

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

**Financial Report
with Supplemental Information
June 30, 2017**

School District of the City of Dearborn, Michigan

Contents

Independent Auditor's Report	1-3
Management's Discussion and Analysis	
Introduction	4-6
P-12	7-13
Henry Ford College	14-24
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	25-26
Statement of Activities	27-28
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	29
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	30
Statement of Revenue, Expenditures, and Changes in Fund Balances	31
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	32
Proprietary Funds:	
Statement of Net Position	33
Statement of Revenue, Expenses, and Changes in Net Position	34
Statement of Cash Flows	35-36
Fiduciary Fund - Statement of Fiduciary Assets and Liabilities	37
Notes to Financial Statements	38-69
Required Supplemental Information	70
Budgetary Comparison Schedule - General Fund	71
Budgetary Comparison Schedule - Special Revenue Fund - Funded Projects	72
Schedule of the School District of the City of Dearborn, Michigan's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System Determined as of the Plan Year Ended September 30	73
Schedule of the School District of the City of Dearborn, Michigan's Contributions Michigan Public School Employees' Retirement System Determined as of the Year Ended June 30	73
Notes to Pension Required Supplemental Information Schedules	74

School District of the City of Dearborn, Michigan

Contents (Continued)

Other Supplemental Information	75
Nonmajor Governmental Funds:	
Combining Balance Sheet	76-77
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	78-79
Proprietary Funds:	
Combining Statement of Net Position	80
Combining Statement of Revenue, Expenses, and Changes in Net Position	81
Schedule of Bonded Indebtedness (P-12)	82-83
Federal Awards Supplemental Information	Issued Under Separate Cover

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, 2017 and the related notes to the financial statements, which collectively comprise the School District of the City of Dearborn, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The Henry Ford College Foundation was not audited under *Government Auditing Standards*.

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

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

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

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, 2017 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.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, major fund budgetary comparison schedule, schedule of the School District of the City of Dearborn, Michigan's proportionate share of the net pension liability for MPERS determined as of the plan year ended September 30, and schedule of the School District of the City of Dearborn, Michigan's contributions to MPERS determined as of the year ended June 30, 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 opinions on the financial statements that collectively comprise the School District of the City of Dearborn, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, 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, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2017 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 School District of the City of Dearborn, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 19, 2017

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, 2017. The School District is identified as a P-12 school district located in Wayne County, Michigan. The P-12 component reflects the preschool, elementary, and secondary components of the School District. Henry Ford College (the "College") represents the post-secondary education component of the School District. Henry Ford College Foundation (the "Foundation") is reported within the component unit column in the financial statements as a legally separate entity from the School District.

This section of the School District's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2017. 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 Funded Projects 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

Pension Plan Schedules

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, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

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

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

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

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

School District of the City of Dearborn, Michigan

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

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 a reconciliation.

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

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

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 1 provides a summary of the P-12's net position as of June 30, 2016 and 2017, which is reported as governmental activities of the School District:

Table 1

	Governmental Activities	
	June 30	
	2016	2017
	(in millions)	
Assets		
Current and other assets	\$ 54.9	\$ 67.7
Restricted assets	13.1	9.3
Capital assets	<u>269.4</u>	<u>263.9</u>
Total assets	337.4	340.9
Deferred Outflows of Resources		
Deferred charges on bond refunding	0.4	0.3
Deferred outflows related to pensions	<u>44.6</u>	<u>58.6</u>
Total assets and deferred outflows of resources	382.4	399.8
Liabilities		
Current liabilities	50.8	48.9
Long-term liabilities	144.8	128.2
Net pension liability	<u>343.6</u>	<u>361.9</u>
Total liabilities	539.2	539.0
Deferred Inflows of Resources - Deferred inflows related to pensions	<u>10.5</u>	<u>12.0</u>
Total liabilities and deferred inflows of resources	<u>549.7</u>	<u>551.0</u>
Net Position		
Net investment in capital assets	117.3	124.0
Restricted	7.8	5.6
Unrestricted	<u>(292.4)</u>	<u>(280.8)</u>
Total net position	<u>\$ (167.3)</u>	<u>\$ (151.2)</u>

School District of the City of Dearborn, Michigan

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

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 deficit was \$151.2 million at June 30, 2017. Capital assets, net of related debt totaling \$124.0 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 of \$5.6 million is reported separately to show legal constraints from debt covenants and enabling legislation that limit the P-12's ability to use net position for day-to-day operations. The remaining amount of net deficit, \$280.8 million, was unrestricted.

The (\$280.8) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. This includes all of the different governmental fund types. Thus, it is important to note that not all unrestricted net position is set aside for day-to-day General Fund operations. It includes funds set aside to complete capital projects, provide for food service, and cover special education shortfalls. The negative unrestricted net position balance is attributed to the \$361.9 million net pension liability and pension-related activity arising from the underfunded MPERS pension obligation.

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 2016 and 2017.

Table 2

	Governmental Activities	
	Year Ended June 30	
	2016	2017
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 4.9	\$ 4.3
Operating grants	55.9	64.4
General revenue:		
Property taxes	57.9	54.7
State foundation allowance	127.3	139.2
Other	0.6	8.2
	<u>246.6</u>	<u>270.8</u>
Functions/Program Expenses		
Instruction	138.6	146.0
Support services	78.4	82.3
Food services	7.5	7.8
Athletics	2.3	2.3
Community services	1.2	1.3
Interest on long-term debt	7.1	5.4
Other	-	0.4
Depreciation (unallocated)	7.6	9.2
	<u>242.7</u>	<u>254.7</u>
Increase in Net Position	3.9	16.1
Net Position - Beginning of year - As restated	<u>(171.2)</u>	<u>(167.3)</u>
Net Position - End of year	<u>\$ (167.3)</u>	<u>\$ (151.2)</u>

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 \$254.7 million. Certain activities were partially funded from those who benefited from the programs, \$4.3 million, or by other governments and organizations that subsidized certain programs with grants and contributions, \$64.4 million. We paid for the remaining "public benefit" portion of our governmental activities with \$54.7 million in taxes, \$139.2 million in state foundation allowance, and \$8.2 million from other sources.

The P-12 experienced an increase in net position of \$16.1 million. Key reasons for the change in net position are due to the following:

- Sale of Howe property for which the sales were recorded in the General Fund
- Higher state revenue from the increased student count
- State revenue increase due to prior period adjustment in special education funding
- Increased grant funding
- Unrestricted county-wide enhancement millage levied in the current year and allocated to be spent in the subsequent school year

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 \$43.4 million, which is an increase of \$10.1 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased by \$14.6 million. The increase was primarily due to lower utility costs, greater tax collections, sale of surplus building and school property, enhancement millage revenue, and more favorable state revenue.

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)

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 revised 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 2016-2017 original revenue budget. Budgeted revenue was increased to reflect higher student counts and more favorable state revenue. Budgeted expenditures were increased to reflect higher salary and benefit costs.

There were favorable variances between the final budget and actual expenditures. Those variances are due to better tax collection rates, staffing costs lower than budgeted due to resignations/retirements and partial year hires, reduced trend in substitutes needed greater than expected indirect cost charges, and a prior period state revenue adjustment.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2017, the P-12 had \$386.8 million invested in a broad range of capital assets, including land, construction in progress, 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 net additions of \$1.9 million included land improvements, technology, a building, and building renovations.

P-12 capital assets consist of the following:

	<u>2016</u>	<u>2017</u>
Land	\$ 11,423,864	\$ 11,423,864
Construction in progress	14,632,932	981,954
Buildings and building improvements	290,954,505	304,012,577
Land improvements	19,998,035	21,933,411
Buses and other vehicles	9,416,045	9,939,773
Equipment and other	<u>38,207,563</u>	<u>38,489,384</u>
Total capital assets	<u>\$ 384,632,944</u>	<u>\$ 386,780,963</u>

We anticipate completed capital additions will be approximately \$6.6 million for the 2017-2018 year based on building and site and bonded projects to be completed.

School District of the City of Dearborn, Michigan

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

Debt

At the end of this year, the School District had \$133.4 million in bonds outstanding (excluding related discounts, premiums, and issuance costs) versus \$152.1 million in the previous year - a decrease of approximately 12.3 percent. Those bonds consisted of the following:

	<u>2016</u>	<u>2017</u>
General obligation bonds	<u>\$ 152,125,230</u>	<u>\$ 133,374,164</u>

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

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

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2017-2018 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2017 fiscal year is 10 percent and 90 percent of the February 2017 and October 2017 student counts, respectively. The 2017-2018 budget was adopted in June 2017, based on an estimate of students that will be enrolled in September 2017. Almost 67 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2016-2017 school year, we anticipate that the fall student count will be close to 2.0 percent higher than the estimate used in creating the 2017-2018 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations. The School District amends the budget two to three times per year to reflect the most accurate projections in revenue including state aid, local revenue, or other resources. We also analyze the budget for potential changes in staffing, healthcare costs, utilities, and other costs.

School District of the City of Dearborn, Michigan

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

The 2017-2018 budget includes a \$107 per pupil net increase in state aid revenue (\$60 per pupil increases for the foundation allowance and \$47 per pupil from 20m categorical revenue that rolled into the fund balance, respectively), which now brings the School District's foundation allowance to \$8,598/pupil. However, the School District's 2016-2017 salary base for most union groups will increase by 1.26 percent and the associated benefit expenditures will increase, which will completely offset the increased per pupil funding. The additional student increase will be used in providing support staff to address counseling, English Language Learning and immigrant programs, and other instructional support.

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

Each year, the School District considers critical budget issues including long-range planning, state aid funding, student enrollment, program reductions, and revenue enhancement - cost containment efforts. All contracts with unions expire after the 2017-2018 school year.

Future year operating budgets will also be challenged as the ability of the State to provide funding for schools is in question due to state budget shortfalls. Student enrollment is projected to slightly increase based on existing demographics, both in the School District and across the state. In future budget planning, the School District will continue to be challenged to provide a balanced budget without reducing the School District's fund equity.

School District of the City of Dearborn, Michigan

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

Henry Ford College

This discussion and analysis of Henry Ford College's (the "College") financial statements provides an overview of the College's financial activities for the year ended June 30, 2017. 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 strengthened at June 30, 2017 from June 30, 2016 prior to the effects of GASB Statement No. 68. In total, the College's net position, prior to the effects of GASB Statement No. 68, increased from \$72.6 million to \$73.9 million for an increase of \$1,308,718, which reflects a 1.80 percent increase from the beginning of the year. This is the third year in a row in which the College's net position in the General Fund would have increased if the adjustments required by GASB Statement No. 68 were not made. The following table provides net position with and without the effect of the accounting pronouncement GASB Statement No. 68 as of June 30, 2017:

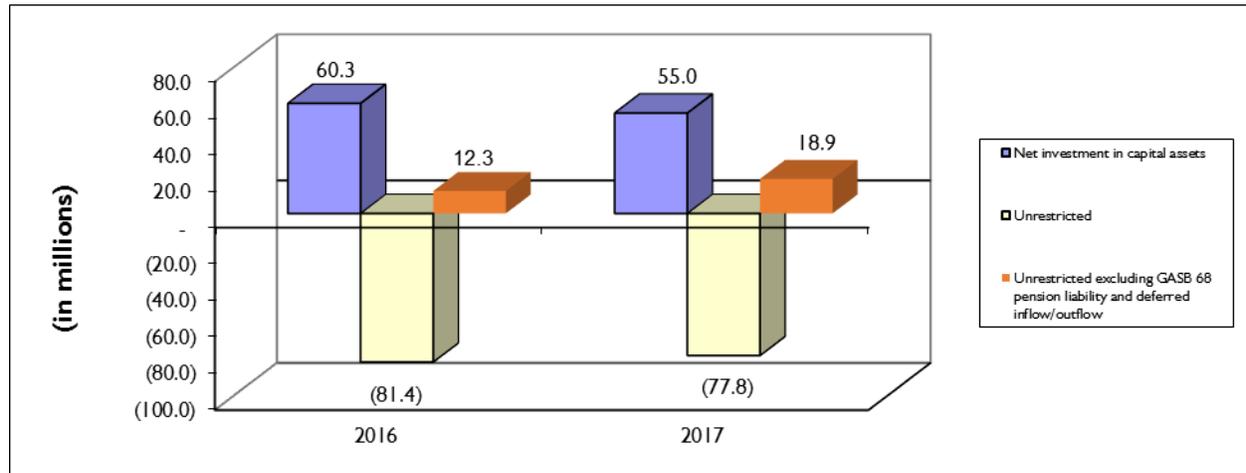
	Per Financial Statements on Page 36	Without GASB Statement No. 68	Difference
Net position at July 1, 2016	\$ (21,093,224)	\$ 72,615,352	\$ (93,708,576)
Net increase (decrease) in net position	(1,695,041)	1,308,718	(3,003,759)
Net position at June 30, 2017	\$ (22,788,265)	\$ 73,924,070	\$ (96,712,335)

However, due to the requirement of GASB Statement No. 68 to reflect and report the unfunded actuarial accrued liability of the state pension fund (MPERS) onto the College's financial statements, the College has to reflect a \$96.7 million cumulative adjustment to the College's net position which includes a \$115.4 million pension liability and \$18.7 million in net deferred outflows of resources. The effects of GASB 68 also resulted in a decrease of net position totaling \$3.0 million for the year ended June 30, 2017, while without the GASB 68 required adjustment, there would have been an increase in the College's net position of \$1.3 million.

