

Parchment School District

Notes to Financial Statements June 30, 2015

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From		
	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 111,235	\$ 111,235
Agency Fund	67,967	-	67,967
Nonmajor governmental funds	181,000	-	181,000
Total	\$ 248,967	\$ 111,235	\$ 360,202

Interfund balances represent routine and temporary cash flow assistance until amounts are transferred from cash accounts.

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

Fund Transferred To	Fund Transferred From General Fund
Capital Improvement Fund	\$ 270,700

Interfund transfers from the General Fund are to provide support to the Capital Improvement Fund.

In addition, interfund reimbursement transfers were made from the Food Service Fund to the General Fund in the amount of \$26,932 to reimburse the General Fund for indirect costs related to the food service activities.

Note 7 - 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. Notes and installment purchase agreements are also general obligations of the School District. Other long-term obligations include compensated absences and other termination benefits.

Parchment School District

Notes to Financial Statements June 30, 2015

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds	\$ 29,555,000	\$ 2,835,000	\$ 1,030,000	\$ 31,360,000	\$ 1,155,000
Issuance premiums	325,342	-	41,675	283,667	41,675
Deferred outflow of resources - Refunding deferred charges	(166,118)	-	(43,335)	(122,783)	(43,335)
Total bonds payable	29,714,224	2,835,000	1,028,340	31,520,884	1,153,340
Notes payable	92,370	-	92,370	-	-
Capital lease payable	41,184	-	14,621	26,563	15,621
School Loan Revolving Fund	3,986,531	832,392	-	4,818,923	-
School Loan Revolving Fund accrued interest	385,712	157,820	-	543,532	-
Compensated absences and other termination benefits	375,000	40,000	-	415,000	-
Total governmental activities	<u>\$ 34,595,021</u>	<u>\$ 3,865,212</u>	<u>\$ 1,135,331</u>	<u>\$ 37,324,902</u>	<u>\$ 1,168,961</u>

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

Years Ending June 30	Principal	Interest	Total
2016	\$ 1,155,000	\$ 1,321,831	\$ 2,476,831
2017	1,260,000	1,275,631	2,535,631
2018	1,335,000	1,225,231	2,560,231
2019	1,405,000	1,171,831	2,576,831
2020	1,480,000	1,104,331	2,584,331
2021-2025	8,475,000	4,397,618	12,872,618
2026-2030	7,800,000	2,743,144	10,543,144
2031-2035	6,950,000	1,371,562	8,321,562
2036-2037	1,500,000	71,250	1,571,250
Total	<u>\$ 31,360,000</u>	<u>\$ 14,682,429</u>	<u>\$ 46,042,429</u>

Parchment School District

Notes to Financial Statements June 30, 2015

Note 7 - Long-term Debt (Continued)

Governmental Activities

General obligation bonds consist of the following:

\$7,715,000 serial bonds due in annual installments of \$1,000,000 to \$1,085,000 through May 1, 2018 with interest payable at 4.00 to 5.00 percent	\$ 3,145,000
\$19,130,000 serial bonds due in annual installments of \$1,130,000 from May 1, 2019 through May 1, 2025; interest ranging from 5.00 to 5.15 percent	7,910,000
\$17,770,000 serial bonds due in annual installments of \$155,000 to \$1,500,000 through May 1, 2036; interest ranging from 4.00 to 4.75 percent	17,470,000
\$2,835,000 Qualified Zone Academy Bonds; interest is not charged on the bond; annual escrow deposits of \$189,900 are required to be placed into a restricted cash account starting September 2015 until September 2029, at which point a principal payment of \$2,835,000 will be required	<u>2,835,000</u>
Total bonded debt	<u><u>\$ 31,360,000</u></u>

Capital Leases - The School District has entered into a lease agreement as lessee for financing the purchase of copier equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value are as follows:

Years Ending <u>June 30</u>	<u>Amount</u>
2016	\$ 16,783
2017	<u>11,189</u>
Total	27,972
Less amount representing interest	<u>1,409</u>
Present value of net minimum lease payments	<u><u>\$ 26,563</u></u>

Parchment School District

Notes to Financial Statements June 30, 2015

Note 7 - Long-term Debt (Continued)

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, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005, as amended. Interest rates went into effect beginning October 1, 2005 pursuant to Public Act 92. Interest, at a rate ranging from 3.412 percent to 3.460 percent, has been assessed for the year ended June 30, 2014. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below 7 mills. The School District is required to levy mills and repay to the State any excess of the amount levied over the bonded debt service requirements. The balance of the School Loan Revolving Fund as of June 30, 2015 was \$4,818,923, with an interest rate of 3.412 percent and a mandatory repayment date of May 1, 2042. The total amount of accrued interest at June 30, 2015 is \$543,532.

Advance and Current Refundings

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 accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2015, \$7,910,000 of bonds outstanding are considered defeased.

Note 8 - Restricted Assets

The balances for the restricted asset accounts are as follows:

	<u>Governmental Activities</u>
Unspent QZAB proceeds	\$ 537,368
Unspent debt service funds	<u>97,920</u>
Total restricted assets	<u>\$ 635,288</u>