

**MORENCI AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - NOTE PAYABLE

At June 30, 2012, the District has notes payable outstanding of \$240,000 (Note 2011 C-1) and \$400,000 (Note 2011 C-2, C-3), totaling \$433,058. The notes bear interest rates of 0.60% and 0.311%, respectively, and mature August 20, 2012. Note 2011 C-1 required payments to an irrevocable set-aside account of \$206,942 at June 30, 2012. At year end the balance of these payments are considered defeased debt and are not included in the year-end balance. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
\$ 503,284	\$ 640,000	\$ 710,226	\$ 433,058

NOTE 7 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

	General obligation bonds (including deferred charges and discounts)	Bus Note	Compensated absences	Total
Balance July 1, 2011	\$ 11,758,242	\$ 50,483	\$ 71,773	\$ 11,880,498
Additions	-	-	-	-
Deletions	(442,894)	(33,458)	(7,647)	(483,999)
Balance June 30, 2012	11,315,348	17,025	64,126	11,396,499
Less current portion	(505,891)	(17,025)	(12,825)	(535,741)
Total due after one year	\$ 10,809,457	\$ -	\$ 51,301	\$ 10,860,758

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NOTE 7 - LONG-TERM DEBT (Continued)

Long-term obligation debt at June 30, 2012 is comprised of the following:

Limited obligation bonds (Durant bonds) due in the amount of \$5,891 on May 15, 2013, with interest at 4.76%. Certain state aid payments have been pledged as security.	\$ 5,891
2002 serial bonds due in annual installments of \$355,000 to \$490,000 through May 1, 2016 with interest from 3.25% to 5.25%.	1,680,000
2005 refunding bonds due in annual installments of \$30,000 to \$830,000 through May 1, 2028 with interest from 3.75% to 4.25%.	8,400,000
2008 serial bonds due in annual installments of \$75,000 to \$100,000 through May 1, 2028 with interest from 3.00% to 4.50%.	1,275,000
Installment note payable in the amount of \$17,025 on November 1, 2012, with interest of 2.25%. Certain property has been pledged as collateral.	17,025
Less: issuance discounts	<u>(45,543)</u>
Total bonded debt and other long-term obligations	11,332,373
Compensated absences	<u>64,126</u>
Total general long-term debt	<u><u>\$ 11,396,499</u></u>

Interest expense (all funds) for the year ended June 30, 2012 was approximately \$499,000.

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NOTE 7 - LONG-TERM DEBT (Concluded)

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

In prior years, the District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2012, \$8,255,000 of bonds outstanding are considered defeased.

The annual requirements to amortize long-term debt outstanding as of June 30, 2012, including interest of \$4,441,421 are as follows:

Year ending June 30,	Principal	Interest	Total
2013	\$ 522,916	\$ 473,827	\$ 996,743
2014	535,000	453,616	988,616
2015	570,000	432,216	1,002,216
2016	595,000	408,730	1,003,730
2017	615,000	378,766	993,766
2018 - 2022	3,430,000	1,505,880	4,935,880
2023 - 2027	4,180,000	748,612	4,928,612
2028	930,000	39,774	969,774
	11,377,916	4,441,421	15,819,337
Issuance discounts	(45,543)	-	(45,543)
Compensated absences	64,126	-	64,126
	<u>\$ 11,396,499</u>	<u>\$ 4,441,421</u>	<u>\$ 15,837,920</u>

At June 30, 2012, net assets of \$189,219 are available in the debt service funds to service the general obligation debt.