School District of the City of Dearborn, Michigan

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

The following chart provides a graphic breakdown of net position by category as of June 30, 2017 and 2016:



As shown in the above chart, the combination of “Net Investment in Capital Assets” and “Unrestricted” at the end of fiscal year 2016 (June 30, 2016) is a deficit of \$21.1 million (\$60.3 less \$81.4) and without GASB Statement No. 68 in effect, the combined balance would be \$72.6 million (\$12.3 plus \$60.3). The combination of “Net Investment in Capital Assets” and “Unrestricted” at June 30, 2017 is a deficit of \$22.8 million (\$55.0 less \$77.8), whereas the balance without GASB Statement No. 68 would be \$73.9 (\$55.0 plus \$18.9) million. The unrestricted balance increased from \$12.3 million to \$18.9 million, or by \$6.6 million, when GASB 68 reporting is not included.

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

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

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

School District of the City of Dearborn, Michigan

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

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

The following is an analysis of the major components of the net position of the College as of June 30, 2017 and 2016:

Condensed Net Position as of June 30

(in millions)

	2016	2017	Increase (Decrease)	Percent Change
Assets				
Current assets	\$ 16.8	\$ 27.0	\$ 10.2	60.7
Long-term assets	7.5	3.7	(3.8)	(50.7)
Capital assets - Net	90.0	83.9	(6.1)	(6.8)
Deferred outflows	<u>18.3</u>	<u>22.9</u>	<u>4.6</u>	25.1
Total assets and deferred outflows	132.6	137.5	4.9	3.7
Liabilities				
Current liabilities	12.7	12.5	(0.2)	(1.6)
Long-term liabilities	137.5	143.9	6.4	4.7
Deferred inflows	<u>3.5</u>	<u>3.9</u>	<u>0.4</u>	11.4
Total liabilities and deferred inflows	<u>153.7</u>	<u>160.3</u>	<u>6.6</u>	4.3
Net Position				
Net investment in capital assets	60.3	55.0	(5.3)	(8.8)
Unrestricted	<u>(81.4)</u>	<u>(77.8)</u>	<u>3.6</u>	(4.4)
Total net position	<u>\$ (21.1)</u>	<u>\$ (22.8)</u>	<u>\$ (1.7)</u>	8.1

Net position represents the difference between the College's assets and liabilities, and at June 30, 2017, the net position of the College was a \$22.8 million deficit. The strength in total assets and deferred outflows of \$137.5 million lies primarily with capital assets, which is \$83.9 million. The College's net position increased in 2017 by \$1.4 million, prior to the effect of GASB Statement No. 68, due to increased tuition revenue and state grant revenue.

Operational revenue exceeded expenses due to cost savings as a result of continuing the changes in the College's procedures around registration and financial aid in comparison to prior years. The College continues to strictly adhere to the process of deregistration of students who had not either paid their tuition and fees, did not have approved financial aid, or did not enter into an installment payment plan for their unpaid tuition and fees. The final deregistration for each term continues to take place one day after the official add/drop date, which means that those students could no longer register for the classes from which they were just deregistered. The continual adherence to the strict deregistration procedures leads directly to a reduction in bad debt of \$400,000 from \$1.8 million in fiscal year 2016 to \$1.4 million in fiscal year 2017.

School District of the City of Dearborn, Michigan

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

Current assets increased \$10.2 million, or 60.7 percent, from the prior year primarily as a result of a receipt of cash due from Equipment Grant from the State of Michigan which requires the College to complete a 25 percent grant match before the College can be reimbursed for equipment purchased with the grant. The expenditures incurred that were reimbursed as of June 30, 2017 exceed \$4.6 million.

Current liabilities decreased \$200,000, or 1.6 percent, due to decreases in operational accrued liability balances as of June 30, 2017. Long-term liabilities showed an increase of \$6.4 million and net deferred inflows increased \$400,000 related to various changes in the calculation of the College's share of the MPSERS unfunded liability of \$115.4 million. Without the GASB Statement No. 68 MPSERS pension liability shown for fiscal years 2016 and 2017, the total liabilities and deferred inflows of resources would have been \$44.7 million for fiscal year 2017 and \$41.7 million for fiscal year 2016 compared to \$45.5 million in fiscal year 2015.

School District of the City of Dearborn, Michigan

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

The following is an analysis of the major components of the changes in net position of the College for the years ended June 30, 2017 and 2016:

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

	2016	2017	Increase (Decrease)	Percent Change
Operating Revenue				
Tuition and fees	\$ 21.2	\$ 23.5	\$ 2.3	10.8
Grants and contracts	10.4	10.7	0.3	2.9
Auxiliary enterprises	7.3	6.8	(0.5)	(6.8)
Other	<u>2.3</u>	<u>1.8</u>	<u>(0.5)</u>	<u>(21.7)</u>
Total operating revenue	41.2	42.8	1.6	3.9
Operating Expenses				
Instruction	50.8	48.1	(2.7)	(5.3)
Instructional support	5.8	6.4	0.6	10.3
Student services	15.8	17.1	1.3	8.2
Institutional administration	11.8	11.1	(0.7)	(5.9)
Physical plant operations	8.4	8.6	0.2	2.4
Auxiliary enterprises	6.8	6.4	(0.4)	(5.9)
Depreciation expense	9.1	9.7	0.6	6.6
Repairs and maintenance	1.4	1.1	(0.3)	(21.4)
Pension (income) expense *	<u>(0.3)</u>	<u>2.6</u>	<u>2.9</u>	<u>(966.7)</u>
Total operating expenses	<u>109.6</u>	<u>111.1</u>	<u>1.5</u>	<u>1.4</u>
Operating Loss	(68.4)	(68.3)	0.1	(0.1)
Nonoperating Revenue (Expense)				
Federal grants	27.5	26.1	(1.4)	(5.1)
State appropriations	26.5	29.9	3.4	12.8
State appropriations - GASB 68 reduction **	(3.1)	(0.5)	2.6	-
Property taxes	14.8	13.0	(1.8)	(12.2)
Other nonoperating expenses	<u>(1.7)</u>	<u>(1.9)</u>	<u>(0.2)</u>	<u>11.8</u>
Net nonoperating revenue	<u>64.0</u>	<u>66.6</u>	<u>2.6</u>	<u>4.1</u>
Net Decrease in Net Position	(4.4)	(1.7)	2.7	(61.4)
Net Position - Beginning of year	<u>(16.7)</u>	<u>(21.1)</u>	<u>(4.4)</u>	<u>26.3</u>
Net Position - End of year	<u>\$ (21.1)</u>	<u>\$ (22.8)</u>	<u>\$ (1.7)</u>	<u>8.1</u>

* As a result of the change in the unfunded actuarial accrued liability, the College recognized pension (expense) income of (\$2,551,000) and \$334,000 for 2017 and 2016, respectively. This income/expense resulted from changes in actuarial assumptions and investment performance. For presentation purposes in the MD&A, this amount has been included on a separate line.

** GASB 68 related adjustment to reduce UAAL state appropriations for the contributions to the MPERS pension plan after the measurement date (October 1, 2016 to June 30, 2017 contributions are shown as deferred inflows of resources pursuant to GASB 68).

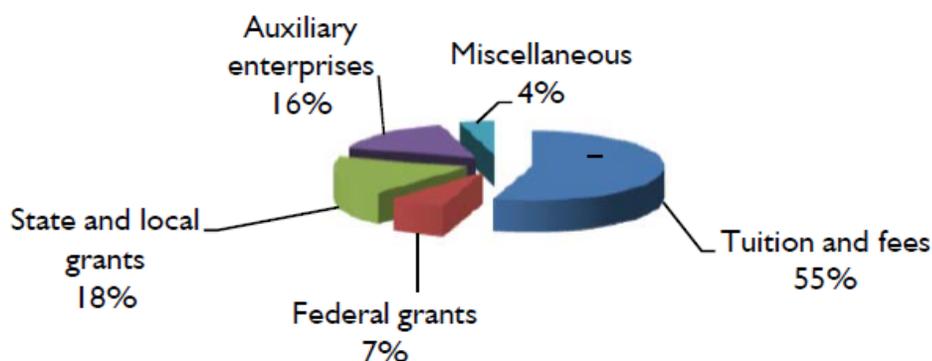
School District of the City of Dearborn, Michigan

Management's Discussion and Analysis (Unaudited) Henry Ford 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 increased by \$1.6 million, or 3.9 percent, from \$41.2 million to \$42.8 million. The increase is a result of an increase in tuition and fees for fiscal year 2017. Slight increases in grants and contracts revenue are related to the Equipment Grant from the State of Michigan and decreased revenue in the auxiliary operations, primarily the student café and bookstore. During 2016, the College was awarded an Equipment Grant from the State of Michigan, which required certain matching expenditures to be made by the College prior to reimbursement. Since the College had not met the required match by fiscal year ended 2016, over \$4.5 million in grant revenue for the equipment purchases was not recorded as a receivable from the State of Michigan as of June 30, 2016. That \$4.5 million was received in fiscal year 2017 and recorded as state grant revenue. The following is a graphic illustration of operating revenue by source for the year ended June 30, 2017:



Operating Expenses

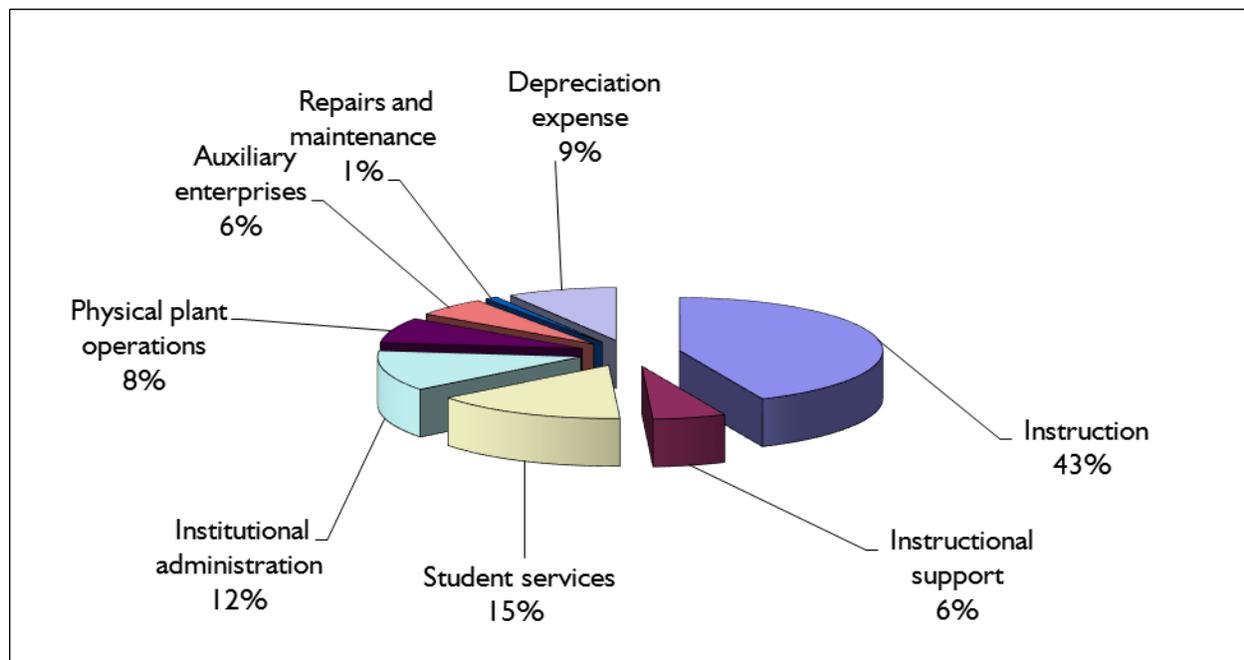
Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. Overall, operating expenses increased 1.4 percent. Decreases in instructional relate primarily to the decrease in expenses funded by the Trade Adjustment Assistance Community College and Career Training program (TAACCCT). Administrative expense decreased slightly due to the unfilling of vacant support positions and the reduction in bad debt expense from the prior year.

The College did negotiate a contract extension through fiscal year 2021 with the faculty. The Voluntary Employee Separation Program (VESP) was part of the negotiations. There was 13 employees who took advantage of the VESP. The amount per employee to be received is \$70,000. Since four employees took the VESP program for fiscal year 2016 and nine for fiscal year 2017, the expenses that were booked for 2017 totaled \$630,000, which reduced the Operating Fund surplus to \$1.4 million (excluding pension expense of \$3 million). The 2018 expense for VESP will be \$0.

