

ISSUER COMMENT

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RATING

 Issuer Rating ¹

Aa3

No Outlook

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Dexter Community Schools, MI

Annual comment on Dexter Community Schools

Issuer profile

Dexter Community Schools is located in Washtenaw County in the southeastern region of Michigan's lower peninsula, approximately 10 miles northwest of Ann Arbor and 40 miles west of Detroit. In 2020, the district's enrollment was 3,619.

Key indicators

Exhibit 1

Dexter Community Schools, MI

	2017	2018	2019	2020	Aa Medians
Economy					
Resident income	187.5%	178.8%	181.2%	N/A	120.3%
Full value (\$000)	\$3,144,561	\$3,259,960	\$3,444,562	\$3,700,948	\$3,767,803
Population	20,662	21,531	21,750	N/A	32,239
Full value per capita	\$152,191	\$151,408	\$158,371	N/A	\$110,286
Enrollment	3,573	3,614	3,636	3,619	4,353
Enrollment trend	N/A	N/A	1.0%	0.4%	0.1%
Financial performance					
Operating revenue (\$000)	\$49,543	\$51,551	\$53,416	\$56,422	\$70,864
Available fund balance (\$000)	\$7,538	\$8,748	\$9,844	\$11,782	\$17,424
Net cash (\$000)	\$11,138	\$12,136	\$12,745	\$13,061	\$20,807
Available fund balance ratio	15.2%	17.0%	18.4%	20.9%	26.1%
Net cash ratio	22.5%	23.5%	23.9%	23.1%	31.0%
Leverage					
Debt (\$000)	\$84,413	\$127,351	\$121,054	\$113,561	\$48,829
ANPL (\$000)	\$156,353	\$151,170	\$156,492	\$199,585	\$92,102
OPEB (\$000)	N/A	\$39,181	\$34,757	\$38,528	\$10,438
Long-term liabilities ratio	N/A	616.3%	584.7%	623.3%	280.7%
Implied debt service (\$000)	\$6,746	\$6,270	\$9,384	\$8,826	\$3,402
Pension tread water (\$000)	\$5,699	\$6,006	\$6,581	\$7,205	\$3,018
OPEB contributions (\$000)	N/A	\$1,762	\$1,962	\$1,915	\$440
Fixed-costs ratio	N/A	27.2%	33.6%	31.8%	11.9%

For definitions of the metrics in the table above please refer to the [US K-12 Public School Districts Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [K12 Median Report](#).

Sources: US Census Bureau, Dexter Community Schools, MI's financial statements and Moody's Investors Service

Credit overview

Dexter Community Schools' credit position is solid. Furthermore, the Aa3 rating is equal to the US school district median of Aa3. Key credit factors include a very healthy economy, a somewhat weak enrollment trend, a significant financial position, very elevated leverage and significantly elevated fixed costs.

Economy

The economy of Dexter Community Schools is very strong and the enrollment trend is weak. Overall, the factor is roughly aligned with Aa3 rating.

- » The average resident income is very healthy at 181% of US.
- » The three year enrollment trend of -2.2% is weak as of fiscal 2021
- » The full value per capita is very healthy at \$170,159.

Financial performance

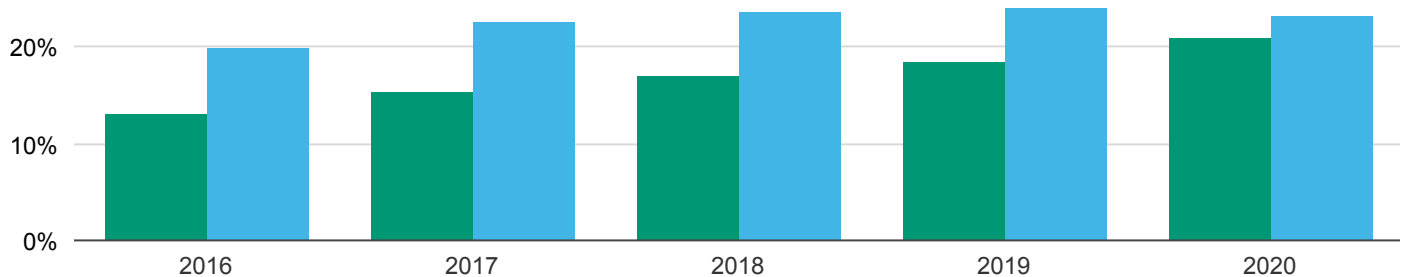
The district has a healthy financial profile which is roughly consistent with the rating of Aa3.

