	26,649,359
Subtotal	92,777,474	-	6,076,422	-	98,853,896
Net capital assets being depreciated	210,310,797	2,372,860	(6,076,422)	-	206,607,235
Net governmental capital assets	\$ 222,023,039	\$ -	\$ (3,991,940)	\$ -	\$ 218,031,099

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2013

### Note 5 - Capital Assets (Continued)

Depreciation for the fiscal year ended June 30, 2013 totaled \$6,076,421 for governmental capital assets. The P-12 determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

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

	Balance July 1, 2012	Additions	Disposals and Adjustments	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 3,482,436	\$ -	\$ -	\$ 3,482,436
Construction in progress	20,506,936	2,399,456	(21,242,784)	1,663,608
Subtotal	23,989,372	2,399,456	(21,242,784)	5,146,044
Capital assets being depreciated:				
Land improvements	21,384,924	285,503	-	21,670,427
Buildings	85,132,482	8,561,742	-	93,694,224
Building improvements	11,165,096	9,984,919	-	21,150,015
Furniture and library books	2,281,557	1,000,251	-	3,281,808
Equipment and other vehicles	19,837,771	2,318,207	(127,276)	22,028,702
Subtotal	139,801,830	22,150,622	(127,276)	161,825,176
Accumulated depreciation:				
Land improvements	2,231,381	1,435,178	-	3,666,559
Building	38,427,933	1,975,614	-	40,403,547
Building improvements	4,385,661	1,982,463	-	6,368,124
Furniture and library books	1,434,647	282,637	-	1,717,284
Equipment and other vehicles	14,493,462	1,692,218	(127,276)	16,058,404
Subtotal	60,973,084	7,368,110	(127,276)	68,213,918
Net capital assets being depreciated	78,828,746	14,782,512	-	93,611,258
Net business-type activity assets	\$ 102,818,118	\$ 17,181,968	\$ (21,242,784)	\$ 98,757,302

Depreciation for the fiscal year ended June 30, 2013 totaled \$7,368,110 for business-type capital assets.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2013

### Note 6 - Interfund Receivables, Payables, and Transfers

The following are the interfund receivables at June 30, 2013:

Fund Due To	Fund Due From			Total
	General Fund	Trust and Agency Fund	Other Nonmajor Governmental Funds	
General Fund	\$ -	\$ 187,255	\$ 712,251	\$ 899,506
Debt service funds	601,191	-	-	601,191
Nonmajor funds	<u>1,744,311</u>	<u>-</u>	<u>-</u>	<u>1,744,311</u>
Total	<u>\$ 2,345,502</u>	<u>\$ 187,255</u>	<u>\$ 712,251</u>	<u>\$ 3,245,008</u>

Interfund balances represent routine and temporary cash flow assistance from one fund to another until amounts are transferred from fund cash and investment accounts.

The following are the interfund transfers for the year ended June 30, 2013:

Fund Transferred From	Fund Transferred To	Amount
Other nonmajor governmental funds	General Fund	\$ 1,779,519
General Fund	Debt Service Fund	2,768,746
General Fund	Other nonmajor governmental funds	<u>1,382,981</u>
Total transfers		<u>\$ 5,931,246</u>

The transfer from the General Fund to other nonmajor governmental funds subsidized operations of the General Building and Site Fund. The transfer from the General Fund to the Debt Service Fund is to allow an early debt defeasance related to the 2013 refunding issuance. The transfer from the General Fund to the Funded Projects Fund is to reimburse expenditures not covered by grant funds. The transfer from other nonmajor governmental funds to the General Fund is for reimbursement of current year indirect costs.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2013

### Note 7 - Long-term Obligations

Long-term obligations of the School District and changes therein for the year ended June 30, 2013 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds	\$ 135,355,137	\$ 8,602,293	\$ 22,530,587	\$ 121,426,843	\$ 17,108,665
Less deferred amounts:					
Deferred outflows - deferred charges on bond refunding	-	(484,345)	(10,894)	(473,451)	(43,580)
Issuance premiums	3,300,260	629,467	442,878	3,486,849	428,680
Cost of issuance and underwriter's discount (Note 14)	<u>(3,296,429)</u>	<u>-</u>	<u>(3,296,429)</u>	<u>-</u>	<u>-</u>
Total bonds payable	135,358,968	8,747,415	19,666,142	124,440,241	17,493,765
Compensated absences	472,953	-	160,974	311,979	-
Risk management and claims (Note 9)	<u>393,828</u>	<u>374,133</u>	<u>255,987</u>	<u>511,974</u>	<u>511,974</u>
Total governmental activities	<u>\$ 136,225,749</u>	<u>\$ 9,121,548</u>	<u>\$ 20,083,103</u>	<u>\$ 125,264,194</u>	<u>\$ 18,005,739</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities:</b>					
Bonds	\$ 39,186,347	\$ 1,127,707	\$ 4,691,097	\$ 35,622,957	\$ 2,304,942
Less deferred amounts:					
Issuance discounts	(379,509)	(46,564)	(17,927)	(408,146)	-
Issuance premiums	<u>64,098</u>	<u>-</u>	<u>64,098</u>	<u>-</u>	<u>-</u>
Total bonds payable	38,870,936	1,081,143	4,737,268	35,214,811	2,304,942
Severance and other obligations	741,968	697,945	107,949	1,331,964	612,173
Risk management (Note 9)	<u>583,520</u>	<u>2,069,790</u>	<u>1,972,794</u>	<u>680,516</u>	<u>680,516</u>
Total business-type activities	<u>\$ 40,196,424</u>	<u>\$ 3,848,878</u>	<u>\$ 6,818,011</u>	<u>\$ 37,227,291</u>	<u>\$ 3,597,631</u>