School District of the City of Dearborn, Michigan

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

For the fiscal year ended June 30, 2017, depreciation expense was \$9.7 million, up 6.6 percent from 2016 due to the completion of a number of construction in progress projects in the tech building which were part of the Equipment Grant from the State of Michigan match, the completion of the replacement of the maintenance facility/bookstore roof, and continued upgrades to the College's SAN data storage capacity and capabilities. The following is a graphic illustration of operating expenses by source:



Nonoperating Revenue

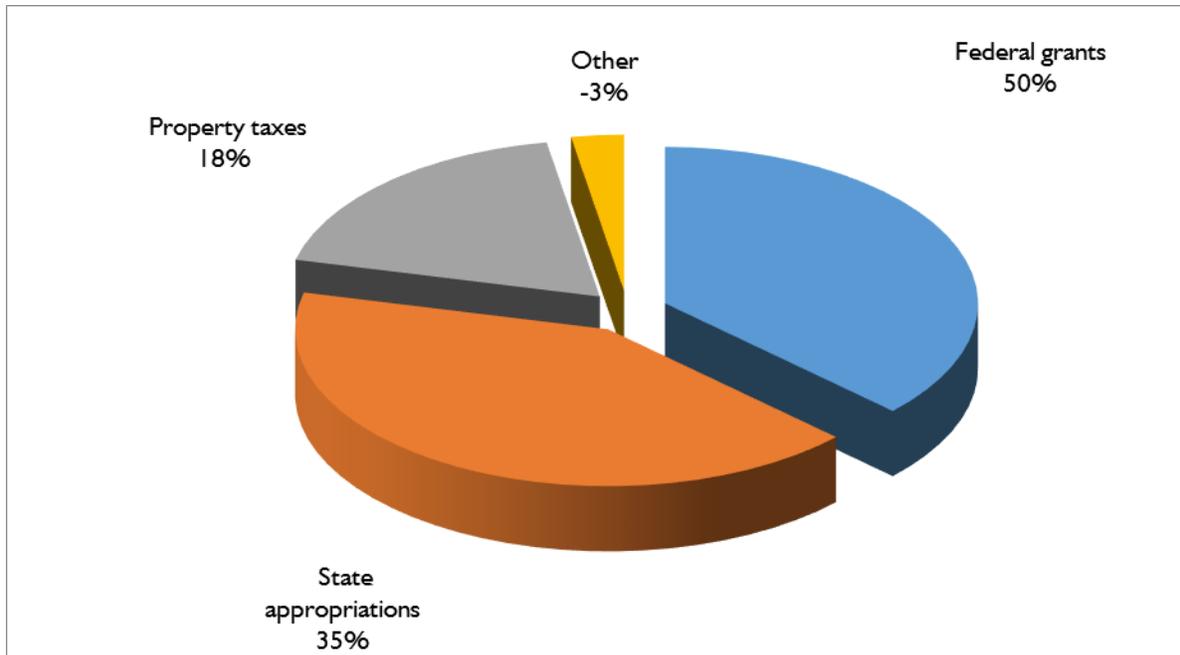
Nonoperating revenue is all revenue sources that are primarily nonexchange in nature. They consist primarily of state appropriations, property tax revenue, investment income (including realized and unrealized gains and losses), and grants and contracts that do not require any services to be performed.

In fiscal year 2016-2017, the State of Michigan increased state aid support for community colleges (excluding the GASB 68 reduction) in order to partially alleviate the burden of increased MPERS contributions and for the lost personal property tax revenue that colleges experienced when the tax on personal property was eliminated. The GASB 68 reduction is an adjustment to reduce UAAL state appropriations for the contributions to the MPERS pension plan after the measurement date (October 1, 2016 to June 30, 2017 contributions are shown as deferred inflows of resources pursuant to GASB 68). Because of the reduction in personal property tax revenue, property tax revenue decreased for the fiscal year by \$1.8 million.

School District of the City of Dearborn, Michigan

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

Federal grant revenue decreased by approximately \$1.4 million, from \$27.5 million to \$26.1 million as a result of decreases in financial aid, which is due to decrease of 2 percent in enrollment and a decline in students eligible for financial aid. 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 College (Continued)

Cash Flows for the Year (in millions)

	2016	2017	Increase (Decrease)	Percent Change
Cash (Used in) Provided by				
Operating activities	\$ (58.3)	\$ (56.0)	\$ 2.3	3.9
Noncapital financing activities	66.5	69.7	3.2	4.8
Capital and related financing activities	(12.2)	(6.7)	5.5	45.1
Investing activities	<u>(0.4)</u>	<u>(7.4)</u>	<u>(7.0)</u>	-
Net Decrease in Cash	(4.4)	(0.4)	4.0	90.9
Cash - Beginning of year	<u>11.2</u>	<u>6.8</u>	<u>(4.4)</u>	(39.3)
Cash - End of year	<u>\$ 6.8</u>	<u>\$ 6.4</u>	<u>\$ (0.4)</u>	(5.9)

Overall, total cash balances as of June 30, 2017 decreased from June 30, 2016 to \$6.4 million from \$6.8 million. However, \$15.0 million is invested in various funds handled by Fifth Third Bank and Morgan Stanley as of June 30, 2017, an increase of \$7.4 million from 2016. Due to cash flow issues in prior years, investing to earn interest income for the College was not a viable option. The movement of the \$7.4 million to investments from cash affects the "cash" balance even though the investments are quite liquid. Total cash used for operating activities showed an increase of \$2.3 million from the prior year. Net cash provided by noncapital financing activities increased by \$3.2 million and used for capital and related financing activities increased by \$5.5 million.

If the \$7.4 million had not been invested, but it remained as cash, the cash balance at the end of June 30, 2017 would have been \$13.8 million.

Capital Assets

At June 30, 2017, the College held \$187.7 million in capital assets. Depreciation charges totaled \$9.7 million for the current year. The major capital items for fiscal year 2017 were noted earlier such as the renovations made related to the skilled trades grant and the Equipment Grant from the State of Michigan.

School District of the City of Dearborn, Michigan

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

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

	2016	2017	Increase
	(in millions)		
Land	\$ 3.5	\$ 3.5	\$ -
Construction in progress	6.6	1.4	(5.2)
Land improvements	22.5	22.6	0.1
Buildings	93.7	93.7	-
Building improvements	26.6	28.6	2.0
Furniture	4.0	4.4	0.4
Equipment and other vehicles	27.1	33.5	6.4
Total	<u>\$ 184.0</u>	<u>\$ 187.7</u>	<u>\$ 3.7</u>

Long-term Debt

At June 30, 2017, the College had approximately \$28.8 million of bonds and notes payable outstanding as compared with \$29.7 million at June 30, 2016. 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

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 College, along with 12 other community colleges, is the recipient of a U.S. Department of Labor grant under the TAACCCT program for \$15 million. The grant was completed in fiscal year 2017.

The TAACCCT grant program provided 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.

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 1.3 percent increase (excluding the GASB 68 reduction) was realized in the 2016-2017 fiscal year primarily as a result of the MPSERS UAAL rate stabilization payment. State equalized value and taxable values have leveled off from the prior years, which have now stabilized the College's property tax base.

School District of the City of Dearborn, Michigan

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

Henry Ford 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. By being awarded the Equipment Grant from the State of Michigan for over \$4.6 million in fiscal year 2016 and then having the grant modified to \$5 million, the College was able to improve and modernize a number of programs in its tech building including automotive mechanics, mechatronics, advanced manufacturing, and others. The College has a direct match for the grant of \$1.1 million and an indirect match for \$1.2 million. The Grant stipulates that in order for the College to receive reimbursement for the \$4.6 million in equipment, the College must meet its 25 percent match commitment. The College met the matching requirement in July 2016.

As previously noted, GASB pronouncement No. 68 was implemented in fiscal year 2015 and addresses the accounting and financial reporting of the unfunded portion of the MPERS pension liability. The College's portion of the net unfunded pension liability is approximately \$96.7 million. A future GASB pronouncement is going to address the unfunded postemployment healthcare benefit and will be implemented by the College during the year ending June 30, 2018. The College estimates that its share of the unfunded postemployment benefit liability is approximately \$45 million.

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

- Tuition rates during the year ended June 30, 2017 were increased from the prior year. Tuition rates for fiscal year 2018 have been increased from \$93.00 per credit hour for in-district students to \$96.00, from \$161.00 to \$166.00 for out-of-district students, and from \$230.00 to \$240.00 for out-of-state and international students.
- For fiscal year 2017, the College continues to be subject to Section 4 of Michigan Public Act 152 of 2011. This act allowed the College to cap the costs related to medical benefits that are offered to its employees. The College's share of medical benefits cannot exceed 80 percent of the total annual cost of all the medical benefit plans it offers for its employees. The annual savings through fiscal year 2017 was approximately \$2,600,000 since the act took effect, with an additional estimated savings of approximately \$600,000 for fiscal year 2018.
- As the College continues to re-establish its unrestricted reserves (net of the GASB Statement No. 68 Pension Liability effect of \$96.7 million), the combined net position for the General Fund and Auxiliary Fund at the beginning of fiscal year 2017 (July 1, 2016), prior to the GASB Statement No. 68 restatement, was \$14,316,253 (\$10,185,399 plus \$4,130,854). The results for fiscal year 2017 added to the General Fund and Auxiliary Fund \$715,122 and \$534,238, respectively, to produce a balance of \$15,566,613, prior to GASB Statement No. 68 effects, at the end of fiscal year 2017 (June 30, 2017).

School District of the City of Dearborn, Michigan

Statement of Net Position June 30, 2017

	Governmental Activities	Business-type Activities (Henry Ford College)	Component Unit (Henry Ford College Foundation)	Total (Memo Only)
Assets and Deferred Outflow of Resources				
Current Assets				
Cash and investments (Note 3)	\$ 23,740,733	\$ 6,390,191	\$ 1,295,511	\$ 31,426,435
Receivables - Net (Note 4):				
Accounts and grants	7,870,977	2,597,436	-	10,468,413
Contributions	-	-	101,817	101,817
Due from other governmental units	31,343,480	4,926,738	-	36,270,218
Internal balances	31,810	(31,810)	-	-
Inventories	113,721	738,815	-	852,536
Short-term investments (Note 3)	-	11,308,375	-	11,308,375
Prepaid costs	4,466,109	1,049,848	21,981	5,537,938
	<u>67,566,830</u>	<u>26,979,593</u>	<u>1,419,309</u>	<u>95,965,732</u>
Total current assets				
Long-term Investments (Note 3)	-	3,705,696	14,030,944	17,736,640
Restricted Assets (Note 10)	9,337,942	-	-	9,337,942
Capital Assets - Net (Note 5)	<u>263,906,154</u>	<u>83,889,927</u>	<u>-</u>	<u>347,796,081</u>
Total assets	<u>340,810,926</u>	<u>114,575,216</u>	<u>15,450,253</u>	<u>470,836,395</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions (Note 8)	58,640,624	22,657,052	-	81,297,676
Deferred charges on bond refunding (Note 7)	<u>299,130</u>	<u>298,912</u>	<u>-</u>	<u>598,042</u>
Total assets and deferred outflows of resources	<u>\$ 399,750,680</u>	<u>\$ 137,531,180</u>	<u>\$ 15,450,253</u>	<u>\$ 552,732,113</u>

School District of the City of Dearborn, Michigan

Statement of Net Position (Continued) June 30, 2017

	Governmental Activities	Business-type Activities (Henry Ford College)	Component Unit (Henry Ford College Foundation)	Total (Memo Only)
Liabilities, Deferred Inflows of Resources, and Net Position				
Current Liabilities				
Accounts and contracts payable	\$ 11,097,994	\$ 2,248,993	\$ 12,653	\$ 13,359,640
Scholarships payable	-	-	1,724	1,724
Accrued payroll and other liabilities	22,147,455	5,617,942	-	27,765,397
Unearned revenue (Note 4)	513,437	2,539,160	-	3,052,597
Internal balances	25,646	(25,646)	-	-
Deposits held for others	-	115,960	-	115,960
Other liabilities	26,924	-	-	26,924
Current portion of long-term liabilities (Note 7)	<u>15,091,430</u>	<u>2,006,403</u>	<u>-</u>	<u>17,097,833</u>
Total current liabilities	48,902,886	12,502,812	14,377	61,420,075
Long-term Liabilities				
Net of current portion (Note 7)	128,213,873	28,447,246	-	156,661,119
Net pension liability (Note 8)	<u>361,929,771</u>	<u>115,404,414</u>	<u>-</u>	<u>477,334,185</u>
Total liabilities	539,046,530	156,354,472	14,377	695,415,379
Deferred Inflows of Resources - Deferred inflows related to pensions and revenue contributions (Note 1 and Note 8)				
	<u>11,952,094</u>	<u>3,964,973</u>	<u>-</u>	<u>15,917,067</u>
Total liabilities and deferred inflows of resources	550,998,624	160,319,445	14,377	711,332,446
Net Position				
Net investment in capital assets	124,024,693	55,048,716	-	179,073,409
Restricted:				
Debt service	5,592,329	-	-	5,592,329
Temporarily - Component unit (expendable)	-	-	5,608,555	5,608,555
Permanently - Component unit (nonexpendable)	-	-	6,239,867	6,239,867
Unrestricted (deficit)	<u>(280,864,966)</u>	<u>(77,836,981)</u>	<u>3,587,454</u>	<u>(355,114,493)</u>
Total net position	<u>(151,247,944)</u>	<u>(22,788,265)</u>	<u>15,435,876</u>	<u>(158,600,333)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 399,750,680</u>	<u>\$ 137,531,180</u>	<u>\$ 15,450,253</u>	<u>\$ 552,732,113</u>

