

Potterville Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Restated Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated				
Land	\$ 7,793	\$ -	\$ -	\$ 7,793
Construction in progress	48,996	2,300,837	(48,996)	2,300,837
Total capital assets not being depreciated	56,789	2,300,837	(48,996)	2,308,630
Capital assets being depreciated				
Buildings and additions	19,993,820	598,730	-	20,592,550
Equipment, furniture, and other assets	957,557	123,030	-	1,080,587
Vehicles	612,598	-	(368,054)	244,544
Total capital assets being depreciated	21,563,975	721,760	(368,054)	21,917,681
Less accumulated depreciation for:				
Buildings and additions	(7,299,704)	(392,839)	-	(7,692,543)
Equipment, furniture, and other assets	(689,452)	(54,429)	-	(743,881)
Vehicles	(612,598)	-	368,054	(244,544)
Subtotal	(8,601,754)	(447,268)	368,054	(8,680,968)
Net capital assets being depreciated	12,962,221	274,492	-0-	13,236,713
Total net capital assets	<u>\$ 13,019,010</u>	<u>\$ 2,575,329</u>	<u>\$ (48,996)</u>	<u>\$ 15,545,343</u>

Depreciation expense of \$447,268 was not allocated to governmental functions. It appears on the Statement of Activities as "unallocated". The current year depreciation expense in the governmental activities of \$447,268 has been adjusted by \$48,996 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2013.

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due Within One Year
1998 Durant Resolution Bonds	\$ 7,504	\$ -	\$ (7,504)	\$ -	\$ -
2011 Refunding Bonds	6,550,000	-	(610,000)	5,940,000	595,000
2012 Building & Site & Refunding Bonds	5,615,000	-	(160,000)	5,455,000	200,000
2012 Refunding Bonds	-	3,940,000	-	3,940,000	550,000

Potterville Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE D: LONG-TERM DEBT - CONTINUED

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>	Amounts Due Within <u>One Year</u>
Michigan School Bond Loans					
Principal and interest	\$ 3,787,264	\$ 360,709	\$ (3,864,065)	\$ 283,908	\$ -
Installment purchase agreement	22,174	-	(8,350)	13,824	9,034
Capital lease	356	-	(356)	-0-	-
Compensated absences	142,224	87,763	(47,463)	182,524	9,126
	<u>\$ 16,124,522</u>	<u>\$ 4,388,472</u>	<u>\$ (4,697,738)</u>	<u>\$ 15,815,256</u>	<u>\$ 1,363,160</u>

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds

\$7,150,000 Refunding Bonds dated March 16, 2011, due in annual principal installments ranging from \$500,000 to \$595,000 through May 1, 2024, with interest ranging from 2.0 to 4.625 percent, payable semi-annually. \$ 5,940,000

\$5,615,000 Refunding Bonds dated March 29, 2012, due in annual principal installments ranging from \$200,000 to \$510,000 through May 1, 2029, with interest ranging from 2.0 to 4.0 percent, payable semi-annually. 5,455,000

\$3,940,000 Refunding Bonds dated December 18, 2012, due in annual principal installments ranging from \$550,000 to \$590,000 through May 1, 2020, with interest ranging from 0.8 to 2.35 percent, payable semi-annually. 3,940,000

\$ 15,335,000

Michigan School Bond Loans

The School District has borrowed on various occasions from the Michigan School Bond Qualification and Loan Program. Repayment is due when the District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year, Refunding Bonds were issued to reduce the amount owes to the loan program, and the interest rate ranged from 4.625 to 3.53 percent.

The School District borrowed \$281,000 in additional principal during this fiscal year and incurred an additional \$79,262 of accrued interest payable. The balances at June 30, 2013, are as follows:

Loan balance	\$ 282,000
Interest balance	<u>1,908</u>
	<u>\$ 283,908</u>

Potterville Public Schools
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE D: LONG-TERM DEBT - CONTINUED

Installment Purchase Agreement

\$40,650 Installment purchase agreement dated December 29, 2009, due in monthly installments of \$817, including interest through December 8, 2014, with interest of 0.659 percent.

