

School District of the City of Wyandotte
Notes to the Financial Statements
June 30, 2021

Note 8 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th. The School District is required to pledge 100% of their state school aid, October through August, or until the note is repaid, whichever is longer. The State has discretion to accelerate repayment terms if they have cause for concern. If the note is in default status, there is a penalty interest rate that may apply.

Short-term debt activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	<u>\$ 285,714</u>	<u>\$ 2,800,000</u>	<u>\$ 2,687,361</u>	<u>\$ 398,353</u>

The state aid anticipation note agreement includes an irrevocable set-aside of \$2,401,647 at year end that is considered defeased debt and not included in the ending balance.

Note 9 - 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:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Bonds and notes payable					
General obligation bonds	\$ 43,215,715	\$ -	\$ 1,575,000	\$ 41,640,715	\$ 1,655,000
Premium on bonds	1,996,694	-	95,081	1,901,613	-
Total bonds payable	<u>45,212,409</u>	<u>-</u>	<u>1,670,081</u>	<u>43,542,328</u>	<u>1,655,000</u>
Other liabilities					
ACT 18 settlement payable	1,074,066	2,334	518,374	558,026	478,488
Compensated absences	292,410	134,117	89,822	336,705	20,665
Retiree life insurance benefits	52,000	-	1,000	51,000	-
Total other liabilities	<u>1,418,476</u>	<u>136,451</u>	<u>609,196</u>	<u>945,731</u>	<u>499,153</u>
Total	<u>\$ 46,630,885</u>	<u>\$ 136,451</u>	<u>\$ 2,279,277</u>	<u>\$ 44,488,059</u>	<u>\$ 2,154,153</u>

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

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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%	\$ 1,470,000
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>35,720,000</u>
Total general obligation bonded debt	<u>\$ 41,640,715</u>

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

Year Ending June 30,	Principal	Interest	Total
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	1,440,000	1,247,900	2,687,900
2027 - 2031	8,010,000	5,420,275	13,430,275
2032 - 2036	9,515,000	3,919,500	13,434,500
2037 - 2041	<u>11,655,000</u>	<u>1,773,212</u>	<u>13,428,212</u>
Total	<u>\$ 41,640,715</u>	<u>\$ 18,096,751</u>	<u>\$ 59,737,466</u>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the fund had a balance \$5,071,530 to pay this debt. Future debt and interest will be payable from future tax levies. Interest expenditures for the fiscal year were \$1,604,501.

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, 2021 was \$3,312,772.

Compensated Absences

Accrued compensated absences at year end consists of \$336,705 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 10 - 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.