School District of the City of Dearborn, Michigan

Functions/Programs	Program Revenue		
	Expenses	Charges for Services	Operating Grants/Contributions
Primary government:			
Governmental activities:			
Instruction	\$ 146,006,573	\$ 1,911,999	\$ 36,554,729
Support services	82,258,933	-	20,594,641
Food services	7,811,580	1,462,129	7,233,302
Athletics	2,281,059	86,409	-
Community services	1,288,546	911,242	-
Interest on long-term debt	5,552,091	-	-
Other	398,768	-	-
Depreciation (unallocated)	9,184,717	-	-
Total governmental activities	254,782,267	4,371,779	64,382,672
Business-type activities - Henry Ford College	113,041,945	32,114,330	10,727,227
Component unit - Henry Ford College Foundation	1,595,613	-	1,999,088
Total	\$ 369,419,825	\$ 36,486,109	\$ 77,108,987

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

Interdistrict unrestricted revenue

Gain on sale of assets

Interest earnings and other

Total general revenue

Net Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Statement of Activities
Year Ended June 30, 2017

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Component Unit - Henry Ford Community College Foundation	Total (Memo Only)
\$ (107,539,845)	\$ -	\$ -	\$ (107,539,845)
(61,664,292)	-	-	(61,664,292)
883,851	-	-	883,851
(2,194,650)	-	-	(2,194,650)
(377,304)	-	-	(377,304)
(5,552,091)	-	-	(5,552,091)
(398,768)	-	-	(398,768)
(9,184,717)	-	-	(9,184,717)
(186,027,816)	-	-	(186,027,816)
-	(70,200,388)	-	(70,200,388)
-	-	403,475	403,475
(186,027,816)	(70,200,388)	403,475	(255,824,729)
38,836,215	13,029,514	-	51,865,729
15,907,933	-	-	15,907,933
-	26,088,643	-	26,088,643
49,125	-	-	49,125
139,218,358	29,387,190	-	168,605,548
7,086,421	-	-	7,086,421
915,336	-	-	915,336
79,202	-	1,768,524	1,847,726
202,092,590	68,505,347	1,768,524	272,366,461
16,064,774	(1,695,041)	2,171,999	16,541,732
(167,312,718)	(21,093,224)	13,263,877	(175,142,065)
\$ (151,247,944)	\$ (22,788,265)	\$ 15,435,876	\$ (158,600,333)

School District of the City of Dearborn, Michigan

Governmental Funds Balance Sheet June 30, 2017

	General Fund	Funded Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 19,625,443	\$ -	\$ 4,115,290	\$ 23,740,733
Accounts and grants receivable (Note 4)	299,548	6,562,062	736,750	7,598,360
Due from other governments (Note 4)	31,343,480	-	-	31,343,480
Internal balances	31,810	-	-	31,810
Due from other funds (Note 6)	5,635,864	-	4,747,441	10,383,305
Prepaid costs	4,464,109	2,000	-	4,466,109
Inventories	37,800	-	75,921	113,721
Restricted assets (Notes 3 and 10)	-	-	9,337,942	9,337,942
Total assets	\$ 61,438,054	\$ 6,564,062	\$ 19,013,344	\$ 87,015,460
Liabilities and Fund Balances				
Liabilities				
Accounts and contracts payable	\$ 7,210,399	\$ 108,118	\$ 2,992,809	\$ 10,311,326
Accrued salary, wage, and fringe benefits payable	20,284,558	1,182,914	679,983	22,147,455
Due to other funds (Note 6)	4,747,441	4,889,155	474,092	10,110,688
Other current liabilities	26,675	-	249	26,924
Internal balances	25,646	-	-	25,646
Unearned revenue (Note 4)	70,989	383,875	58,573	513,437
Total liabilities	32,365,708	6,564,062	4,205,706	43,135,476
Deferred Inflows of Resources -				
Unavailable revenue (Note 4)	493,237	-	-	493,237
Total liabilities and deferred inflows of resources	32,858,945	6,564,062	4,205,706	43,628,713
Fund Balances				
Nonspendable:				
Prepaid costs	4,464,109	-	-	4,464,109
Inventory	37,800	-	75,921	113,721
Restricted:				
Debt service	-	-	6,378,997	6,378,997
Capital projects	-	-	2,272,661	2,272,661
Food service	-	-	3,876,170	3,876,170
Assigned:				
Adult education	-	-	713,604	713,604
Capital projects	-	-	1,490,285	1,490,285
Enhancement funds	6,862,041	-	-	6,862,041
FICA withholdings	585,550	-	-	585,550
Unassigned	16,629,609	-	-	16,629,609
Total fund balances	28,579,109	-	14,807,638	43,386,747
Total liabilities, deferred inflows, and fund balances	\$ 61,438,054	\$ 6,564,062	\$ 19,013,344	\$ 87,015,460

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, 2017

Fund Balance - Total Governmental Funds	\$ 43,386,747
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	\$ 386,780,963
Accumulated depreciation	<u>(122,874,809)</u> 263,906,154
Revenue is reported in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	493,237
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	(142,453,252)
Compensated absences and severance agreements	(563,659)
Risk management and claims	<u>(288,392)</u> (143,305,303)
Accrued interest payable is not included as a liability in governmental funds	(786,668)
Deferred outflows related to pension payments made subsequent to the measurement date	28,193,882
Deferred outflows related to pensions	30,446,742
Net pension obligations do not present a claim on current financial resources and are not reported as fund liabilities	(361,929,771)
Deferred inflows related to pensions and revenue contributions are not reported in the governmental funds	(11,952,094)
Deferred outflows of resources (deferred interest) that do not benefit the current period are not reported in the governmental funds	<u>299,130</u>
Net Position - Governmental Activities	<u>\$ (151,247,944)</u>

School District of the City of Dearborn, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2017

	General Fund	Funded Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Local:				
Property taxes	\$ 38,836,215	\$ -	\$ 15,907,933	\$ 54,744,148
Investment income	59,756	-	19,446	79,202
Tuition and other local revenue	1,046,978	29,973	1,419,221	2,496,172
Food service	-	-	1,462,129	1,462,129
Athletic gate receipts	86,409	-	-	86,409
Total local	40,029,358	29,973	18,808,729	58,868,060
State	160,363,565	595,299	5,734,436	166,693,300
Federal	49,125	16,021,937	7,979,033	24,050,095
Interdistrict - Incoming transfers from other districts	10,502,418	3,027,522	7,833,144	21,363,084
Total revenue	210,944,466	19,674,731	40,355,342	270,974,539
Expenditures				
Current:				
Instruction	120,175,427	14,700,114	7,361,459	142,237,000
Support services	72,871,585	3,766,602	4,351,147	80,989,334
Community services	51,501	806,972	406,711	1,265,184
Food service	-	-	7,738,917	7,738,917
Athletics	2,253,032	58	-	2,253,090
Debt service:				
Principal payments	-	-	14,186,066	14,186,066
Interest and other	-	-	6,816,928	6,816,928
Fees and other bond costs	-	-	355,187	355,187
Capital outlay	810,506	222,547	5,266,112	6,299,165
Total expenditures	196,162,051	19,496,293	46,482,527	262,140,871
Excess of Revenue Over (Under) Expenditures	14,782,415	178,438	(6,127,185)	8,833,668
Other Financing Sources (Uses)				
Face value of debt issued	-	-	45,520,000	45,520,000
Premium on debt issued	-	-	4,456,414	4,456,414
Payment to escrow agent	-	-	(51,155,357)	(51,155,357)
Proceeds on sale of fixed assets	2,411,435	-	-	2,411,435
Transfers in (Note 6)	2,007,492	12,205	4,625,189	6,644,886
Transfers out (Note 6)	(4,637,394)	(186,946)	(1,820,546)	(6,644,886)
Total other financing (uses) sources	(218,467)	(174,741)	1,625,700	1,232,492
Net Change in Fund Balances	14,563,948	3,697	(4,501,485)	10,066,160
Fund Balances - Beginning of year	14,015,161	(3,697)	19,309,123	33,320,587
Fund Balances - End of year	\$ 28,579,109	\$ -	\$ 14,807,638	\$ 43,386,747

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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 10,066,160

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	\$ (9,184,717)	
Capitalized capital outlay	<u>5,211,451</u>	(3,973,266)

Governmental funds report proceeds from sale of assets as revenue; in the statement of activities; there are recorded net of the carrying value of the disposed assets	(1,496,099)
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Underwriter's premiums and deferred charges are reported as revenue and expenditures in the funds and amortized in the statement of activities	(2,148,869)
--	-------------

Revenue is reported in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	493,237
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Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	27,649
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Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(45,520,000)
--	--------------

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)	64,271,066
--	------------

Deferred interest is reported as an expenditure in the governmental funds but is capitalized and amortized in the statement of activities	(43,581)
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Change in pension expense related to deferred items	(4,189,200)
---	-------------

Revenue in support of pension contributions made subsequent to the measurement date	(1,536,071)
---	-------------

Compensated absences, as well as estimated self-insured liability claims, are recorded when earned or incurred in the statement of activities.	<u>113,748</u>
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Change in Net Position of Governmental Activities **\$ 16,064,774**

School District of the City of Dearborn, Michigan

Proprietary Funds Statement of Net Position June 30, 2017

	Henry Ford College	Component Unit - Henry Ford College Foundation
Assets		
Current Assets		
Cash and cash equivalents (Note 3)	\$ 6,390,191	\$ 1,295,511
Receivables - Net (Note 4):		
Accounts and grants	2,597,436	-
Contributions	-	101,817
Due from other governmental units	4,926,738	-
Interfund balances	(31,810)	-
Inventories	738,815	-
Short-term investments (Note 3)	11,308,375	-
Prepaid costs	<u>1,049,848</u>	<u>21,981</u>
Total current assets	26,979,593	1,419,309
Long-term Investments (Note 3)	3,705,696	14,030,944
Capital Assets - Net (Note 5)	<u>83,889,927</u>	<u>-</u>
Total assets	114,575,216	15,450,253
Deferred Outflows of Resources		
Deferred outflows related to pensions (Note 8)	22,657,052	-
Deferred charges on bond refunding (Note 7)	<u>298,912</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 137,531,180</u>	<u>\$ 15,450,253</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 2,248,993	\$ 12,653
Scholarships payable	-	1,724
Accrued payroll and other liabilities	5,617,942	-
Unearned revenue (Note 4)	2,539,160	-
Interfund balances	(25,646)	-
Deposits held for others	115,960	-
Current portion of long-term liabilities (Note 7)	<u>2,006,403</u>	<u>-</u>
Total current liabilities	12,502,812	14,377
Long-term Liabilities - Net of current portion		
Bonds payable - Net of unamortized premium and discounts (Note 7)	28,098,480	-
Accrued severance pay and other obligations (Note 7)	348,766	-
Net pension liability (Note 8)	<u>115,404,414</u>	<u>-</u>
Total liabilities	156,354,472	14,377
Deferred Inflows of Resources (Note 8)	3,964,973	-
Net Position		
Net investment in capital assets	55,048,716	-
Restricted:		
Temporarily - Component unit (expendable)	-	5,608,555
Permanently - Component unit (nonexpendable)	-	6,239,867
Unrestricted (Note 13)	<u>(77,836,981)</u>	<u>3,587,454</u>
Total net position	<u>(22,788,265)</u>	<u>15,435,876</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 137,531,180</u>	<u>\$ 15,450,253</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 Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2017

	Henry Ford College	Component Unit - Henry Ford College Foundation
Operating Revenue		
Tuition and fees - Net of scholarship allowance of \$26,166,931	\$ 23,478,168	\$ -
Federal grants	2,900,706	-
State and local grants and gifts	7,826,521	1,412,229
Auxiliary enterprises	6,795,900	-
Miscellaneous	1,840,262	586,859
Total operating revenue	42,841,557	1,999,088
Operating Expenses		
Instruction	48,066,015	-
Instructional support	6,441,880	244,695
Student services	17,088,371	764,059
Institutional administration	13,719,518	586,859
Physical plant operations	8,644,527	-
Auxiliary enterprises	6,377,228	-
Repairs and maintenance	1,102,909	-
Depreciation expense	9,686,291	-
Total operating expenses	111,126,739	1,595,613
Operating (Loss) Gain	(68,285,182)	403,475
Nonoperating Revenue (Expenses)		
Federal grants	26,088,643	-
State appropriations	29,387,190	-
Property taxes	13,029,514	-
Investment income	124,032	1,768,524
Interest on capital asset-related debt expenses	(2,039,238)	-
Net nonoperating revenue	66,590,141	1,768,524
Net (Decrease) Increase in Net Position	(1,695,041)	2,171,999
Net Position - Beginning of year	(21,093,224)	13,263,877
Net Position - End of year	\$ (22,788,265)	\$ 15,435,876

School District of the City of Dearborn, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2017