The School District issued Qualified School Construction Bonds in a previous year. Qualified School Construction Bonds, a program under the American Recovery and Reinvestment Act of 2009, provide funding for state and local governments at lower borrowing costs. The program is designed to provide a federal subsidy for a larger portion of the 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.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2013

### Note 7 - Long-term Obligations (Continued)

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

Years Ending June 30	Governmental Activities					Business-type Activities				
	Principal	Interest	Interest Subsidy	Net Interest	Total - Net	Principal	Interest	Interest Subsidy	Net Interest	Total - Net
2014	\$ 17,108,665	\$ 4,877,545	\$ (801,000)	\$ 4,076,545	\$ 21,185,210	\$ 2,304,942	\$ 2,033,865	\$ (506,232)	\$ 1,527,633	\$ 3,832,575
2015	11,026,471	4,231,431	(801,000)	3,430,431	14,456,902	1,628,530	1,946,471	(498,584)	1,447,887	3,076,417
2016	11,216,835	3,699,407	(801,000)	2,898,407	14,115,242	1,638,166	1,883,027	(489,659)	1,393,368	3,031,534
2017	12,416,067	3,158,002	(801,000)	2,357,002	14,773,069	1,110,484	1,828,074	(480,471)	1,347,603	2,458,087
2018	11,133,358	2,596,451	(801,000)	1,795,451	12,928,809	1,041,643	1,779,324	(471,065)	1,308,259	2,349,902
2019-2023	42,982,665	5,607,482	(4,005,000)	1,602,482	44,585,147	6,014,986	8,065,931	(2,174,097)	5,891,834	11,906,820
2024-2028	15,542,782	808,798	(3,304,125)	(2,495,327)	13,047,455	7,009,206	6,314,504	(1,787,985)	4,526,519	11,535,725
2029-2033	-	-	-	-	-	7,775,000	4,026,932	(1,274,351)	2,752,581	10,527,581
2034-2038	-	-	-	-	-	5,850,000	1,770,250	(619,588)	1,150,662	7,000,662
2039	-	-	-	-	-	1,250,000	91,250	(31,938)	59,312	1,309,312
Total	\$ 121,426,843	\$ 24,979,116	\$ (11,314,125)	\$ 13,664,991	\$ 135,091,834	\$ 35,622,957	\$ 29,739,628	\$ (8,333,970)	\$ 21,405,658	\$ 57,028,615

General obligation bonds and notes payable and installment purchase agreements consist of the following:

	Allocated to	
	Governmental Activities	Business-type Activities
\$11,585,000 refunding bonds, due in a final annual installment of \$1,000,000 at May 1, 2014, interest at 3.25 percent	\$ 923,000	\$ 75,250
\$1,500,000 Michigan Municipal Bond Authority Bonds, due in annual installments of \$100,000 to \$120,000 through April 1, 2017, interest at 4.00 percent to 4.95 percent	-	450,000
\$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	-
\$7,020,000 refunding bonds, due in annual installments of \$275,000 to \$280,000 through May 1, 2014, interest at 2.70 percent to 3.30 percent	-	275,000
\$8,385,000 serial bonds, due in annual installments of \$350,000 to \$700,000 through May 1, 2024, interest at 4.30 percent	350,000	-

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2013

### Note 7 - Long-term Obligations (Continued)

	Allocated to	
	Governmental Activities	Business-type Activities
\$3,575,000 qualified zone activity bonds, due in a lump-sum payment of \$3,575,000 on May 1, 2014	\$ 3,575,000	\$ -
\$881,550 qualified zone activity bonds, due in a lump-sum payment of \$881,550 on August 28, 2016	881,550	-
\$4,615,000 energy limited tax general obligation bonds, due in annual installments of \$485,000 to \$550,000 through May 1, 2017, interest at 4.25 percent to 5.50 percent	2,075,000	-
\$12,350,000 facilities bonds, due in annual installments of \$350,000 to \$825,000 through May 1, 2032, interest at 4.00 percent to 4.875 percent	-	10,775,000
\$995,000 serial bonds, due in annual installments of \$95,000 to \$110,000 through May 1, 2018, interest at 4.25 percent to 4.375 percent	510,000	-
\$5,500,000 serial bonds, due in annual installments of \$585,000 to \$725,000 through May 1, 2018, interest at 3.75 percent to 4.00 percent	3,275,000	-
\$90,885,000 serial bonds, due in annual installments of \$7,660,000 to \$10,145,000 through May 1, 2022, interest at 4.125 percent to 5.00 percent	86,235,000	-
\$22,400,000 facilities bonds, due in annual installments of \$425,000 to \$1,250,000 through May 1, 2039, interest at 2.3 percent to 7.3 percent	-	21,225,000
\$2,535,000 refunding bonds, due in annual installments of \$540,000 to \$585,000 through May 1, 2016, interest at 1.83 percent	-	1,695,000
\$9,730,000 refunding bonds, due in annual installments of \$505,000 to \$3,880,000 through May 1, 2024, interest at 2.50 percent to 4.00 percent	8,602,293	1,127,707
Total bonded debt	<u>\$ 121,426,843</u>	<u>\$ 35,622,957</u>

