

Parchment School District

Notes to Financial Statements June 30, 2014

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	General Fund	Agency Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 57,568	\$ 37,311	\$ 94,879
Nonmajor governmental funds	144,191	-	-	144,191
Total	\$ 144,191	\$ 57,568	\$ 37,311	\$ 239,070

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

Fund Transferred To	Fund Transferred From General Fund
Capital Improvement Fund	\$ 160,000

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 \$26,071 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, 2014

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	\$ 30,465,000	\$ -	\$ 910,000	\$ 29,555,000	\$ 1,030,000
Issuance premiums	367,017	-	41,675	325,342	41,675
Deferred outflow of resources - Refunding deferred charges	(209,453)	-	(43,335)	(166,118)	(43,335)
Total bonds payable	30,622,564	-	908,340	29,714,224	1,028,340
Notes payable	181,254	-	88,884	92,370	92,370
Capital lease payable	55,052	-	13,868	41,184	14,719
School Loan Revolving Fund	3,104,774	881,757	-	3,986,531	-
School Loan Revolving Fund accrued interest	259,621	126,091	-	385,712	-
Compensated absences and other termination benefits	390,000	-	15,000	375,000	-
Total governmental activities	<u>\$ 34,613,265</u>	<u>\$ 1,007,848</u>	<u>\$ 1,026,092</u>	<u>\$ 34,595,021</u>	<u>\$ 1,135,429</u>

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

Years Ending June 30	Principal	Interest	Total
2015	\$ 1,122,370	\$ 1,375,802	\$ 2,498,172
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
2020-2024	8,095,000	4,782,824	12,877,824
2025-2029	5,665,000	3,005,794	8,670,794
2030-2034	6,650,000	1,687,437	8,337,437
2035-2036	2,960,000	211,850	3,171,850
Total	<u>\$ 29,647,370</u>	<u>\$ 16,058,231</u>	<u>\$ 45,705,601</u>

Parchment School District

Notes to Financial Statements June 30, 2014

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 \$915,000 to \$1,085,000 through May 1, 2018; interest ranging from 4.0 percent to 5.0 percent	\$ 4,060,000
\$19,130,000 serial bonds due in annual installments of \$1,130,000 from May 1, 2019 through May 1, 2025; interest ranging from 5.0 percent to 5.1 percent	7,910,000
\$17,770,000 serial bonds due in annual installments of \$115,000 to \$1,500,000 through May 1, 2036; interest ranging from 4.0 percent to 4.75 percent	<u>17,585,000</u>
Total bonded debt	<u>\$ 29,555,000</u>
\$428,290 installment purchase due in annual installments of \$92,370, including interest, through July 9, 2015; interest at 3.92 percent	<u>\$ 92,370</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>
2015	\$ 16,783
2016	16,783
2017	<u>11,189</u>
Total	44,755
Less amount representing interest	<u>3,571</u>
Present value of net minimum lease payments	<u>\$ 41,184</u>

Parchment School District

Notes to Financial Statements June 30, 2014

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 3.522 percent to 3.534 percent, has been assessed for the year ended June 30, 2013. 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, 2014 was \$3,986,531, with an interest rate of 3.522 percent and a mandatory repayment date of May 1, 2042. The total amount of accrued interest at June 30, 2014 is \$385,712.

Note 8 - 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, general liability, and automobile and property damage claims and participates in the Michigan Association of School Boards - School Employers' Trust/School Employers' Group (risk pool) for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.