- » Cash balance ratio of 23.1% is healthy, though somewhat below Aa medians.
- » Available fund balance ratio is sizable at 20.9%.

Exhibit 2

Fund balance and cash balance as percentage of operating revenues

■ Available fund balance ratio (available fund balance / operating revenue) ■ Net cash ratio (net cash / operating revenue)



Source: Issuer financial statements; Moody's Investors Service

Leverage

Dexter Community Schools' leverage is very elevated and fixed costs are very elevated. Overall, this factor is exceptionally weak compared to Aa3 rating.

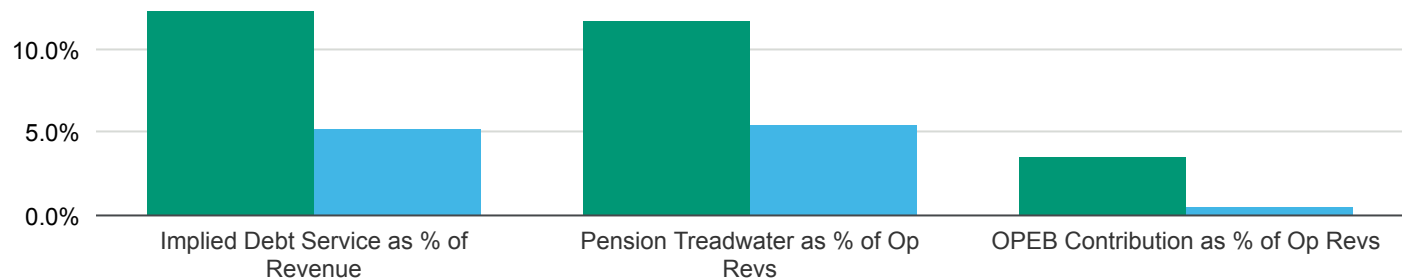
- » The ratio of long-term liabilities (Debt + ANPL + OPEB) to operating revenues of 623.3% is very elevated.
- » Fixed-costs ratio of 31.8% is very elevated.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody.com for the most updated credit rating action information and rating history.

Exhibit 3

Fixed costs as a percentage of operating revenues

■ District ■ Median



Source: Issuer financial statements; Moody's Investors Service

Institutional framework

Michigan school districts have an Institutional Framework score ² of Baa. The state controls the bulk of district revenue through a per-pupil foundation allowance adopted in the state budget. It is funded through local property taxes generated by 18 mills, with the state contributing the balance. The state has provided modest regular increases in recent years but had previously kept funding flat for many years and sometimes cut funding. Districts cannot typically generate meaningful additional local revenue because enhancement millages require the majority of school districts in a county to agree to request voter approval for the millage in a countywide election. Michigan intermediate school districts (ISDs) have an Institutional Framework score ³ of A. ISDs receive the bulk of revenue from locally controlled property taxes that are set at a rate and not affected by enrollment. While there is typically limited headroom under statutory and constitutional property tax limitations, ISDs can request voter approval for increases. ISDs also receive categorical payments from the state for special purposes. The amount of the increases varies and has sometimes been held flat.

Appendix

Exhibit 4

Key Indicators Glossary

	Definition	Source
Economy		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau) RPP: US Bureau of Economic Analysis
Full value (\$000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Investors Service
Financial performance		
Operating revenue (\$000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance (\$000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash (\$000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
Leverage		
Debt (\$000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL (\$000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
OPEB (\$000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Investors Service
Implied debt service (\$000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water (\$000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contributions (\$000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US K-12 Public School Districts Methodology](#).

Source: Moody's Investors Service

Endnotes

- 1 The rating referenced in this report is the local government's Issuer Rating. Issuer Ratings as applied to US local governments typically reflect an unlimited general obligation pledge, which may have security and structural features in some states that improve credit quality for general obligation bondholders.
- 2 The institutional framework score categorically assesses whether a district has the legal ability to raise the bulk of its operating revenue at the local level or if the state determines the bulk of its operating revenue. Beyond the local versus state categorization, the strength of the institutional framework score is a measure of the district's flexibility in raising additional locally determined operating revenue. See [US K-12 Public School Districts Methodology](#) for more details.

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