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2013

### Note 7 - Long-term Obligations (Continued)

**Advance and Current Refundings** - During the year, the School District issued \$9,730,000 in refunding bonds with rates ranging from 2.5 to 4.0 percent. The proceeds of these bonds were used to advance refund \$4,830,000 outstanding 2003 refunding bonds and \$6,250,000 2002 Site Bonds (Series III) with interest rates ranging from 4.125 to 5.00 percent. The net proceeds of \$10,318,840 (after payment of \$123,146 in underwriting fees, insurance, and other issuance costs) and a payment from the Debt Service Fund of \$1,359,000 were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the School District's long-term obligations. The advance refunding reduced total debt service payments by \$1,060,350, which represents a net present value savings of \$927,154.

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, 2013, \$106,739,268 of bonds outstanding are considered defeased.

**Property Tax Anticipation Note** - On May 29, 2013, the College signed a tax anticipation note for a minimum borrowing amount of \$500,000 up to \$5,000,000. The note bears interest at 66 basis points above the daily LIBOR multiplied by 70 percent (an effective rate of .75 percent as of June 30, 2013) and expires on May 31, 2014. As of June 30, 2013, there were no borrowings on the note.

**State Aid Anticipation Note** - On June 11, 2013, the P-12 obtained a state aid anticipation note in the amount of \$11,200,000, bearing interest at .78 percent and maturing on October 1, 2013. This note was paid in full on September 30, 2013.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2013

### Note 8 - Retirement Plan

#### Defined Benefit Pension Plan

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), 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. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides post-employment health care benefits to retirees and beneficiaries who elect to receive those benefits.

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 post-employment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

**Pension Benefits** - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate for basic plan members was 15.96 percent of covered payroll for the period from July 1, 2012 through September 30, 2012. The employer contribution rate for pension plus plan members was 14.73 percent for the period from July 1, 2012 through September 30, 2012. Beginning October 1, 2012 through January 31, 2013, employees were given the following plan options with the corresponding employer contribution rates:

	First Worked before July 1, 2010*	First Worked on or After July 1, 2010, Through September 3, 2012**	First Worked on or After September 4, 2012 and Remain Pension Plus	First Worked on or After September 4, 2012 and Elect DC
Pension contributions	16.25%	15.02%	15.02%	12.78%
Health contributions	9.11%	9.11%	8.18%	8.18%

\* Basic, MIP Fixed, MIP Graded, MIP Plus

\*\* Pension Plus

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2013

### Note 8 - Retirement Plan (Continued)

For the period from February 1, 2013 through June 30, 2013, employees could transition to a defined contribution plan (DC) and could also elect out of the healthcare premium subsidy and into the Personal Healthcare Fund (PHF), depending upon their date of hire and retirement plan election. Employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF*	Pension DC with PHF*	Basic MIP Plus to DB to DC with Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	15.21%	15.02%	15.02%	12.78%	12.78%	12.78%	15.21%
Health contributions	9.11%	9.11%	8.18%	8.18%	9.11%	8.18%	8.18%
Defined contribution plan employer contributions:							
DC employer contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

\*First worked September 4, 2012 or later

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the years ended June 30, 2013, 2012, and 2011 were \$24,543,376, \$24,545,558, and \$19,434,762, respectively.

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2013

### Note 8 - Retirement Plan (Continued)

**Postemployment Benefits** - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent 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 on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 8.5 percent of covered payroll for the period from July 1, 2012 through September 30, 2012. For the period from October 1, 2012 through June 30, 2013, the employer contribution rate ranged from 8.18 percent to 9.11 percent dependent upon the employee's date of hire and plan election as noted above. Effective February 1, 2013, members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 401(k) account.

The School District's required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2013, 2012, and 2011 were \$14,340,241, \$13,962,344, and \$13,293,002, respectively.

