

# School District of the City of Hazel Park

## Notes to Financial Statements June 30, 2017

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

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

Fund Advanced To	Fund Advanced From		Total
	General Fund	Special Education Fund	
General Fund	\$ -	\$ 1,108,090	\$ 1,108,090
Special Education Center Program Fund	78,000	-	78,000
Debt Retirement Fund - General Fund Obligation	540,377	-	540,377
Total	<u>\$ 618,377</u>	<u>\$ 1,108,090</u>	<u>\$ 1,726,467</u>

Operating transfers from the General Fund to the Debt Retirement Fund represent the general obligation payments for principal and interest on the 2010 Energy Bonds and funding escrow accounts for the 2002 and 2003 QZAB bonds, which are accounted for in the Debt Service General Obligation Fund. Transfers from the General Fund to the Special Education Fund represent the General Fund's obligations to the Special Education Fund to cover costs in excess of state aid and tuition revenue received from Oakland Schools. Transfers from the Special Education Fund to the General Fund reflect indirect costs and rent paid by the county Special Education Center to the School District.

### 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. Qualified bonds are fully guaranteed by the State of Michigan. Notes and installment purchase agreements are also general obligations of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

The School District's bonds payable are liquidated by the various Debt Service Funds. The other long-term obligations are liquidated primarily by the General Fund.

# School District of the City of Hazel Park

## Notes to Financial Statements June 30, 2017

### Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized 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>					
Qualified Zone Academy Bond:					
2002 Energy Conservation Bond	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000	\$ -
2003 Energy Conservation Bond	3,000,000	-	-	3,000,000	-
2010 Energy Conservation Improvement Bond	2,385,000	-	205,000	2,180,000	210,000
Common Debt Obligations:					
2011 Refunding Bond	18,030,000	-	1,890,000	16,140,000	1,895,000
2012 Refunding Bond	17,765,000	-	-	17,765,000	-
2012 School Building and Site Bond	6,990,000	-	340,000	6,650,000	350,000
School Bond Loan Fund	6,518,820	206,467	-	6,725,287	-
School Loan Revolving Fund	13,897,481	439,953	500,000	13,837,434	-
Total bonds payable	70,586,301	646,420	2,935,000	68,297,721	2,455,000
Other obligations (General Fund):					
Severance incentive	450,000	-	380,000	70,000	70,000
Installment payment - City of Hazel Park	264,000	-	33,000	231,000	33,000
Compensated absences	2,193,559	-	91,921	2,101,638	236,244
Total governmental activities	<u>\$ 73,493,860</u>	<u>\$ 646,420</u>	<u>\$ 3,439,921</u>	<u>\$ 70,700,359</u>	<u>\$ 2,794,244</u>

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

Years Ending <u>June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,488,000	\$ 1,706,471	\$ 6,194,471
2019	5,518,000	1,632,560	7,150,560
2020	2,588,000	1,519,003	4,107,003
2021	2,648,000	1,402,029	4,050,029
2022	2,723,000	1,281,183	4,004,183
2023-2027	14,311,000	4,803,688	19,114,688
2028-2032	15,690,000	1,939,624	17,629,624
Total	<u>\$ 47,966,000</u>	<u>\$ 14,284,558</u>	<u>\$ 62,250,558</u>

# School District of the City of Hazel Park

## Notes to Financial Statements June 30, 2017

### Note 7 - Long-term Debt (Continued)

#### Governmental Activities

General obligation bonds consist of the following:

2011 Refunding Bond: \$25,500,000 issue of bonds due in annual installments ranging from \$1,895,000 to \$2,130,000 through May 1, 2025, interest at rates from 2.625 percent to 5.00 percent	\$ 16,140,000
2012 Refunding Bond: \$17,765,000 issue of bonds due in annual installments ranging from \$2,300,000 to \$2,730,000 starting on May 1, 2026 through May 1, 2032, interest at rates from 3.50 percent to 4.75 percent	17,765,000
2012 Building and Site Bond: \$7,950,000 issue of bonds due in annual installments ranging from \$350,000 to \$565,000 through May 1, 2032, interest at rates from 3.00 percent to 4.00 percent	6,650,000
2010 Energy Conservation Improvement Bond: \$3,315,000 issue of bonds due in annual installments ranging from \$210,000 to \$280,000 through May 1, 2026, interest at rates from 3.00 percent to 4.125 percent	2,180,000
2002 Qualified Zone Academy Bond - Energy Conservation Series: \$2,000,000 issue with a maturity on November 12, 2017. This bond qualifies under Section 1397E (d) (4) of the Internal Revenue Code of 1986 and has a 0 interest rate	2,000,000
2003 Qualified Zone Academy Bond - Energy Conservation Series: \$3,000,000 issue with a maturity on July 15, 2018. This bond qualifies under Section 1397E (d) (4) of the Internal Revenue Code of 1986 and has a zero interest rate	<u>3,000,000</u>
Total bonded debt	<u>\$ 47,735,000</u>

**Installment Payment** - In July 2014, the School District entered into an agreement with the City of Hazel Park, Michigan to repay the amount owed of \$330,000 related to police services that had gone unpaid from 2008 to 2014. The School District is required to pay \$33,000 per year. At June 30, 2017, there was \$231,000 remaining to be paid.

# School District of the City of Hazel Park

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## Notes to Financial Statements June 30, 2017

### Note 7 - Long-term Debt (Continued)

**School Bond Loan** - The school bond loan 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. Interest at an annual rate of 3.13323 percent has been assessed for the year ended June 30, 2017. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below 13 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. 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.

**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 an annual rate of 3.13323 percent has been assessed for the year ended June 30, 2017. Repayment begins as soon as annual tax collections exceed annual debt service payment requirements. The predetermined mandatory final loan repayment date is May 1, 2038. 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.

### Note 8 - Risk Management

The School District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and manages its property and casualty risk through participation in the MASB-SEG Property/Casualty Pool, Inc. (the "Pool").

As a member of the Pool, the School District's contributions are combined with other members to provide coverage for liability and property claims. Any funds not needed to pay claims and maintain prudent services are available for distribution to the members or credit toward future member contributions, as determined by the Pool's board of directors. Alternatively, the Pool's board of directors may increase liability limits and other additional services to members.