

**School District of the City of Wyandotte**  
**Notes to the Financial Statements**  
**June 30, 2020**

**Note 10 - 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. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds. Other long-term obligations include compensated absences, claims and judgments, Act 18, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
<b>Bonds and notes payable</b>					
General obligation bonds	\$ 44,995,715	\$ -	\$ 1,780,000	\$ 43,215,715	\$ 1,575,000
Premium on bonds	<u>2,231,857</u>	<u>-</u>	<u>235,163</u>	<u>1,996,694</u>	<u>-</u>
Total bonds payable	<u>47,227,572</u>	<u>-</u>	<u>2,015,163</u>	<u>45,212,409</u>	<u>1,575,000</u>
<b>Other liabilities</b>					
ACT 18 settlement payable	1,008,653	65,413	-	1,074,066	518,375
Compensated absences	291,881	119,766	119,237	292,410	18,357
Retiree life insurance benefits	<u>63,500</u>	<u>-</u>	<u>11,500</u>	<u>52,000</u>	<u>-</u>
Total other liabilities	<u>1,364,034</u>	<u>185,179</u>	<u>130,737</u>	<u>1,418,476</u>	<u>536,732</u>
Total	<u>\$ 48,591,606</u>	<u>\$ 185,179</u>	<u>\$ 2,145,900</u>	<u>\$ 46,630,885</u>	<u>\$ 2,111,732</u>

For governmental activities, compensated absences, retiree life insurance benefits and retirement incentives are primarily liquidated by the General Fund.

General obligation bonds payable at year end, consist of the following:

2016 Refunding of 2007 Energy Conservation Improvement bonds are due in annual installments of \$310,000 - \$505,000 through May 1, 2024, interest at 1.700% to 2.600%	\$ 1,920,000
2009 School Improvement Bond is due in full on August 24, 2025. Installments of \$296,714 are required to be set-aside annually to provide for the total principal payment when due. Interest rate is 0.125%	4,450,715
2015 School Building and Site Bonds are due in annual installments of \$75,000 - \$2,560,000 through May 1, 2041, interest at 2.75% to 5%	<u>36,845,000</u>
Total general obligation bonded debt	<u>\$ 43,215,715</u>

Future principal and interest requirements for bonded debt and direct borrowings and direct placements are as follows:

	Principal	Interest	Total
<b>Year Ending June 30,</b>			
2021	\$ 1,575,000	\$ 1,609,064	\$ 3,184,064
2022	1,655,000	1,543,814	3,198,814
2023	1,735,000	1,474,224	3,209,224
2024	1,810,000	1,400,344	3,210,344
2025	5,820,715	1,317,482	7,138,197
2026 - 2030	7,750,000	5,683,925	13,433,925
2031 - 2035	9,155,000	4,275,612	13,430,612
2036 - 2040	11,155,000	2,273,350	13,428,350
2041 - 2045	<u>2,560,000</u>	<u>128,000</u>	<u>2,688,000</u>
Total	<u>\$ 43,215,715</u>	<u>\$ 19,705,815</u>	<u>\$ 62,921,530</u>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the fund had a balance \$5,167,628 to pay this debt. Future debt and interest will be payable from future tax levies.

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**Mandatory Sinking Fund – 2009 School Improvement Bonds**

To ensure that sufficient money will be available to pay the principal of the 2009 School Improvement Bonds at maturity, the School District shall annually deposit cash into a mandatory sinking fund held by a bank or trust company eligible in the State of Michigan to hold such funds for the Bonds the “Mandatory Sinking Fund”. Such annual deposited amounts required August 25 of each year shall, when combined with any earnings on monies held in the Mandatory Sinking Fund that have been earned since the previous deposit date, be sufficient as of August of the given year to equal the annual sinking fund deposit. The annual deposit into the Mandatory Sinking Fund shall be made annually and transferred from the General Fund to the Debt Service fund to be maintained in the Mandatory Sinking Fund. Fund to such date. Such monies shall be used to repay the principal of the Bonds at maturity in the year 2025.

The cumulative cash payments are held in the Debt Service Fund. Cash accumulated for the bond payments at June 30, 2020 was \$3,015,208.

**Compensated Absences**

Accrued compensated absences at year end, consists of \$292,410 of vacation hours earned and vested. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

**Note 11 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries workers’ compensation and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is self-insured for health benefits paid on behalf of its employees. Payments are made to the insurance administrator each week based on actual claims and administration fees. The plan provides a stop-loss provision of \$100,000 per employee. For governmental activities, the liability for health benefits is primarily liquidated by the General Fund.

Change in estimated liabilities for claims for health benefits for the year is as follows:

	June 30, 2020	June 30, 2019
Estimated liability overpayment at the beginning of the year	\$ 411,265	\$ 310,896
Estimated claims incurred including changes in estimates	6,950,476	6,841,277
Claim payments	7,418,959	6,740,908
Estimated liability overpayment end of year	\$ 57,218	\$ 411,265

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District did not pay any significant unemployment compensation expense for the year. No provision has been made for possible future claims.

**Note 12 - Pension Plan**

**Plan Description**

The Michigan Public School Employees Retirement System System or MPSERS is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan State originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board s authority to promulgate or amend the provisions of the System.