#### **Defined Contribution Plan**

Existing professional MPSERS members and new professional employees of the College may elect to participate in an optional retirement program (ORP) in lieu of participating in the MPSERS plan. The ORP plan is a defined contribution plan affiliated with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF). Under the ORP, the percentage contributed by the College is 12 percent for the years ended June 30, 2013 and 2012. The payroll for the College's employees covered by the optional plan was \$6.2 million and \$5.8 million for fiscal years 2013 and 2012, respectively. College contributions were made in the amount required by the plan and totaled \$745,485 and \$703,055 for fiscal years 2013 and 2012, respectively. Under the ORP plan, employees may contribute 4 percent of gross wages in addition to the College's contribution.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2013

### Note 9 - 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 prescription benefits provided to employees. The School District participates in the Metropolitan Association for Improved School Legislation (risk pool) for claims relating to property coverage and general liability; the School District is uninsured for prescription, dental, vision, and workers' compensation claims. The School District is no longer self-insured for medical claims as of January 1, 2012, but is responsible for a claims run-out for a two-year period. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three 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 prescription, dental, workers' compensation, and vision claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the government-wide statements. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2013</u>	<u>2012</u>
Estimated liability - Beginning of year	\$ 977,348	\$ 3,235,589
Estimated claims incurred - Including changes in estimates	2,443,923	3,884,215
Claim payments	<u>(2,228,781)</u>	<u>(6,142,456)</u>
Estimated liability - End of year	<u>\$ 1,192,490</u>	<u>\$ 977,348</u>

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2013

### Note 9 - 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 2013, approximately \$563,000 and \$401,100 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.

**Medical** - The self-insured medical plan previously covered the School District's employees and their dependents. Claims are funded by the School District and paid by the plan administrator up to a maximum of \$200,000 per eligible person per calendar year. An insurance policy covers aggregate claims in excess of 120 percent of normal projected annual claims. The School District pays all administrative costs of the plan. During fiscal year 2013, \$880,420 was charged to expense relating to these benefits, including claims incurred but not reported. Effective August 1, 2011, the P-12 no longer provides insurance coverage for teachers, rather a required monthly contribution is made to the Voluntary Employees' Beneficiary Association (VEBA) plan managed by the union. Additional bargaining groups also joined the VEBA plan after August 2011. Effective January 1, 2012, the College is not self-insured for medical benefits.

**Dental** - The self-insured dental plan covers all employees of Henry Ford Community College. Claims are funded by the School District and paid by the plan administrator. The School District pays all administrative costs of the plan. During fiscal year 2013, \$516,440 was charged to expense relating to these benefits, including claims incurred but not reported.

**Vision** - The self-insured vision plan covers all employees of Henry Ford Community College. Claims are funded by the College and paid by the plan administrator and average approximately \$307 per eligible person per calendar year. The School District pays all administrative costs of the plan. During fiscal year 2013, \$129,687 was charged to expense relating to these benefits, including claims incurred but not reported.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2013

### Note 9 - Risk Management (Continued)

**Workers' Compensation** - The self-insured workers' compensation plan covers all employees. Claims are funded by the School District and paid by the plan administrator. An insurance policy covers claims in excess of \$300,000 per occurrence. During fiscal year 2013, \$255,987 was charged to expense relating to these benefits, including claims incurred but not reported.

### Note 10 - Restricted Assets

The balance of the restricted asset accounts is as follows:

	Governmental Activities	Business-type Activities	Component Unit
Unspent bond proceeds and related interest	\$ 45	\$ 2,014,126	\$ -
Debt Service Fund cash	5,773,319	-	-
Total	<u>\$ 5,773,364</u>	<u>\$ 2,014,126</u>	<u>\$ -</u>

### Note 11 - Contingent Liabilities

In the normal course of its 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 12 - Henry Ford Community College Foundation

Henry Ford Community College Foundation (the "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 Community 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.

Temporarily restricted net position contains donor-imposed restrictions that permit the Foundation to use or expend the assets as specified. Temporarily restricted net position is restricted for scholarships of \$2,894,550, College programs of \$771,923, and other support of \$80,433 at June 30, 2013.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2013

### Note 12 - Henry Ford Community College Foundation (Continued)

Permanently restricted net position contains donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated assets for specified purposes. Investment earnings available for distribution are recorded as temporarily restricted net position, as the donors have imposed purpose restrictions on the earnings. Permanently restricted net position consists of endowments invested in perpetuity, the income from which is restricted by donors for future scholarships to students enrolled at Henry Ford Community College.

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 \$415,592 for the year ended June 30, 2013.

### Note 13 - Designated Net Position

Within the proprietary funds' unrestricted net position, certain amounts are designated at June 30, 2013. The amounts are as follows:

	General Fund	Designated Fund	Plant Funds
Working capital	\$ 664,881	\$ -	\$ -
Technology improvements	-	1,587,198	-
Programming	-	809,536	-
Capital improvements	-	-	189,051
Total	<u>\$ 664,881</u>	<u>\$ 2,396,734</u>	<u>\$ 189,051</u>

### Note 14 - Change in Accounting

Effective July 1, 2012, the School District implemented the provisions of Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. This statement did not have a significant impact on the School District's financial statements.