	Henry Ford College	Component Unit - Henry Ford College Foundation
Cash Flows from Operating Activities		
Tuition and fees	\$ 24,296,417	\$ -
Grants, contracts, and gifts	9,018,661	1,267,131
Payments to suppliers	(50,074,143)	(665,691)
Payments to employees	(47,907,331)	-
Payments to educational scholarship and special program funds	-	(346,815)
Auxiliary enterprise charges	6,795,900	-
Other	1,840,262	205
	<u>(56,030,234)</u>	<u>254,830</u>
Net cash (used in) provided by operating activities	(56,030,234)	254,830
Cash Flows from Noncapital Financing Activities		
Local property taxes	12,921,487	-
Pell grant revenue	26,088,643	-
William D. Ford direct lending receipts	26,978,986	-
William D. Ford direct lending disbursements	(25,590,513)	-
State appropriations	29,261,348	-
	<u>69,659,951</u>	<u>-</u>
Net cash provided by noncapital financing activities	69,659,951	-
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(3,599,302)	-
Principal paid on capital debt	(1,110,483)	-
Property tax collections	84,652	-
Permanently restricted contributions	-	288,008
Interest paid on capital debt	(2,047,847)	-
	<u>(6,672,980)</u>	<u>288,008</u>
Net cash (used in) provided by capital and related financing activities	(6,672,980)	288,008
Cash Flows from Investing Activities		
Interest on investments	124,032	251,355
Purchase of investments	(69,958,353)	(4,883,734)
Proceeds from sale of investments	62,474,969	4,928,469
	<u>(7,359,352)</u>	<u>296,090</u>
Net cash (used in) provided by investing activities	(7,359,352)	296,090
Net (Decrease) Increase in Cash and Cash Equivalents	(402,615)	838,928
Cash and Cash Equivalents - Beginning of year	6,792,806	456,583
Cash and Cash Equivalents - End of year	<u>\$ 6,390,191</u>	<u>\$ 1,295,511</u>

School District of the City of Dearborn, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2017

	Henry Ford College	Component Unit - Henry Ford College Foundation
Reconciliation of Operating (Loss) Gain to Net Cash from Operating Activities		
Operating (loss) gain	\$ (68,285,182)	\$ 403,475
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	9,686,291	-
Permanently restricted contributions	-	(288,008)
Bad debt expense	1,388,473	12,061
(Increase) decrease in assets and deferred outflows:		
Accounts receivable	(360,362)	-
Contributions receivable	-	143,115
Federal and state grant receivable	(1,708,566)	-
Inventories	33,836	-
Prepaid assets and other current assets	145,165	(19,353)
Deferred outflows of resources	(4,647,263)	-
(Decrease) increase in liabilities and deferred inflows:		
Accounts payable	(262,304)	4,644
Scholarships payable	-	(1,104)
Accrued payroll and other compensation	336,156	-
Other accrued liabilities	(40,502)	-
Deposits	(2,981)	-
Unearned tuition and fees	334,895	-
Pension liability	6,891,221	-
Deferred inflows of resources	460,889	-
Net cash (used in) provided by operating activities	\$ (56,030,234)	\$ 254,830

There were no noncash capital, noncapital, or investing activities for the year ended June 30, 2017, except for the bond defeasance, as disclosed in Note 7.

School District of the City of Dearborn, Michigan

Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2017

	<u>Agency Funds</u>
Assets - Cash and investments (Note 3)	<u>\$ 1,552,687</u>
Liabilities	
Accounts payable	\$ 28,155
Due to other funds (Note 6)	272,617
Due to student/recipient groups	<u>1,251,915</u>
Total liabilities	<u>\$ 1,552,687</u>

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

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 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. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District.

Component Unit - Henry Ford College Foundation (the "Foundation") was organized to develop fundraising programs and events and administer the resulting assets, in order to provide scholarships to students and other financial assistance to Henry Ford College's special programs and department projects. The Foundation is discretely reported as part of the School District's reporting entity (although it is legally separate and governed by its own board of directors) because its sole purpose is to provide support to the College. The Foundation is a private organization that reports under the 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.

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.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. 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.

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.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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. Student tuition and related revenue and expenses of an academic semester are reported in the fiscal year in which the program is conducted.

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.

Funded Projects Fund - The Funded Projects Fund is a special revenue fund used to record grants received from the federal government and other sources, and the expenditures associated with those programs.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Capital Projects Fund - 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. The fund operates until the purpose for which it was created is accomplished. The School District uses a Building & Site Fund for building repairs and replacement. These funds are typically transferred from the General Fund or from building/land sales.

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.

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 or amortized cost.

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

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

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. For the fiscal year ended June 30, 2017, tax abatement programs impacting property tax revenue are detailed in Note 15.

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

Inventories and Prepaid 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 net asset 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

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Long-term Obligations - In the government-wide financial statements and 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/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District only has two items that qualify for reporting in this category. The first type of deferred outflow of resources is the deferred charge on refunding bond issuances, which results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second deferred outflow of resources relates to the pension plan and is reported only in the statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two types of deferred inflow of resources. The first type of deferred inflow related to the pension plan and revenue contributions and is reported only in the statement of net position. The second type of deferred inflow related to unavailable revenue reported only on the governmental funds balance sheet.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

The College and the P-12 reported deferred inflows of resources at June 30, 2017 on the statement of net position including \$3,586,474 and \$10,903,884, respectively, for funding received through state appropriations for contributions to the MPSERS pension plan after the measurement date and \$378,499 and \$1,048,210, respectively, related to the pension plan described in Note 8. Deferred inflows of resources at June 30, 2017 relate to the pension plan described in Note 8. See Note 4 for deferred inflow of resources reported at the fund level for unavailable revenue.

Pensions - For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements.

Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

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.
- 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.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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 fund's 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 unearned revenue. This includes \$228,852 for the fall semester and \$2,067,226 of unearned revenue on the summer semester, which began in July 2017 and ended in August 2017.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Adoption of New Standards - For the year ended June 30, 2017, the School District implemented GASB Statement No. 77, *Tax Abatement Disclosures*, which improves disclosure of tax abatement information, such as how the tax abatements affect the School District's financial statements, operations, and ability to raise resources in the future, by reporting (1) the School District's own tax abatement agreements and (2) those entered into by other governments that reduce the School District's tax revenue. See Note 15 regarding the effect of this pronouncement on the School District.

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 General Fund actual column in the budgetary comparison schedule includes transfers out to support the Athletic sub-fund. The basic financial statements show the General Fund and Athletics Fund on a combined basis and transfers between the two funds are presented on a net basis. 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.

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.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

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

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the P-12 did not have significant expenditures in excess of appropriations.

Capital Projects Fund Compliance - The 2014 Capital Project Fund includes 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 based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2014 Capital Projects Fund. The projects for which the bonds were issued were considered complete on June 30, 2017 and the cumulative expenditures recognized for the construction period were \$74,242,582.

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.

At year end, the School District had \$10,068,948 in investment pool funds at Comerica Bank, which is recorded at amortized cost. There are no limitations or restrictions on participant withdrawals for the investment pool listed at amortized cost.

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 \$22,042,616 had \$21,292,616 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 3 - Deposits and Investments (Continued)

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. The College's investments are all in the name of the College. The investments are custodied with each bank from which they were purchased. Therefore, custodial risk is limited.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The 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. The School District's investments in governmental cash investment funds of \$12,810,852 had a weighted average maturity of less than one year.

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

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

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

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 3 - Deposits and Investments (Continued)

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

Investments	Fair Value	Maturity Date	Rating	Rating Organization
Comerica Governmental Cash Investment Fund*	\$ 10,068,948	N/A	N/A**	N/A**
U.S. Treasury bills	<u>5,683,580</u>	2/1/2027	Aaa-mf	Moody's
Total investments	<u>\$ 15,752,528</u>			

* Investment fair value reported at amortized cost.

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

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

Investments	Fair Value	Maturities		Rating	Rating Organization
		Less than one year	1-5 years		
Certificate of deposit	\$ 4,003,401	\$ 1,785,375	\$ 2,218,026	N/A	N/A
U.S. Treasury bills	1,487,670	-	1,487,670	AA+	S&P
Corporate paper	<u>9,523,000</u>	9,523,000	-	A2	S&P
Total investments	<u>\$ 15,014,071</u>				

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.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

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	Funded Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Activities	Proprietary Fund	Component Unit	Total
Receivables:							
Accounts, grants, and other	\$ 299,548	\$ 6,562,062	\$ 736,750	\$ 7,598,360	\$ 37,366,807	\$ 101,817	\$ 45,066,984
Intergovernmental	31,343,480	-	-	31,343,480	4,926,738	-	36,270,218
Less allowance for uncollectibles	-	-	-	-	(34,769,371)	-	(34,769,371)
Net receivables	<u>\$ 31,643,028</u>	<u>\$ 6,562,062</u>	<u>\$ 736,750</u>	<u>\$ 38,941,840</u>	<u>\$ 7,524,174</u>	<u>\$ 101,817</u>	<u>\$ 46,567,831</u>

Governmental and proprietary 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 various components of unearned and unavailable revenue as follows:

	Deferred Inflow - Unavailable	Unearned Revenue
Governmental activities - Receivables for revenue not available in current period	\$ 493,237	\$ -
Governmental activities - Tuition and state, federal, and local grant monies received prior to meeting all eligibility requirements	-	513,437
Business-type activities - Tuition and grant revenue	-	2,539,160
Total	<u>\$ 493,237</u>	<u>\$ 3,052,597</u>

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 5 - Capital Assets

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

	Balance July 1, 2016	Additions	Disposals and Adjustments	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 11,423,864	\$ -	\$ -	\$ 11,423,864
Construction in progress	14,632,932	-	(13,650,978)	981,954
Subtotal	26,056,796	-	(13,650,978)	12,405,818
Capital assets being depreciated:				
Buildings	108,988,482	-	(522,169)	108,466,313
Building improvements	181,966,023	15,478,873	(1,898,632)	195,546,264
Land improvements	19,998,035	1,985,210	(49,834)	21,933,411
Buses and other vehicles	9,416,045	803,887	(280,159)	9,939,773
Equipment and other	38,207,563	594,459	(312,638)	38,489,384
Subtotal	358,576,148	18,862,429	(3,063,432)	374,375,145
Accumulated depreciation:				
Buildings	37,739,953	1,627,742	(469,952)	38,897,743
Building improvements	40,000,010	3,898,539	(644,581)	43,253,968
Land improvements	3,192,421	841,691	(1,190)	4,032,922
Buses and other vehicles	5,490,095	751,501	(276,159)	5,965,437
Equipment and other	28,834,946	2,065,244	(175,451)	30,724,739
Subtotal	115,257,425	9,184,717	(1,567,333)	122,874,809
Net capital assets being depreciated	243,318,723	9,677,712	(1,496,099)	251,500,336
Net governmental capital assets	\$ 269,375,519	\$ 9,677,712	\$(15,147,077)	\$ 263,906,154

Depreciation for the fiscal year ended June 30, 2017 totaled \$9,184,717 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.

Construction Commitments - The P-12 has active construction projects at year end. At year end, the P-12 has spent \$860,930 on remaining commitments with contractors of \$2,120,405.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 5 - Capital Assets (Continued)

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

	Balance July 1, 2016	Additions	Disposals and Adjustments	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 3,482,436	\$ -	\$ -	\$ 3,482,436
Construction in progress	<u>6,651,736</u>	<u>2,423,273</u>	<u>(7,649,383)</u>	<u>1,425,626</u>
Subtotal	10,134,172	2,423,273	(7,649,383)	4,908,062
Capital assets being depreciated:				
Buildings	93,694,224	-	-	93,694,224
Building improvements	26,654,883	59,897	1,840,309	28,555,089
Land improvements	22,481,720	-	139,319	22,621,039
Furniture and library books	4,048,635	309,214	53,939	4,411,788
Equipment and other vehicles	<u>27,082,371</u>	<u>806,918</u>	<u>5,615,816</u>	<u>33,505,105</u>
Subtotal	173,961,833	1,176,029	7,649,383	182,787,245
Accumulated depreciation:				
Buildings	46,627,217	2,070,441	-	48,697,658
Building improvements	14,500,802	3,578,569	-	18,079,371
Land improvements	8,015,777	1,503,425	-	9,519,202
Furniture and library books	2,734,454	401,267	-	3,135,721
Equipment and other vehicles	<u>22,240,839</u>	<u>2,132,589</u>	<u>-</u>	<u>24,373,428</u>
Subtotal	<u>94,119,089</u>	<u>9,686,291</u>	<u>-</u>	<u>103,805,380</u>
Net capital assets being depreciated	<u>79,842,744</u>	<u>(8,510,262)</u>	<u>7,649,383</u>	<u>78,981,865</u>
Net business-type activity assets	<u>\$ 89,976,916</u>	<u>\$ (6,086,989)</u>	<u>\$ -</u>	<u>\$ 83,889,927</u>

Depreciation for the fiscal year ended June 30, 2017 totaled \$9,686,291 for business-type capital assets.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 6 - Interfund Receivables, Payables, and Transfers

The following are the interfund receivables at June 30, 2017:

Fund Due To	Fund Due From				Total
	General Fund	Funded Projects	Agency Fund	Other Nonmajor Governmental Funds	
General Fund	\$ -	\$ 4,889,155	\$ 272,617	\$ 474,092	\$ 5,635,864
Nonmajor funds	4,747,441	-	-	-	4,747,441
Total	<u>\$ 4,747,441</u>	<u>\$ 4,889,155</u>	<u>\$ 272,617</u>	<u>\$ 474,092</u>	<u>\$ 10,383,305</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, 2017:

Fund Transferred From	Fund Transferred To	Amount
Other nonmajor governmental funds	General Fund	\$ 1,820,546
Funded Projects Fund	General Fund	186,946
General Fund	Funded Projects Fund	12,205
General Fund	Other nonmajor governmental funds	4,625,189
Total transfers		<u>\$ 6,644,886</u>

