

**LEELANAU MONTESSORI PUBLIC SCHOOL ACADEMY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2019:

	Notes from direct borrowing and direct placements	Compensated absences	Total
Balance July 1, 2018	\$ 799,720	\$ 11,813	\$ 811,533
Additions	292,280	-	292,280
Deletions	-	(113)	(113)
Balance June 30, 2019	1,092,000	11,700	1,103,700
Due within one year	(27,739)	(1,170)	(28,909)
Due in more than one year	<u>\$ 1,064,261</u>	<u>\$ 10,530</u>	<u>\$ 1,074,791</u>

Long-term obligations at June 30, 2019 are comprised of the following issues:

Notes from direct borrowings and direct placements:

Building note - June 2018 purchase and renovation of a building. Interest payments due beginning July 22, 2018 for one year and then the loan will be due in monthly installments of \$8,073 beginning July 22, 2019 through June 22, 2038. The maximum principal amount secured by this instrument at any one time will not exceed \$1,092,000. The mortgage bears interest of 3.50% above a United States Treasury 5 year index rate for an actual interest rate of 6.30%. The interest rate will change every five years from the loan anniversary date based on the adjustment of this index.

	<u>\$ 1,092,000</u>
Total notes from direct borrowings	1,092,000
Compensated absences	<u>11,700</u>
Total general long-term obligations	<u>\$ 1,103,700</u>

The Academy's outstanding notes from direct borrowings and direct placements related to governmental activities of \$1,092,000 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

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NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (Concluded)

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2019, are as follows:

<u>Year ending June 30,</u>	<u>Notes from direct borrowings and direct placements</u>		<u>Compensated absences</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2020	\$ 27,739	\$ 69,139	\$ -	\$ 96,878
2021	29,755	67,123	-	96,878
2022	31,712	65,166	-	96,878
2023	33,798	63,080	-	96,878
2024	35,853	61,025	-	96,878
2025 - 2029	218,709	265,681	-	484,390
2030 - 2034	300,780	183,609	-	484,389
2035 - 2039	413,654	70,734	-	484,388
	<u>1,092,000</u>	<u>845,557</u>	<u>-</u>	<u>1,937,557</u>
Compensated absences	-	-	11,700	11,700
	<u>\$ 1,092,000</u>	<u>\$ 845,557</u>	<u>\$ 11,700</u>	<u>\$ 1,949,257</u>

Interest expense for the year ended June 30, 2019 was approximately \$61,000.

NOTE 6 - TRANSFERS

Transfers between the governmental funds were as follows:

<u>Fund</u>	<u>Transfers out</u>	<u>Transfers in</u>
General fund	\$ -	\$ 55,000
Capital projects fund	55,000	-
	<u>\$ 55,000</u>	<u>\$ 55,000</u>

The transfer from the capital projects fund to the general fund was to pay for building expenditures made by the general fund.