# School District of the City of Dearborn, Michigan

## Notes to Financial Statements June 30, 2013

### Note 14 - Change in Accounting (Continued)

Effective July 1, 2012, the School District implemented the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements introduce and define those elements as a consumption of net position by the School District that is applicable to a future reporting period and an acquisition of net position by the School District that is applicable to a future reporting period, respectively. The standards also incorporate deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The impact of adopting GASB Statement No. 65 on the College was to restate and decrease beginning net position by \$227,440. The impact of adopting GASB Statement No. 65 on the P-12 was to expense previously capitalized bond issuance costs in the amount of approximately \$3.3 million. In addition, the financial statements now recognize bond issuance costs as a current expense when incurred rather than amortizing these costs over the life of the bond. The current year outflow of resources related to bond issuance costs was \$75,955

The effect of this restatement is as follows:

	<u>Business-type Activities</u>
Net position - Beginning of year - As previously reported	\$ 80,105,319
Adjustment to reflect change in accounting related to bond issuance costs	<u>(227,440)</u>
Net position - Beginning of year - As restated	<u>\$ 79,877,879</u>

# School District of the City of Dearborn, Michigan

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## Notes to Financial Statements June 30, 2013

### **Note 15 - Subsequent Events**

The P-12 obtained a line of credit on October 16, 2013 which allows for borrowings up to \$6,000,000 and bears interest at a monthly rate of .79 percent. The line of credit expires on August 20, 2014. On November 5, 2013, School District voters approved a \$76 million bond for capital projects at the P-12. The P-12 will undergo a bond issuance subsequent to year end.

### **Note 16 - Upcoming Accounting Pronouncement**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

## **Required Supplemental Information**

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# School District of the City of Dearborn, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 39,783,000	\$ 40,474,000	\$ 38,451,296	\$ (2,022,704)
State sources	125,991,000	128,066,533	130,043,631	1,977,098
Federal sources	-	-	90,598	90,598
Incoming transfers from other districts	2,395,000	2,407,000	2,209,618	(197,382)
Total revenue	168,169,000	170,947,533	170,885,741	(61,792)
<b>Expenditures - Current</b>				
Instruction:				
Basic program	87,354,265	90,919,255	92,612,746	1,693,491
Added needs	10,442,529	10,356,592	9,725,283	(631,309)
Support services:				
Pupil	13,227,836	13,374,284	13,460,402	86,118
Instructional staff	7,930,699	8,051,748	5,924,074	(2,127,674)
General administration	1,030,276	978,669	944,180	(34,489)
School administration	12,148,050	12,293,845	12,106,271	(187,574)
Business services	1,641,211	1,533,180	1,860,109	326,929
Operations and maintenance	20,756,934	20,642,944	20,223,829	(419,115)
Transportation	6,541,800	7,367,349	6,680,372	(686,977)
Central support	3,797,350	3,928,054	5,316,911	1,388,857
Community services	215,342	330,109	321,408	(8,701)
Other	8,000	8,000	-	(8,000)
Total expenditures	165,094,292	169,784,029	169,175,585	(608,444)
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,650,000	1,650,000	1,779,519	129,519
Transfers out	(4,568,195)	(5,713,848)	(6,033,954)	(320,106)
Total other financing uses	(2,918,195)	(4,063,848)	(4,254,435)	(190,587)
<b>Net Change in Fund Balance</b>	156,513	(2,900,344)	(2,544,279)	356,065
<b>Fund Balance - Beginning of year</b>	10,328,186	10,328,186	10,328,186	-
<b>Fund Balance - End of year</b>	<u>\$ 10,484,699</u>	<u>\$ 7,427,842</u>	<u>\$ 7,783,907</u>	<u>\$ 356,065</u>

## **Other Supplemental Information**

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# School District of the City of Dearborn, Michigan

	Special Revenue Funds			
	Funded Projects	Cafeteria	Adult Education	Center Program
<b>Assets</b>				
Cash and investments	\$ -	\$ 549,191	\$ 374,509	\$ -
Accounts and grants receivable	2,482,857	240,806	15,958	-
Due from other funds	-	327,385	271,729	1,006,001
Prepaid costs	795	-	-	-
Inventories	-	89,813	-	-
Restricted assets	-	-	-	-
<b>Total assets</b>	<b>\$ 2,483,652</b>	<b>\$ 1,207,195</b>	<b>\$ 662,196</b>	<b>\$ 1,006,001</b>
<b>Liabilities and Fund Balances (Deficit)</b>				
<b>Liabilities</b>				
Accounts and contracts payable	\$ 157,011	\$ 46,115	\$ 25,248	\$ 447,457
Accrued salary, wages, and fringe benefits payable	1,148,466	3,328	19,859	595,107
Unearned revenue	465,924	36,675	349,832	-
Due to other funds	712,251	-	-	-
<b>Total liabilities</b>	<b>2,483,652</b>	<b>86,118</b>	<b>394,939</b>	<b>1,042,564</b>
<b>Fund Balances (Deficit)</b>				
Nonspendable - Inventory:				
Inventory	-	89,813	-	-
Prepaid costs	795	-	-	-
Restricted - Food service	-	1,031,264	-	-
Assigned - Adult education	-	-	267,257	-
Assigned - Capital projects	-	-	-	-
Unassigned	(795)	-	-	(36,563)
<b>Total fund balances (deficit)</b>	<b>-</b>	<b>1,121,077</b>	<b>267,257</b>	<b>(36,563)</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 2,483,652</b>	<b>\$ 1,207,195</b>	<b>\$ 662,196</b>	<b>\$ 1,006,001</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2013**