The transfers from the General Fund to the Funded Project are for reimbursement of current year indirect costs. The transfers from the General Fund to other nonmajor governmental funds subsidized operations of the General Building and Site Fund and serviced nonvoted debt obligations for the School District. The transfers from other nonmajor governmental funds to the General Fund are for reimbursement to the General Fund for indirect costs and costs paid on behalf of other nonmajor governmental funds.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 7 - Long-term Obligations

The School District issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Qualified bonds are fully guaranteed by the State of Michigan. Long-term obligations of the School District and changes therein for the year ended June 30, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds	\$ 152,125,230	\$ 45,520,000	\$ 64,271,066	\$ 133,374,164	\$ 13,593,358
Less deferred amounts - Deferred outflows - Deferred charges on bond refunding	(342,711)	-	(43,581)	(299,130)	-
Issuance premiums	6,930,219	4,456,414	2,307,545	9,079,088	1,209,680
Total bonds payable	158,712,738	49,976,414	66,535,030	142,154,122	14,803,038
Compensated absences	540,191	23,468	-	563,659	-
Risk management and claims (Note 9)	425,608	-	137,216	288,392	288,392
Total governmental activities	\$ 159,678,537	\$ 49,999,882	\$ 66,672,246	\$ 143,006,173	\$ 15,091,430
Business-type activities:					
Bonds	\$ 30,051,320	\$ 390,000	\$ 1,110,483	\$ 29,330,837	\$ 1,041,643
Less deferred amounts: Issuance (discounts) premiums Refunding charges	(345,471) -	45,234 (305,705)	(109,523) (6,793)	(190,714) (298,912)	- -
Total bonds payable	29,705,849	129,529	994,167	28,841,211	1,041,643
Severance and other obligations	803,144	745,379	475,978	1,072,545	723,779
Risk management (Note 9)	293,318	870,668	923,005	240,981	240,981
Total business-type activities	\$ 30,802,311	\$ 1,745,576	\$ 2,393,150	\$ 30,154,737	\$ 2,006,403

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, 2017

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
2018	\$ 13,593,358	\$ 6,681,457	\$ (801,000)	\$ 5,880,457	\$ 19,473,815	\$ 1,041,643	\$ 1,919,233	\$ (471,065)	\$ 1,448,168	\$ 2,489,811
2019	13,121,619	6,063,494	(801,000)	5,262,494	18,384,113	1,183,381	1,610,675	(460,478)	1,150,197	2,333,578
2020	11,650,460	5,444,595	(801,000)	4,643,595	16,294,055	1,209,540	1,558,373	(448,298)	1,110,075	2,319,615
2021	12,108,721	4,898,027	(801,000)	4,097,027	16,205,748	1,256,278	1,503,092	(435,593)	1,067,499	2,323,777
2022	12,389,301	4,304,828	(801,000)	3,503,828	15,893,129	1,305,699	1,444,691	(422,030)	1,022,661	2,328,360
2023-2027	35,360,705	16,645,429	(4,105,125)	12,540,304	47,901,009	6,989,296	6,247,884	(1,875,564)	4,372,320	11,361,616
2028-2032	23,975,000	6,403,000	-	6,403,000	30,378,000	8,220,000	4,328,294	(1,386,876)	2,941,418	11,161,418
2033-2037	11,175,000	843,750	-	843,750	12,018,750	5,625,000	2,180,875	(763,307)	1,417,568	7,042,568
2038-2039	-	-	-	-	-	2,500,000	273,750	(95,813)	177,937	2,677,937
Total	\$ 133,374,164	\$ 51,284,580	\$ (8,110,125)	\$ 43,174,455	\$ 176,548,619	\$ 29,330,837	\$ 21,066,867	\$ (6,359,024)	\$ 14,707,843	\$ 44,038,680

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

	Allocated to	
	Governmental Activities	Business-type Activities
\$15,000,000 building and site bonds that are designated qualified school construction bonds, due in a lump-sum payment of \$15,000,000 on May 1, 2027, bearing interest at 6.625 percent. The School District will receive direct payment from the United States Treasury equal to 5.34 percent of yearly interest payable on the bonds	\$ 15,000,000	\$ -
\$850,000 facilities bonds, due in annual installments of \$425,000 through May 1, 2018, interest at 4.00 percent	-	425,000
\$995,000 serial bonds, due in an annual installment of \$110,000 on May 1, 2018, interest at 4.375 percent	110,000	-

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 7 - Long-term Obligations (Continued)

	Allocated to	
	Governmental Activities	Business-type Activities
\$5,500,000 serial bonds, due in final annual installment of \$725,000 at May 1, 2018, interest at 4.00 percent	\$ 725,000	\$ -
\$22,400,000 facilities bonds, due in annual installments of \$550,000 to \$1,250,000 through May 1, 2039, interest at 5.5 percent to 7.3 percent	-	19,250,000
\$9,730,000 qualified refunding bonds, due in annual installments of \$575,000 to \$625,000 through May 1, 2024, interest at 2.50 percent to 4.00 percent	3,744,164	490,837
\$68,475,000 qualified serial bonds, due in annual installments of \$1,900,000 to \$5,700,000 through May 1, 2034, interest at 3.0 percent to 5.0 percent	66,325,000	-
\$2,480,000 qualified serial bonds, due in annual installments of \$280,000 to \$360,000 through May 1, 2023, interest at 3.00 percent to 3.25 percent	1,950,000	-
\$9,165,000 refunding bonds, due in annual installments of \$515,000 to \$790,000 through May 1, 2032, interest at 3.00 percent to 3.25 percent	-	9,165,000
\$45,520,000 qualified refunding bonds, due in annual installments of \$8,375,000 to \$10,225,000 through May 1, 2022, interest at 5.00 percent	<u>45,520,000</u>	<u>-</u>
Total bonded debt	<u>\$ 133,374,164</u>	<u>\$ 29,330,837</u>

Current Refundings - During the year, the School District issued \$45,520,000 in general obligation bonds with an average interest rate of 5.0 percent. The proceeds of these bonds were used to currently refund \$50,085,000 of outstanding 2007 refunding serial bonds with an interest rate ranging from 4.125 to 5.000 percent. The net proceeds of \$51,159,527 (after payment of \$351,887 in underwriting fees and other issuance costs) were used 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 current refunding reduced total debt service payments by approximately \$5,168,314, which represents an economic gain of approximately \$4,832,565. At June 30, 2017, debt defeased has been called and paid in full.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 7 - Long-term Obligations (Continued)

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, 2016, \$105,135,000 of bonds outstanding are considered defeased.

During the year, the College issued \$9,165,000 in refunding bonds with rates ranging from 3.00 to 3.25 percent. The proceeds of these bonds were used to advance refund \$8,775,000 of the 2008 Community College Facilities Bonds with interest rates ranging from 4.00 to 4.875 percent. The net proceeds of \$9,142,419 (after payment of underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. Accordingly, the trust account assets and long-term liability for the defeased bonds are not included in the basic financial statements. The advance refunding reduced total debt service payments by \$791,951, which represents a net present value savings of \$631,593. The remaining bond obligation after defeasance was \$850,000, of which \$425,000 is still outstanding at June 30, 2017. At June 30, 2017, \$8,775,000 of bonds outstanding are considered defeased. As no cash was received by the College as part of the defeasance, this transaction is considered a noncash transaction for cash flow purposes, except for certain expenses paid to third-party companies for associated closing costs.

Line of Credit - On July 20, 2016, the P-12 obtained a line of credit which allows for borrowings up to \$14,000,000 and bears interest at a monthly rate at 0.8 percent plus LIBOR. At June 30, 2017, the P-12 has no outstanding balance on the line of credit. The line of credit expired on July 20, 2017.

Note 8 - Michigan Public School Employees' Retirement System

Defined Benefit Pension Plan

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare 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 postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 8 - Michigan Public School Employees' Retirement System (Continued)

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

The School District's contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

Contribution rates for the P-12:

October 1, 2015 - September 30, 2016	14.56% - 18.95%
October 1, 2016 - June 30, 2017	15.27% - 19.03%

Contribution rates for the College:

July 1, 2015 - September 30, 2015	18.76% - 23.07%
October 1, 2015 - September 30, 2016	14.56% - 18.95%
October 1, 2016 - June 30, 2017	15.27% - 19.03%

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 P-12's required and actual contributions to the plan for the year ended June 30, 2017 was \$34,322,159, which includes the P-12's contributions required for those members with a defined contribution benefit. The P-12's required and actual contributions include an allocation of \$10,903,884 revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2017.

The College's required and actual contributions to the plan for the years ended June 30, 2017 and 2016 were \$11,571,389 and \$10,751,416, respectively. In addition, the College's recognized contributions include \$3,586,474 and \$3,133,326 in revenue received from the State of Michigan to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the years ended June 30, 2017 and 2016, respectively. These funds were also remitted to the plan.

Benefits Provided - Benefit provisions of the defined benefit pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 8 - Michigan Public School Employees' Retirement System (Continued)

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

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

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

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

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2017, the School District reported a liability of \$477,334,185 (P-12 totaled \$361,929,771, College totaled \$115,404,414) for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015, which used updated procedures to roll forward the estimated liability to September 30, 2016. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016, the P-12's proportion was 1.4507 percent. At September 30, 2016, the College's proportion was 0.4626 percent.

For the year ended June 30, 2017, the P-12 recognized pension expense of \$38,940,609 exclusive of payments to fund the MPSERS UAAL Stabilization Rate. For the year ended June 30, 2017, the College recognized pension expense of \$13,666,613.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 8 - Michigan Public School Employees' Retirement System (Continued)

At June 30, 2017, the P-12 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,510,601	\$ 857,783
Changes of assumptions	5,658,489	-
Net difference between projected and actual earnings on pension plan assets	6,015,270	-
Changes in proportion and differences between P-12 contributions and proportionate share of contributions	14,262,382	190,427
P-12 contributions subsequent to the measurement date	<u>28,193,882</u>	<u>-</u>
Total	<u>\$ 58,640,624</u>	<u>\$ 1,048,210</u>

At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,438,244	\$ 273,511
Changes of assumptions	1,804,258	-
Net difference between projected and actual earnings on pension plan assets	1,918,021	-
Changes in proportion and differences between college contributions and proportionate share of contributions	8,183,585	104,988
College contributions subsequent to the measurement date	<u>9,312,944</u>	<u>-</u>
Total	<u>\$ 22,657,052</u>	<u>\$ 378,499</u>

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 8 - Michigan Public School Employees' Retirement System (Continued)

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

Year Ending June 30	Amount	P-12	College
2018	\$ 10,870,288	\$ 7,294,355	\$ 3,575,933
2019	10,246,930	6,821,218	3,425,712
2020	17,458,142	12,510,942	4,947,200
2021	<u>3,788,781</u>	<u>2,772,017</u>	<u>1,016,764</u>
Total	<u>\$ 42,364,141</u>	<u>\$ 29,398,532</u>	<u>\$ 12,965,609</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2018).

Actuarial Assumptions - The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015 and rolled forward, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return	7.00 to 8.00 percent, net of investment expenses based on the groups
Rate of pay increases	3.50 percent to 12.30 percent, including wage inflation of 3.50 percent
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost-of-living pension adjustments	3.00 percent annual noncompounded for MIP members

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 8 - Michigan Public School Employees' Retirement System (Continued)

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Discount Rate - The discount rate used to measure the total pension liability was 7.00 to 8.00 percent depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.0%	5.9%
Private equity pools	18.0%	9.2%
International equity pools	16.0%	7.2%
Fixed-income pools	10.5%	0.9%
Real estate and infrastructure pools	10.0%	4.3%
Real return, opportunistic, and absolute pool	15.5%	6.0%
Short-term investment pools	2.0%	0.0%
Total	100.0%	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the School District, calculated using the discount rate of 7.00 to 8.00 percent depending on the plan option, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (7.00 percent) or 1.00 percentage point higher (9.00 percent) than the current rate:

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 8 - Michigan Public School Employees' Retirement System (Continued)

	1.00 Percent Decrease (7.00 Percent)	Current Discount Rate (8.00 Percent)	1.00 Percent Decrease (9.00 Percent)
P-12	\$ 466,074,445	\$ 361,929,771	\$ 274,125,798
College	148,611,837	115,404,414	87,407,363
Total	<u>\$ 614,686,282</u>	<u>\$ 477,334,185</u>	<u>\$ 361,533,161</u>

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

Changes Since the Measurement Date - On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation by 0.5 percent. The actuarial computed employer contributions and the net pension liability for the measurement period ending September 30, 2017 will increase as a result of this change.

Payable to the Pension Plan - At June 30, 2017, the P-12 reported a payable of \$6,702,348 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017. At June 30, 2017, the College reported a payable of \$1,262,898 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Postemployment Benefits Other Than Pensions (OPEB) - 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, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 2.20 percent to 2.71 percent of covered payroll for the period from July 1, 2015 to September 30, 2015, 6.40 percent to 6.83 percent of covered payroll for the period from October 1, 2015 to September 30, 2016, and from 5.69 percent to 5.91 percent of covered payroll for the period from October 1, 2016 through June 30, 2017 dependent upon the employee's date of hire and plan election as noted above. 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 403(b) account.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 8 - Michigan Public School Employees' Retirement System (Continued)

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2017, 2016, and 2015 were \$9,739,646, \$8,999,333, and \$7,101,372, respectively. In addition, a portion ranging from 35 to 100 percent of the MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate is considered a contribution to the retiree healthcare plan.

