

MORENCI AREA SCHOOLS

NOTE PAYABLE

At June 30, 2013, the District has notes payable outstanding of \$400,000 (Note 2012 B-1) and \$700,000 (Note 2012 B-2, B-3). The notes bear interest rates of 0.40% and 1.554%, respectively, and mature August 20, 2013. Note 2012 B-1 required payments to an irrevocable set-aside account of \$344,229 at June 30, 2013. 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, 2012	Additions	Deletions	Balance June 30, 2013
\$ 433,058	\$ 1,100,000	\$ 777,287	\$ 755,771

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)	School loan revolving fund	Bus Note	Compensated absences	Total
Balance July 1, 2012	\$ 11,315,348	\$ -	\$ 17,025	\$ 64,126	\$ 11,396,499
Additions	-	92,137	-	-	92,137
Deletions	(503,161)	-	(17,025)	(9,329)	(529,515)
Balance June 30, 2013	10,812,187	92,137	-	54,797	10,959,121
Due within one year	(535,000)	-	-	(10,959)	(545,959)
Due in more than one year	\$ 10,277,187	\$ 92,137	\$ -	\$ 43,838	\$ 10,413,162

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LONG-TERM DEBT (Continued)

Long-term obligation debt at June 30, 2013 is comprised of the following:

2002 serial bonds due in annual installments of \$395,000 to \$490,000 through May 1, 2016 with interest from 3.25% to 5.25%.	\$ 1,325,000
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%.	8,330,000
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%.	1,200,000
Less: issuance discounts	<u>(42,813)</u>
Total bonded debt and other long-term obligations	10,812,187
Borrowings from the State of Michigan under the School Loan Revolving Program. Interest at June 30, 2013 was 3.53%	92,137
Compensated absences	<u>54,797</u>
Total general long-term debt	<u><u>\$ 10,959,121</u></u>

Interest expense (all funds) for the year ended June 30, 2013 was approximately \$486,000.

Borrowing from the State of Michigan - 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 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 rates of 3.53% for the School Loan Revolving Fund notes have been assessed for the year ended June 30, 2013. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.00 mills. The school district is required to levy 7.00 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. The District currently levies 7.00 debt mills. 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 following amortization schedule.

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LONG-TERM DEBT (Concluded)

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, 2013, \$8,255,000 of bonds outstanding are considered defeased.

The annual requirements to amortize long-term debt outstanding as of June 30, 2013, including interest of \$3,969,621 are as follows:

Year ending June 30,	Principal	Interest	Total
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	640,000	354,166	994,166
2019 - 2023	3,555,000	1,368,192	4,923,192
2024 - 2028	4,345,000	571,908	4,916,908
	10,855,000	3,967,594	14,822,594
Issuance discounts	(42,813)	-	(42,813)
School Loan Revolving Fund program	92,137	2,027	94,164
Compensated absences	54,797	-	54,797
	\$ 10,959,121	\$ 3,969,621	\$ 14,928,742

At June 30, 2013, fund balance of \$270,395 is available in the debt service funds to service the general obligation debt.