Capital Projects Funds			Total
2010 QSCB Bond	General Building and Site		Nonmajor Funds
\$ -	\$ -	\$	923,700
-	-		2,739,621
1,648	137,548		1,744,311
-	-		795
-	-		89,813
45	-		45
<b><u>\$ 1,693</u></b>	<b><u>\$ 137,548</u></b>	<b><u>\$</u></b>	<b><u>5,498,285</u></b>
\$ 1,693	\$ 1,653	\$	679,177
-	-		1,766,760
-	-		852,431
-	-		712,251
1,693	1,653		4,010,619
-	-		89,813
-	-		795
-	-		1,031,264
-	-		267,257
-	135,895		135,895
-	-		(37,358)
-	135,895		1,487,666
<b><u>\$ 1,693</u></b>	<b><u>\$ 137,548</u></b>	<b><u>\$</u></b>	<b><u>5,498,285</u></b>

# School District of the City of Dearborn, Michigan

	Special Revenue Funds			
	Funded Projects	Cafeteria	Adult Education	Center Program
<b>Revenue</b>				
Local:				
Investment income	\$ -	\$ 145	\$ -	\$ -
Tuition and other local revenue	65,903	1,371	1,625,293	-
Food service	-	1,554,770	-	-
Total local	65,903	1,556,286	1,625,293	-
State	115,757	391,310	734,959	2,982,334
Federal	15,631,582	6,040,108	-	-
Interdistrict - Incoming transfers from other districts	1,611,731	-	-	7,469,469
Total revenue	17,424,973	7,987,704	2,360,252	10,451,803
<b>Expenditures</b>				
Current:				
Instruction	12,721,219	-	731,860	6,254,288
Support service	4,235,802	565,548	978,069	3,050,830
Community service	720,008	-	444,748	666
Food service	-	6,707,620	-	-
Capital outlay	28,993	20,404	-	55,614
Total expenditures	17,706,022	7,293,572	2,154,677	9,361,398
<b>Excess of Revenue (Under) Over Expenditures</b>	(281,049)	694,132	205,575	1,090,405
<b>Other Financing Sources (Uses)</b>				
Transfers in	281,049	-	-	-
Transfers out	-	(552,551)	(100,000)	(1,126,968)
Total other financing sources (uses)	281,049	(552,551)	(100,000)	(1,126,968)
<b>Net Change in Fund Balances</b>	-	141,581	105,575	(36,563)
<b>Fund Balances - Beginning of year</b>	-	979,496	161,682	-
<b>Fund Balances - End of year</b>	<b>\$ -</b>	<b>\$ 1,121,077</b>	<b>\$ 267,257</b>	<b>\$ (36,563)</b>

**Other Supplemental Information  
Combining Statement of Revenue, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2013**

Capital Projects Funds		
2010 QSCB Bond	General Building and Site	Total Nonmajor Funds
\$ 210	\$ -	\$ 355
-	-	1,692,567
-	-	1,554,770
210	-	3,247,692
-	-	4,224,360
-	-	21,671,690
-	-	9,081,200
210	-	38,224,942
-	-	19,707,367
-	-	8,830,249
-	-	1,165,422
-	-	6,707,620
<u>1,429,512</u>	<u>578,475</u>	<u>2,112,998</u>
<u>1,429,512</u>	<u>578,475</u>	<u>38,523,656</u>
(1,429,302)	(578,475)	(298,714)
387,562	714,370	1,382,981
<u>(38,984)</u>	<u>-</u>	<u>(1,818,503)</u>
<u>348,578</u>	<u>714,370</u>	<u>(435,522)</u>
(1,080,724)	135,895	(734,236)
<u>1,080,724</u>	<u>-</u>	<u>2,221,902</u>
<u>\$ -</u>	<u>\$ 135,895</u>	<u>\$ 1,487,666</u>