Defined Contribution Plan

New professional employees of the College may elect to participate in an optional retirement program (ORP) in lieu of participating in the MPERS 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, 2017 and 2016. The payroll for the College's employees covered by the optional plan was \$7.1 million and \$6.3 million for fiscal years 2017 and 2016, respectively. College contributions were made in the amount required by the plan and totaled \$847,861 and \$754,905 for fiscal years 2017 and 2016, respectively. Under the ORP plan, employees contribute 4 percent of gross wages in addition to the College's contribution.

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 medical benefits provided to employees. The School District has purchased commercial insurance for health claims and participates in the Metropolitan Association for Improved School Legislation (risk pool) for claims relating to property coverage and general liability. The College is no longer self-insured for vision and prescriptions as of September 30, 2013. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four 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.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 9 - Risk Management (Continued)

For risk retention situations (other than commercial coverage or risk-sharing pools), the School District estimates the liability for dental and workers' compensation claims that have been incurred through the end of the fiscal year, including both 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>2017</u>	<u>2016</u>
Estimated liability - Beginning of year	\$ 718,926	\$ 1,021,373
Estimated claims incurred - Including changes in estimates	870,668	862,688
Claim payments	<u>(1,060,221)</u>	<u>(1,165,135)</u>
Estimated liability - End of year	<u>\$ 529,373</u>	<u>\$ 718,926</u>

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 2017, approximately \$479,788 and \$321,651 was paid in premiums by the P-12 and the College, respectively. An excess insurance policy covers individual claims in excess of \$1,000 for the P-12 and \$10,000 for the College.

Dental - The self-insured dental plan covers all employees of Henry Ford College. Claims are funded by the College and paid by the plan administrator. The College pays all administrative costs of the plan. During fiscal year 2017, \$499,021 was charged to expense relating to these benefits, including claims incurred but not reported.

Workers' Compensation - The self-insured workers' compensation plan covers all employees. Claims are funded by the School District and paid by the plan administrator. An insurance policy covers claims in excess of \$400,000 per occurrence. During fiscal year 2017, \$52,230 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, 2017

Note 10 - Restricted Assets

The balance of the restricted asset accounts is as follows:

	<u>Governmental Activities</u>
Unspent bond proceeds and related interest	\$ 2,741,904
Debt Service Fund cash	<u>6,596,038</u>
Total	<u>\$ 9,337,942</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 College Foundation

Henry Ford 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 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 \$3,814,383, college programs of \$764,900, time-restricted pledges of \$31,817, and other support of \$997,455 at June 30, 2017.

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 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 \$586,859 for the year ended June 30, 2017.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 13 - Designated Net Position

Within the proprietary funds' unrestricted net position, certain amounts are designated at June 30, 2017. The amounts are as follows:

	General Fund	Designated Fund
Working capital	\$ 10,901,521	\$ -
Technology improvements	-	648,464
Programming	-	274,037
Unrestricted and unallocated	<u>(96,712,335)</u>	<u>-</u>
Total	<u>\$ (85,810,814)</u>	<u>\$ 922,501</u>

Note 14 - Fair Value Measurements

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

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

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 14 - Fair Value Measurements (Continued)

The P-12, College, and Foundation have the following recurring fair value measurements as of June 30, 2017:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2017
P-12 investments -				
Fixed income - Treasuries	\$ -	\$ 5,683,580	\$ -	\$ 5,683,580
College investments:				
Fixed income - Corporate paper	\$ -	\$ 9,523,000	\$ -	\$ 9,523,000
Fixed income - Certificates of deposit - Participating	-	4,003,401	-	4,003,401
Fixed income - Treasuries	-	1,487,670	-	1,487,670
Total College investments	\$ -	\$ 15,014,071	\$ -	\$ 15,014,071
Foundation investments:				
Fixed income - Core	\$ 4,963,838	\$ -	\$ -	\$ 4,963,838
Equity - Large growth and value	9,067,106	-	-	9,067,106
Total Foundation investments	\$ 14,030,944	\$ -	\$ -	\$ 14,030,944

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

The fair value of the investments of the P-12 and College at June 30, 2017 was determined primarily based on Level 2 inputs. The P-12 and College estimate the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

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.

School District of the City of Dearborn, Michigan

Notes to Financial Statements June 30, 2017

Note 15 - Tax Abatements

The School District receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974), Brownfield Redevelopment (PA 381 of 1996), and PILOT (PA 346 of 1966) Agreements granted by companies within Wayne County that impact the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT exemptions are intended to sustain apartments and work space for low-income artists.

For the fiscal year ended June 30, 2017, the School District's property tax revenue was reduced by \$2,209,549 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the School Aid formula. The School District received approximately \$1,272,000 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from the debt service millages. There are no abatements made by the School District.

Note 16 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the School District to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. 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 the School District's financial statements for the year ending June 30, 2018.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2020.

Required Supplemental Information

School District of the City of Dearborn, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 41,006,283	\$ 40,280,066	\$ 40,029,358	\$ (250,708)
State sources	152,897,454	161,926,322	160,363,565	(1,562,757)
Federal sources	100,000	23,000	49,125	26,125
Incoming transfers from other districts	2,776,424	11,535,744	10,502,418	(1,033,326)
Total revenue	196,780,161	213,765,132	210,944,466	(2,820,666)
Expenditures - Current				
Instruction:				
Basic program	102,908,247	104,772,373	103,077,272	(1,695,101)
Added needs	15,065,806	18,332,671	17,270,170	(1,062,501)
Support services:				
Pupil	13,139,711	13,401,353	12,739,003	(662,350)
Instructional staff	9,397,364	9,654,290	9,120,264	(534,026)
General administration	1,187,847	1,060,853	965,342	(95,511)
School administration	13,839,413	14,692,082	14,752,732	60,650
Business services	2,254,476	2,170,737	2,150,789	(19,948)
Operations and maintenance	21,919,878	21,896,668	21,833,685	(62,983)
Transportation	7,451,821	8,450,821	7,664,121	(786,700)
Central support	4,468,427	4,481,256	4,229,161	(252,095)
Community services	111,826	108,373	51,501	(56,872)
Athletics	2,436,286	2,600,978	2,300,011	(300,967)
Other	8,000	8,000	8,000	-
Total expenditures	194,189,102	201,630,455	196,162,051	(5,468,404)
Other Financing Sources (Uses)				
Proceeds on sale of fixed assets	43,000	2,401,000	2,411,435	10,435
Transfers in	1,550,000	1,735,787	2,007,492	271,705
Transfers out	(4,014,536)	(4,625,190)	(4,637,394)	(12,204)
Total other financing uses	(2,421,536)	(488,403)	(218,467)	269,936
Net Change in Fund Balance	169,523	11,646,274	14,563,948	2,917,674
Fund Balance - Beginning of year	14,015,161	14,015,161	14,015,161	-
Fund Balance - End of year	\$ 14,184,684	\$ 25,661,435	\$ 28,579,109	\$ 2,917,674

School District of the City of Dearborn, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Special Revenue Fund Funded Projects Fund Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	\$ 33,990	\$ 57,993	\$ 29,973	\$ (28,020)
State sources	984,086	778,257	595,299	(182,958)
Federal sources	17,431,247	16,935,796	16,021,937	(913,859)
Interdistrict sources	3,069,360	3,069,360	3,027,522	(41,838)
Total revenue	21,518,683	20,841,406	19,674,731	(1,166,675)
Expenditures				
Instruction:				
Basic program	5,737,028	5,824,841	5,926,552	101,711
Added needs	9,235,745	9,128,553	8,440,181	(688,372)
Adult/Continuing education	329,239	310,714	333,828	23,114
Support services:				
Instructional staff	849,140	1,030,111	978,992	(51,119)
General administration	4,017,922	3,151,174	2,807,946	(343,228)
School administration	4,000	2,000	4,211	2,211
Business services	2,200	-	-	-
Operations and maintenance	14,157	10,798	4,515	(6,283)
Transportation	155,252	205,335	148,527	(56,808)
Central	113,965	73,825	44,510	(29,315)
Athletics	-	500	58	(442)
Community services	862,151	913,774	806,973	(106,801)
Total expenditures	21,320,799	20,651,625	19,496,293	(1,155,332)
Other Financing Sources (Uses)				
Transfers in	15,450	11,591	12,205	614
Transfers out	(213,334)	(201,372)	(186,946)	14,426
Total other financing uses	(197,884)	(189,781)	(174,741)	15,040
Net Change in Fund Balance	-	-	3,697	3,697
Fund Balance - July 1, 2016	(3,697)	(3,697)	(3,697)	-
Fund Balance - June 30, 2017	<u>\$ (3,697)</u>	<u>\$ (3,697)</u>	<u>\$ -</u>	<u>\$ 3,697</u>

School District of the City of Dearborn, Michigan

Required Supplemental Information Year Ended June 30, 2017

Schedule of the School District of the City of Dearborn, Michigan's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System Determined as of the Plan Year Ended September 30:

	2016		2015		2014	
	College	P-12	College	P-12	College	P-12
Proportion of the collective MPERS net pension liability	0.4626%	1.4507%	0.4442%	1.4069%	0.4119%	1.3653%
School District's proportionate share of the net pension liability	\$115,404,414	\$361,929,771	\$108,513,913	\$343,626,845	\$90,738,688	\$300,722,387
Covered employee payroll	\$39,002,600	\$124,444,156	\$37,594,029	\$117,342,529	\$35,090,424	\$115,972,345
Proportionate share of the collective pension liability, as a percentage of the covered employee payroll	295.8890%	290.8371%	288.6448%	292.8408%	258.5853%	259.3053%
MPERS fiduciary net position as a percentage of the total pension liability	63.0100%	63.0100%	63.1700%	62.9200%	66.1848%	66.2000%

Schedule of the School District of the City of Dearborn, Michigan's Contributions Michigan Public School Employees' Retirement System Determined as of the Year Ended June 30:

	2017		2016		2015	
	College	P-12	College	P-12	College	P-12
Statutorily required contribution	\$11,211,788	\$34,322,159	\$10,751,416	\$32,998,038	\$6,397,865	\$25,594,553
Contributions in relation to the actuarially determined contractually required contribution	\$11,211,788	\$34,322,159	\$10,751,416	\$32,998,038	\$6,397,865	\$25,594,553
Contribution deficiency (excess)	-	-	-	-	-	-
Covered employee payroll	\$40,361,645	\$121,864,395	\$38,380,413	\$118,269,399	\$37,197,602	\$117,149,391
Contributions as a percentage of covered employee payroll	27.7783%	28.1642%	28.01277%	27.9007%	17.1997%	21.8478%

School District of the City of Dearborn, Michigan

Notes to Pension Required Supplemental Information Schedules For Plan Year Ended September 30, 2016

Benefits Changes - There were no changes of benefit terms in 2016, 2015, and 2014.

Changes in Assumptions - There were no changes of benefit assumptions in 2016, 2015, and 2014.

Other Supplemental Information

School District of the City of Dearborn, Michigan

	Special Revenue Funds			
	Debt Service Fund	Cafeteria	Adult Education	Center Program
Assets				
Cash and investments	\$ -	\$ 3,445,353	\$ 669,937	\$ -
Accounts and grants receivable	-	343,727	393,023	-
Due from other funds	-	298,744	-	2,274,471
Inventories	-	75,921	-	-
Restricted assets	<u>6,596,038</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 6,596,038</u>	<u>\$ 4,163,745</u>	<u>\$ 1,062,960</u>	<u>\$ 2,274,471</u>
Liabilities and Fund Balances				
Liabilities				
Accounts and contracts payable	\$ 157	\$ 99,340	\$ 28,427	\$ 1,711,701
Accrued salary, wages, and fringe benefits payable	-	75,390	41,823	562,770
Other current liabilities	-	249	-	-
Due to other funds	216,884	-	257,208	-
Unearned revenue	<u>-</u>	<u>36,675</u>	<u>21,898</u>	<u>-</u>
Total liabilities	217,041	211,654	349,356	2,274,471
Fund Balances				
Nonspendable - Inventory	-	75,921	-	-
Restricted:				
Debt service	6,378,997	-	-	-
Capital projects	-	-	-	-
Food service	-	3,876,170	-	-
Assigned - Adult education	-	-	713,604	-
Assigned - Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>6,378,997</u>	<u>3,952,091</u>	<u>713,604</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 6,596,038</u>	<u>\$ 4,163,745</u>	<u>\$ 1,062,960</u>	<u>\$ 2,274,471</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017**

<u>Capital Projects Fund</u>		
<u>2014 Capital Projects Fund</u>	<u>General Building and Site</u>	<u>Total Nonmajor Funds</u>
\$ -	\$ -	\$ 4,115,290
-	-	736,750
-	2,174,226	4,747,441
-	-	75,921
<u>2,741,904</u>	<u>-</u>	<u>9,337,942</u>
<u>\$ 2,741,904</u>	<u>\$ 2,174,226</u>	<u>\$ 19,013,344</u>

