

School District of the City of Wyandotte
Notes to the Financial Statements
June 30, 2025

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 30. 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:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 432,143	\$ 5,000,000	\$ 4,717,857	\$ 714,286

The state aid anticipation note agreement includes an irrevocable set-aside of \$4,285,714 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, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	(As restated) Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	\$36,440,715	\$ 23,595,000	\$31,780,715	\$28,255,000	\$1,525,000
Premium on bonds	1,616,370	2,288,693	1,384,185	2,520,878	-
Total bonds payable	<u>38,057,085</u>	<u>25,883,693</u>	<u>33,164,900</u>	<u>30,775,878</u>	<u>1,525,000</u>
Other liabilities					
Leases	946,203	-	273,974	672,229	296,301
Compensated absences	16,622,680	5,968,865	-	22,591,545	1,201,731
Total other liabilities	<u>17,568,883</u>	<u>5,968,865</u>	<u>273,974</u>	<u>23,263,774</u>	<u>1,498,032</u>
Total	<u>\$55,625,968</u>	<u>\$ 31,852,558</u>	<u>\$33,438,874</u>	<u>\$54,039,652</u>	<u>\$3,023,032</u>

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

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

2015 School Building and Site Bonds are due in annual installments of \$1,510,000 - \$1,600,000 through May 1, 2041, interest at 2.75% to 3.13%	\$ 4,660,000
2025 Refunding Bonds are due in annual installments of \$1,250,000 - \$2,445,000 through May 1, 2041, interest at 5.00%	<u>23,595,000</u>
Total general obligation bonded debt	<u>\$28,255,000</u>

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

<u>Year Ending June 30,</u>	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 1,525,000	\$ 1,301,391
2027	1,510,000	1,241,526
2028	1,550,000	1,200,000
2029	1,600,000	1,153,500
2030	1,250,000	1,103,500
2031-2035	7,805,000	4,479,500
2036-2040	10,570,000	2,249,500
2041-2045	<u>2,445,000</u>	<u>122,250</u>
Total	<u>\$28,255,000</u>	<u>\$12,851,167</u>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the fund had a balance \$392,955 to pay this debt. Future debt and interest will be payable from future tax levies. Interest expenditures for the fiscal year were \$1,749,658.

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. These deposits were used to repay the principal on the bonds at June 30, 2025.

Current Refinancing

In April 2025, the School District issued general obligation bonds of \$23,595,000 and premium of \$2,288,693 (par value) with an interest rate of 5.0% to refinance \$25,960,000 of the 2015 School Building and Site Bond. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to pay off the refinanced debt in June and August 2025, before the originally scheduled maturity dates of the refunded bond.

Deferred Amount on Refunding

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,384,185. This amount is reported in the accompanying statement of net position as a deferred inflow of resources and is being charged to activities through fiscal year June 30, 2041.

Compensated Absences

Compensated absences liability of \$22,591,545 at year end has been calculated based on anticipated amounts of earned sick and vacation time that could be used in the future. The School District does not pay out unused sick or vacation time upon separation. The amount anticipated to be used in the next year is included with amounts listed as due within one year. Compensated absences additions and deductions are reported net.

Additionally, the School District has \$45,000 of retiree benefits payable to those who qualified.

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