# School District of the City of Dearborn, Michigan

## Other Supplemental Information Combining Statement of Net Position - Proprietary Funds Year Ended June 30, 2013

	Combined Total	General Fund	Auxiliary Services Fund	Designated Fund	Restricted Fund	Agency Fund	Plant Funds
<b>Assets</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 5,242,800	\$ 163,933	\$ 1,908,275	\$ 2,527,608	\$ -	\$ 97,560	\$ 545,424
Property taxes receivable	252,498	252,498	-	-	-	-	-
State appropriation receivable	4,618,899	4,618,899	-	-	-	-	-
Federal and state grants receivable	3,586,827	-	-	-	3,548,311	-	38,516
Accounts receivable	2,048,981	1,981,839	36,714	-	-	30,428	-
Internal balances	(20,137)	3,807,188	(1,050,000)	32,374	(3,207,000)	-	397,301
Inventories	1,301,656	-	1,294,775	6,881	-	-	-
Prepaid expenses and other assets	875,309	875,309	-	-	-	-	-
Total current assets	17,906,833	11,699,666	2,189,764	2,566,863	341,311	127,988	981,241
Restricted Assets	2,014,126	-	-	-	-	-	2,014,126
Capital Assets - Net	98,757,302	-	-	-	-	-	98,757,302
Total assets	<u>\$ 118,678,261</u>	<u>\$ 11,699,666</u>	<u>\$ 2,189,764</u>	<u>\$ 2,566,863</u>	<u>\$ 341,311</u>	<u>\$ 127,988</u>	<u>\$ 101,752,669</u>
<b>Liabilities</b>							
<b>Current Liabilities</b>							
Accounts payable	\$ 3,709,047	\$ 3,231,640	\$ 25,319	\$ -	\$ 277,088	\$ -	\$ 175,000
Accrued payrolls, amounts withheld from employees, and other compensation	3,437,701	3,406,996	13,440	-	17,265	-	-
Unearned revenue	2,939,075	2,444,963	-	170,129	46,958	-	277,025
Internal balances	(279,387)	(279,387)	-	-	-	-	-
Deposits held for others	127,988	-	-	-	-	127,988	-
Other accrued liabilities	557,805	217,640	-	-	-	-	340,165
Current portion of bonds payable	2,304,942	-	-	-	-	-	2,304,942
Current portion of risk management liability	680,516	680,516	-	-	-	-	-
Current portion of accrued vacation and severance liabilities	612,173	612,173	-	-	-	-	-
Total current liabilities	14,089,860	10,314,541	38,759	170,129	341,311	127,988	3,097,132
Bonds Payable - Net of unamortized premium and discounts	32,909,416	-	-	-	-	-	32,909,416
Accrued Severance Pay	720,244	720,244	-	-	-	-	-
Total liabilities	47,719,520	11,034,785	38,759	170,129	341,311	127,988	36,006,548
<b>Net Position</b>							
Net investment in capital assets	65,557,070	-	-	-	-	-	65,557,070
Unrestricted	5,401,671	664,881	2,151,005	2,396,734	-	-	189,051
Total net position	70,958,741	664,881	2,151,005	2,396,734	-	-	65,746,121
Total liabilities and net position	<u>\$ 118,678,261</u>	<u>\$ 11,699,666</u>	<u>\$ 2,189,764</u>	<u>\$ 2,566,863</u>	<u>\$ 341,311</u>	<u>\$ 127,988</u>	<u>\$ 101,752,669</u>

# School District of the City of Dearborn, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position - Proprietary Funds Year Ended June 30, 2013

	Combined Total	Eliminations	General Fund	Auxiliary Services Fund	Designated Fund	Restricted Fund	Plant Funds
<b>Operating Revenue</b>							
Tuition and fees - Net of scholarship allowance of \$41,882,063	\$ 16,096,138	\$ (41,882,063)	\$ 55,900,852	\$ -	\$ 935,069	\$ -	\$ 1,142,280
Federal grants and contracts	3,532,797	-	-	-	-	3,024,645	508,152
State and local grants and contracts	4,045,751	-	-	-	66,500	3,689,316	289,935
Auxiliary activities	10,563,738	-	-	10,497,250	66,488	-	-
Other funds expenditures for capital assets	-	(1,075,575)	-	-	-	-	1,075,575
Miscellaneous	2,191,099	(460,576)	1,822,680	-	111,175	-	717,820
<b>Total operating revenue</b>	<b>36,429,523</b>	<b>(43,418,214)</b>	<b>57,723,532</b>	<b>10,497,250</b>	<b>1,179,232</b>	<b>6,713,961</b>	<b>3,733,762</b>
<b>Operating Expenses</b>							
Instruction	48,767,682	(742,594)	46,664,387	-	237,168	2,608,721	-
Instructional support	9,134,045	(230,352)	9,314,897	-	49,500	-	-
Student services	14,843,498	(42,356,451)	11,099,693	-	39,353	46,060,903	-
Institutional administration	20,685,122	(36,327)	20,671,878	-	-	49,571	-
Physical plant operations	8,187,501	-	8,187,501	-	-	-	-
Auxiliary enterprises	9,783,683	(14,982)	300,994	9,497,671	-	-	-
Repairs and maintenance	1,256,809	(37,508)	382,269	17,887	243,298	637,692	13,171
Depreciation expense	7,368,110	-	-	-	-	-	7,368,110
<b>Total operating expenses</b>	<b>120,026,450</b>	<b>(43,418,214)</b>	<b>96,621,619</b>	<b>9,515,558</b>	<b>569,319</b>	<b>49,356,887</b>	<b>7,381,281</b>
<b>Operating (Loss) Income</b>	<b>(83,596,927)</b>	<b>-</b>	<b>(38,898,087)</b>	<b>981,692</b>	<b>609,913</b>	<b>(42,642,926)</b>	<b>(3,647,519)</b>
<b>Nonoperating Revenue (Expenses)</b>							
Federal grants and contracts	41,882,064	-	-	-	-	41,882,064	-
State appropriations	21,684,398	-	21,684,398	-	-	-	-
Property taxes	13,242,640	-	10,276,303	-	-	-	2,966,337
Investment income	11,479	-	11,479	-	-	-	-
Interest on capital asset-related debt	(2,142,792)	-	-	-	-	-	(2,142,792)
<b>Net nonoperating revenue</b>	<b>74,677,789</b>	<b>-</b>	<b>31,972,180</b>	<b>-</b>	<b>-</b>	<b>41,882,064</b>	<b>823,545</b>
<b>(Decrease) Increase in Net Position - Before transfers</b>	<b>(8,919,138)</b>	<b>-</b>	<b>(6,925,907)</b>	<b>981,692</b>	<b>609,913</b>	<b>(760,862)</b>	<b>(2,823,974)</b>
<b>Transfers (Out) In</b>	<b>-</b>	<b>-</b>	<b>(269,052)</b>	<b>(1,050,000)</b>	<b>(754,967)</b>	<b>760,862</b>	<b>1,313,157</b>
<b>Net (Decrease) Increase in Net Position</b>	<b>(8,919,138)</b>	<b>-</b>	<b>(7,194,959)</b>	<b>(68,308)</b>	<b>(145,054)</b>	<b>-</b>	<b>(1,510,817)</b>
<b>Net Position - Beginning of year (as restated)</b>	<b>79,877,879</b>	<b>-</b>	<b>7,859,840</b>	<b>2,219,313</b>	<b>2,541,788</b>	<b>-</b>	<b>67,256,938</b>
<b>Net Position - End of year</b>	<b>\$ 70,958,741</b>	<b>\$ -</b>	<b>\$ 664,881</b>	<b>\$ 2,151,005</b>	<b>\$ 2,396,734</b>	<b>\$ -</b>	<b>\$ 65,746,121</b>

