

## LONG TERM DEBT

The School District issues bonds, notes, and other contractual commitments 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. Other long-term obligations include notes payable and compensated absences.

Long-term liability balances and activity for the year ended June 30, 2020 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Debt:					
Bonds payable	\$ 76,625,000	\$11,155,000	\$ 4,920,000	\$ 82,860,000	\$ 5,075,000
School Loan Revolving Fund	9,579,602	1,944,000	9,577,625	1,945,977	-
School Loan Revolving Fund - Interest	1,335,052	130,793	1,454,375	11,470	-
Bond premium	8,646,229	-	931,572	7,714,657	-
Other Liabilities:					
Compensated absences	1,276,920	256,312	155,280	1,377,952	79,909
Total	<u>\$ 97,462,803</u>	<u>\$13,486,105</u>	<u>\$17,038,852</u>	<u>\$ 93,910,056</u>	<u>\$ 5,154,909</u>

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 5,075,000	\$ 3,458,922	\$ 8,533,922
2022	5,260,000	3,294,084	8,554,084
2023	5,425,000	3,090,304	8,515,304
2024	5,575,000	2,878,274	8,453,274
2025	6,285,000	2,658,744	8,943,744
2026-2030	35,155,000	9,509,050	44,664,050
2031-2035	5,925,000	4,441,250	10,366,250
2036-2040	6,550,000	2,897,500	9,447,500
2041-2045	5,460,000	1,323,000	6,783,000
2046-2050	2,150,000	161,250	2,311,250
Totals	<u>\$82,860,000</u>	<u>\$33,712,378</u>	<u>\$116,572,378</u>

Additional details related to bonds and notes payable are provided in Schedule 2.

Other long-term liabilities are as follows:

Employee accumulated sick bank	\$ 1,274,392
Accumulated sick pay for retired employees	103,560
Total	<u>\$ 1,377,952</u>
Less: Current portion due within one year	<u>79,909</u>
Total Long-Term Portion	<u>\$ 1,298,043</u>

**School Loan Revolving Fund** - The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the School District for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are determined annually by the State Administrative Board and are the greater of 3.0% or the average annual cost of funds based on the average rate paid by the state on debt obligations issued to finance the loan program plus 0.125%. Interest has been assessed for the year ended June 30, 2020 at an annual rate of 3.11836%. Repayment begins as soon as annual tax collections exceed annual debt service payment requirements. The predetermined mandatory final loan repayment date is May 1, 2047. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the School District, no provision for repayment has been included in the above amortization schedule. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default. On October 30, 2019, the School District issued general obligation bonds of \$11,155,000 with an interest rate of 2.088% to 2.5% to refund a portion of the School Loan Revolving Fund. The net present value savings to the District is \$781,381.

**Prior-Year Defeasance of Debt** – In prior years, the District defeased certain general obligation 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 the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2020, \$7,000,000 of bonds outstanding are considered defeased.