\$ 13,824

Compensated absences - In recognition of services to the District, a severance payment is made to eligible employees with at least ten (10) years of service according to their respective employment contracts as follows:

Teachers

Eligible teachers will be paid for a maximum of one hundred sixty-two days of accumulated sick leave at a rate of \$45 a day.

Under GASB Statement No. 16 requirements, the District has elected to implement the "vesting" method of calculating the compensated absences liability. The amounts accumulated for all employees currently vested are calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who currently are not vested recorded at the actual value as of June 30, 2013.

A summary of the calculated amounts of compensated absences as of June 30, 2013, which has been recorded in the district-wide financial statements, is as follows:

	Vested Employees	Nonvested Employees	Total
Compensated absences	\$ 137,253	\$ 32,300	\$ 169,553
Payroll taxes	10,500	2,471	12,971
	\$ 147,753	\$ 34,771	\$ 182,524

The annual requirements to pay the debt principal and interest outstanding for the Long-Term Debt are as follows:

Year Ending June 30,	<u>Installment Purchase Agreement</u>		<u>General Obligation Bonds</u>	
	Principal	Interest	Principal	Interest
2014	\$ 9,034	\$ 771	\$ 1,345,000	\$ 466,196
2015	4,790	111	1,360,000	445,896
2016	-	-	1,390,000	421,298
2017	-	-	1,415,000	391,960
2018	-	-	1,450,000	359,914
2019-2023	-	-	5,335,000	1,146,494
2024-2028	-	-	2,540,000	408,726
2028-2029	-	-	500,000	20,000
	\$ 13,824	\$ 882	\$ 15,335,000	\$ 3,660,484

It is not possible to project a payment schedule for the Michigan School Bond Loans due to the varying interest rates and timing of repayments. As a result, it is not included in the schedule above.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE D: LONG-TERM DEBT - CONTINUED

Advance Refunding - Current

On December 18, 2012, the District repaid a portion of the Michigan Student Bond Loan Fund amounts which were due at an undetermined time in the future. This was accomplished by issuing 2012 Refunding Bonds in the amount of \$3,940,000.

Advance Refunding - Prior

On February 14, 2001 the District defeased a portion of the 1999 School Building and Site Bonds which were due and payable May 1, 2012 through May 1, 2029. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2001 Refunding Bonds in the amount of \$9,660,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2013, bonds due and payable May 1, 2014, through May 1, 2029 for the 1999 School Building and Site Bonds in the amount of \$7,855,000 are considered defeased.

On March 30, 2011, the District defeased a portion of the 2001 Refunding Bonds which were due and payable May 1, 2012 through May 1, 2024. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2011 Refunding Bonds in the amount of \$7,150,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2013, bonds due and payable May 1, 2014 through May 1, 2024 for the 2001 Refunding Bonds in the amount of \$5,735,000 are considered defeased.

On March 29, 2012, the District defeased a portion of the 2001 Refunding Bonds which were due and payable May 1, 2025 through May 1, 2029. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued 2012 Building and Site and Refunding Bonds in the amount of \$5,615,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds, and provide for certain capital projects. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2013, bonds due and payable May 1, 2025 through May 1, 2029 for the 2001 Refunding Bonds in the amount of \$2,505,000 are considered defeased.

NOTE E: SHORT-TERM NOTES

On August 20, 2012, the District issued a short-term State School Aid Anticipation Note in the amount of \$1,500,000 for the purpose of funding operating expenditures until the 2012-13 State Aid payments resumed. This short-term note, which had a net outstanding balance of \$857,143 (principal and accrued interest payable) at June 30, 2013, is reported in the General Fund under the caption short-term notes payable. The outstanding balance was scheduled to be paid August 20, 2013.

On August 22, 2011, the District issued a short-term State School Aid Anticipation Note in the amount of \$1,500,000 for the purpose of funding operating expenditures until the 2012 State Aid payments began. This short-term note, which had a net outstanding balance of \$1,071,429 (principal and accrued interest payable) at June 30, 2012, was reported in the General Fund and in the government-wide financial statements under the caption short-term notes payable. The outstanding balance was paid in August 2012.