# School District of the City of Dearborn, Michigan

June 30	2008 Refunding	2001 QZAB	2002 QZAB	2002 Site Bond (Series III)	2006 Energy
	Principal	Principal	Principal	Principal	Principal
2014	923,000	3,575,000	-	350,000	485,000
2015	-	-	-	-	510,000
2016	-	-	-	-	530,000
2017	-	-	881,550	-	550,000
2018	-	-	-	-	-
2019	-	-	-	-	-
2020	-	-	-	-	-
2021	-	-	-	-	-
2022	-	-	-	-	-
2023	-	-	-	-	-
2024	-	-	-	-	-
2025	-	-	-	-	-
2026	-	-	-	-	-
2027	-	-	-	-	-
Total	<b>\$ 923,000</b>	<b>\$ 3,575,000</b>	<b>\$ 881,550</b>	<b>\$ 350,000</b>	<b>\$ 2,075,000</b>
Principal payments due	May 1	May 1	August 28	May 1	May 1
Interest payments due	May 1 and November 1	N/A	N/A	May 1 and November 1	May 1 and November 1
Interest rate	3.3%	0.0%	0.0%	4.30%	4.25% - 5.5%
Original issue	<b>\$ 10,774,050</b>	<b>\$ 3,575,000</b>	<b>\$ 881,550</b>	<b>\$ 8,385,000</b>	<b>\$ 4,615,000</b>

Note: This schedule reports the debt allocated to the P-12 only. Obligations of the College are excluded.

**Other Supplemental Information  
Schedule of Bonded Indebtedness (P-12)  
Year Ended June 30, 2013**

2007 Refunding	2007 Fordson Field	2007 Athletic	2010 QSCB	2013 Refunding
Principal	Principal	Principal	Principal	Principal
7,660,000	95,000	585,000	-	3,430,308
9,365,000	100,000	605,000	-	446,471
9,465,000	100,000	640,000	-	481,835
9,660,000	105,000	720,000	-	499,517
9,790,000	110,000	725,000	-	508,358
9,940,000	-	-	-	521,619
10,085,000	-	-	-	530,460
10,145,000	-	-	-	543,722
10,125,000	-	-	-	539,301
-	-	-	-	552,563
-	-	-	-	548,139
-	-	-	-	-
-	-	-	15,000,000	-
<b><u>\$ 86,235,000</u></b>	<b><u>\$ 510,000</u></b>	<b><u>\$ 3,275,000</u></b>	<b><u>\$ 15,000,000</u></b>	<b><u>\$ 8,602,293</u></b>
May 1	May 1	May 1	May 1	May 1
May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
4.125% - 5%	4.25% - 4.375%	3.75% - 4.0%	6.625%	2.5% - 4.0%
<b><u>\$ 90,885,000</u></b>	<b><u>\$ 995,000</u></b>	<b><u>\$ 5,500,000</u></b>	<b><u>\$ 15,000,000</u></b>	<b><u>\$ 8,602,293</u></b>