\$ 469,243	\$ 683,941	\$ 2,992,809
-	-	679,983
-	-	249
-	-	474,092
<u>-</u>	<u>-</u>	<u>58,573</u>
469,243	683,941	4,205,706
-	-	75,921
-	-	6,378,997
2,272,661	-	2,272,661
-	-	3,876,170
-	-	713,604
<u>-</u>	<u>1,490,285</u>	<u>1,490,285</u>
<u>2,272,661</u>	<u>1,490,285</u>	<u>14,807,638</u>
<u>\$ 2,741,904</u>	<u>\$ 2,174,226</u>	<u>\$ 19,013,344</u>

School District of the City of Dearborn, Michigan

	Special Revenue Funds			
	Debt Service Fund	Cafeteria	Adult Education	Center Program
Revenue				
Local:				
Property taxes	\$ 15,907,933	\$ -	\$ -	\$ -
Investment income	7,506	-	-	-
Tuition and other local revenue	-	-	1,417,898	-
Fees and other	1,323	-	-	-
Food service	-	1,462,129	-	-
Total local	15,916,762	1,462,129	1,417,898	-
State	1,197,697	373,772	1,023,200	3,139,767
Federal	745,731	7,233,302	-	-
Interdistrict - Incoming transfers from other districts	-	-	-	7,833,144
Total revenue	17,860,190	9,069,203	2,441,098	10,972,911
Expenditures				
Current:				
Instruction	-	-	892,937	6,468,522
Support service	85,898	-	1,107,809	3,157,440
Community service	-	-	406,711	-
Food service	-	7,738,917	-	-
Debt service:				
Principal	14,186,066	-	-	-
Interest and other	6,816,928	-	-	-
Fees and other bond costs	355,187	-	-	-
Capital outlay	-	164,055	5,817	88,269
Total expenditures	21,444,079	7,902,972	2,413,274	9,714,231
Excess of Revenue (Under) Over Expenditures	(3,583,889)	1,166,231	27,824	1,258,680
Other Financing Sources (Uses)				
Face value of debt issued	45,520,000	-	-	-
Premium on debt issued	4,456,414	-	-	-
Amount paid to escrow agent	(51,155,357)	-	-	-
Transfers in	2,525,189	-	-	-
Transfers out	-	(561,866)	-	(1,258,680)
Total other financing sources (uses)	1,346,246	(561,866)	-	(1,258,680)
Net Change in Fund Balances	(2,237,643)	604,365	27,824	-
Fund Balances - Beginning of year	8,616,640	3,347,726	685,780	-
Fund Balances - End of year	\$ 6,378,997	\$ 3,952,091	\$ 713,604	\$ -

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017**

<u>Capital Projects Fund</u>		
<u>2014 Capital Projects Fund</u>	<u>General Building and Site</u>	<u>Total Nonmajor Funds</u>
\$ -	\$ -	\$ 15,907,933
11,940	-	19,446
-	-	1,417,898
-	-	1,323
-	-	1,462,129
11,940	-	18,808,729
-	-	5,734,436
-	-	7,979,033
-	-	7,833,144
11,940	-	40,355,342
-	-	7,361,459
-	-	4,351,147
-	-	406,711
-	-	7,738,917
-	-	14,186,066
-	-	6,816,928
-	-	355,187
<u>3,134,769</u>	<u>1,873,202</u>	<u>5,266,112</u>
<u>3,134,769</u>	<u>1,873,202</u>	<u>46,482,527</u>
(3,122,829)	(1,873,202)	(6,127,185)
-	-	45,520,000
-	-	4,456,414
-	-	(51,155,357)
-	2,100,000	4,625,189
-	-	(1,820,546)
-	<u>2,100,000</u>	<u>1,625,700</u>
(3,122,829)	226,798	(4,501,485)
<u>5,395,490</u>	<u>1,263,487</u>	<u>19,309,123</u>
<u>\$ 2,272,661</u>	<u>\$ 1,490,285</u>	<u>\$ 14,807,638</u>

School District of the City of Dearborn, Michigan

Other Supplemental Information Combining Statement of Net Position - Proprietary Funds June 30, 2017

	Combined Total	General Fund	Pension Liability Fund *	Auxiliary Services Fund	Designated Fund	Restricted Fund	Agency Fund	Plant Funds
Assets								
Current Assets								
Cash and cash equivalents	\$ 6,390,191	\$ 1,082,180	\$ -	\$ 528,499	\$ 58,329	\$ 1,614,694	\$ 77,131	\$ 3,029,358
Property taxes receivable	322,407	322,407	-	-	-	-	-	-
State appropriation receivable	4,926,738	4,926,738	-	-	-	-	-	-
Federal and state grants receivable	1,494,090	-	-	-	-	1,042,375	-	451,715
Accounts receivable	780,939	766,483	-	5,865	553	-	8,038	-
Internal balances	(31,810)	(1,986,517)	-	3,407,141	1,300,486	(2,451,110)	30,791	(332,601)
Inventories	738,815	-	-	731,256	7,559	-	-	-
Short-term investments	11,308,375	11,308,375	-	-	-	-	-	-
Prepaid expenses and other assets	1,049,848	1,023,000	-	-	-	-	-	26,848
Total current assets	26,979,593	17,442,666	-	4,672,761	1,366,927	205,959	115,960	3,175,320
Long-term Investments	3,705,696	3,705,696	-	-	-	-	-	-
Capital Assets - Net	<u>83,889,927</u>	-	-	-	-	-	-	<u>83,889,927</u>
Total assets	114,575,216	21,148,362	-	4,672,761	1,366,927	205,959	115,960	87,065,247
Deferred Outflows of Resources								
Deferred outflows related to pensions	22,657,052	-	22,657,052	-	-	-	-	-
Deferred charged on bond refunding	298,912	-	-	-	-	-	-	298,912
Total assets and deferred outflows of resources	<u>\$ 137,531,180</u>	<u>\$ 21,148,362</u>	<u>\$ 22,657,052</u>	<u>\$ 4,672,761</u>	<u>\$ 1,366,927</u>	<u>\$ 205,959</u>	<u>\$ 115,960</u>	<u>\$ 87,364,159</u>
Liabilities, Deferred Inflows of Resources, and Net Position								
Current Liabilities								
Accounts payable	\$ 2,248,993	\$ 2,122,393	\$ -	\$ -	\$ -	\$ 106,170	\$ -	\$ 20,430
Accrued payrolls, amounts withheld from employees, and other compensation	5,190,483	5,162,305	-	7,669	-	20,509	-	-
Unearned revenue	2,539,160	1,543,359	-	-	444,426	79,280	-	472,095
Internal balances	(25,646)	(25,646)	-	-	-	-	-	-
Deposits held for others	115,960	-	-	-	-	-	115,960	-
Other accrued liabilities	427,459	130,904	-	-	-	-	-	296,555
Current portion of bonds payable	1,041,643	-	-	-	-	-	-	1,041,643
Current portion of risk management liability	240,981	240,981	-	-	-	-	-	-
Current portion of accrued vacation and severance liabilities	723,779	723,779	-	-	-	-	-	-
Total current liabilities	12,502,812	9,898,075	-	7,669	444,426	205,959	115,960	1,830,723
Bonds Payable - Net of unamortized premium and discounts	28,098,480	-	-	-	-	-	-	28,098,480
Accrued Severance Pay	348,766	348,766	-	-	-	-	-	-
Net Pension Liability	115,404,414	-	115,404,414	-	-	-	-	-
Total liabilities	156,354,472	10,246,841	115,404,414	7,669	444,426	205,959	115,960	29,929,203
Deferred Inflows of Resources	3,964,973	-	3,964,973	-	-	-	-	-
Net Position								
Net investment in capital assets	55,048,716	-	-	-	-	-	-	55,048,716
Unrestricted	(77,836,981)	10,901,521	(96,712,335)	4,665,092	922,501	-	-	2,386,240
Total net position	(22,788,265)	10,901,521	(96,712,335)	4,665,092	922,501	-	-	57,434,956
Total liabilities, deferred inflows of resources, and net position	<u>\$ 137,531,180</u>	<u>\$ 21,148,362</u>	<u>\$ 22,657,052</u>	<u>\$ 4,672,761</u>	<u>\$ 1,366,927</u>	<u>\$ 205,959</u>	<u>\$ 115,960</u>	<u>\$ 87,364,159</u>

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

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, 2017

	Combined Total	Eliminations	General Fund	Pension Liability Fund *	Auxiliary Services Fund	Designated Fund	Restricted Fund	Plant Funds
Operating Revenue								
Tuition and fees - Net of scholarship allowance of \$26,166,931	\$ 23,478,168	\$ (26,166,931)	\$ 47,403,769	\$ -	\$ -	\$ 719,182	\$ -	\$ 1,522,148
Federal grants and contracts	2,900,706	-	-	-	-	-	2,454,668	446,038
State and local grants and contracts	7,826,521	-	-	-	-	69,100	2,823,032	4,934,389
Auxiliary activities	6,795,900	-	-	-	6,735,065	60,835	-	-
Other funds expenditures for capital assets	-	(1,176,027)	-	-	-	-	-	1,176,027
Miscellaneous	1,840,262	-	889,542	-	10	139,928	13,061	797,721
Total operating revenue	42,841,557	(27,342,958)	48,293,311	-	6,735,075	989,045	5,290,761	8,876,323
Operating Expenses								
Instruction	48,066,015	(624,821)	46,947,881	-	2,002	419,456	1,191,775	129,722
Instructional support	6,441,880	(332,018)	6,703,565	-	-	70,333	-	-
Student services	17,088,371	(26,190,232)	12,953,802	-	-	47,850	30,276,951	-
Institutional administration	13,719,518	(93,640)	11,251,363	2,550,611	-	1,734	9,450	-
Physical plant operations	8,644,527	-	8,606,727	-	37,800	-	-	-
Auxiliary enterprises	6,377,228	(31,192)	277,623	-	6,130,797	-	-	-
Repairs and maintenance	1,102,909	(71,055)	572,268	-	30,238	98,253	446,629	26,576
Depreciation expense	9,686,291	-	-	-	-	-	-	9,686,291
Total operating expenses	111,126,739	(27,342,958)	87,313,229	2,550,611	6,200,837	637,626	31,924,805	9,842,589
Operating (Loss) Income	(68,285,182)	-	(39,019,918)	(2,550,611)	534,238	351,419	(26,634,044)	(966,266)
Nonoperating Revenue (Expenses)								
Federal grants and contracts	26,088,643	-	-	-	-	-	26,088,643	-
State appropriations	29,387,190	-	29,840,338	(453,148)	-	-	-	-
Property taxes	13,029,514	-	12,944,861	-	-	-	-	84,653
Investment income	124,032	-	124,032	-	-	-	-	-
Interest on capital asset-related debt	(2,039,238)	-	-	-	-	-	-	(2,039,238)
Net nonoperating revenue (expense)	66,590,141	-	42,909,231	(453,148)	-	-	26,088,643	(1,954,585)
(Decrease) Increase in Net Position - Before transfers	(1,695,041)	-	3,889,313	(3,003,759)	534,238	351,419	(545,401)	(2,920,851)
Transfers (Out) In	-	-	(3,173,191)	-	-	(1,734,326)	545,401	4,362,116
Net (Decrease) Increase in Net Position	(1,695,041)	-	716,122	(3,003,759)	534,238	(1,382,907)	-	1,441,265
Net Position - Beginning of year	(21,093,224)	-	10,185,399	(93,708,576)	4,130,854	2,305,408	-	55,993,691
Net Position - End of year	\$ (22,788,265)	\$ -	\$ 10,901,521	\$ (96,712,335)	\$ 4,665,092	\$ 922,501	\$ -	\$ 57,434,956

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

School District of the City of Dearborn, Michigan

June 30	2007 Fordson		
	Field Principal	2007 Athletic Principal	2010 QSCB Principal
2018	\$ 110,000	\$ 725,000	\$ -
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	15,000,000
2028	-	-	-
2029	-	-	-
2030	-	-	-
2031	-	-	-
2032	-	-	-
2033	-	-	-
2034	-	-	-
Total	\$ 110,000	\$ 725,000	\$ 15,000,000
Principal payments due	May 1	May 1	May 1
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	4.375%	4.0%	6.625%
Original issue	\$ 995,000	\$ 5,500,000	\$ 15,000,000

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, 2017**

2013 Refunding Principal	2015 Site Bond (Series A) Principal	2015 Site Bond (Series B) Principal	2017 Refunding Principal
\$ 508,358	\$ 1,900,000	\$ 280,000	\$ 10,070,000
521,619	2,075,000	300,000	10,225,000
530,460	2,425,000	320,000	8,375,000
543,721	2,800,000	340,000	8,425,000
539,301	3,075,000	350,000	8,425,000
552,563	3,375,000	360,000	-
548,142	3,600,000	-	-
-	3,775,000	-	-
-	3,975,000	-	-
-	4,175,000	-	-
-	4,375,000	-	-
-	4,600,000	-	-
-	4,775,000	-	-
-	5,000,000	-	-
-	5,225,000	-	-
-	5,475,000	-	-
-	5,700,000	-	-
<u>\$ 3,744,164</u>	<u>\$ 66,325,000</u>	<u>\$ 1,950,000</u>	<u>\$ 45,520,000</u>
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
2.5% - 4.0%	3.0% - 5.0%	3.0% - 3.25%	5.0%
<u>\$ 8,602,293</u>	<u>\$ 68,475,000</u>	<u>\$ 2,480,000</u>	<u>\$ 45,520,000</u>