

Michigan School Loan Revolving Fund General Instructions for Completing Annual Loan Activity Application

It is a statutory requirement that the district submit a completed *Annual Loan Activity Application* 60 days prior to certifying its annual tax levy. Once a district begins borrowing from the fund, it must continue to follow the annual loan activity application process each year until the loan balance is paid off.

This application process provides the mechanism for the district to determine the allocation of the debt millage between debt retirement funds (if the district has more than one), and an estimate of the amount to be borrowed from the state. These planning actions are required to provide assurance that all legal requirements are being met at the local level and to allow the Michigan Department of Treasury to take the necessary action to assure funds are on hand when needed.

This worksheet will determine an estimated amount needed to be borrowed for the November 1, 2016 and May 1, 2017 debt service payments.

It is **imperative** that you use the proper *Annual Loan Worksheet* based on how property taxes are collected in your district. Please verify that you are using the proper worksheet based on when the taxes are levied.

Please verify that your debt service payments were filled correctly in the worksheet.

If you need assistance with the application, contact the School Bond Qualification & Loan Program at (517) 373-3962.

Annual Loan Activity Application Packet

Who completes the Annual Loan Activity Application for a State loan?

School districts that expect to borrow from the School Loan Revolving Fund (SLRF) to assist in the payment of principal and interest on qualified bonds must complete the application each year before certifying the annual tax levy. This worksheet provides the mechanism for the district to properly allocate the debt millage between multiple debt retirement funds.

What steps are required to complete an Annual Loan Activity Application?

The designated SLRF contact person at the district needs to complete the *Annual Loan Worksheet* and draft *Board Resolution*. The board needs to adopt the *Board Resolution* at an official meeting.

When is the application due?

August 1, 2016.

What if I cannot get board approval by this due date?

The SLRF program is seeking to avoid the need for special board meetings to approve loan documents. If you are unable to obtain board approval at a regularly scheduled meeting during July, please take the following actions:

- Complete the *Annual Loan Worksheet* and return along with bank statements and *Cover Transmittal* by August 1. Indicate the date of your next board meeting.
- Adopt the *Board Resolution* at your first August board meeting and submit immediately after.

Why do I need local School Board approval on the annual loan activity application?

The authorizing board resolution contains all board certifications required for loan processing and repayments during the year.

Our district has more than one debt service account. How should the millage be allocated?

School districts should allocate their millage between debt service accounts based on the amount of funds needed for debt service during the upcoming tax year. This method will result in a.) the use of fund balances in all debt service accounts, b.) borrowing for each account, and c.) a minimized total amount borrowed and associated interest cost.

In most cases this percentage allocation of debt millage will result in the lowest amount of borrowing. However, there can be special circumstances where this method does not produce the least amount of borrowing or is not legally permissible. Proper millage allocation is the sole responsibility of the school district. **If you need to make significant adjustments to the actual millage allocation as compared to the prorated millage allocation, please provide a brief explanation of your basis.**

Your (bond) financial advisor can assist in addressing special financial situations such as variable rate or Qualified Zone Academy Bonds, Qualified School Construction Bonds and/or Build America Bonds. The district shall deposit all federal interest credits received with respect to its qualified bonds issued as direct credit type bonds into the debt retirement fund payable for such bond. Your bond counsel can assist in addressing legal situations where bond issues cannot be assessed across all taxing issues.

Instructions for Completing Board of Education Resolution - Page 2 Worksheet

Estimated School Loan Revolving Fund Activity

Qualified Bond Debt Millage (Tax Year 2016)		
Combined Beginning Balance Owed to SBLF & SLRF (6/30/16)		
Estimated Amount To Borrow From SLRF		
Estimated Accrued Interest – (use 5% average interest rate)		
Estimated Combined Ending Balance Owed to SBLF & SLRF (6/30/17)		

(Use this information to complete your Board Resolution)

- **Qualified Bond Debt Millage** – Refer to the Annual Loan Worksheet, debt millage to be levied for tax year 2016.
- **Beginning Balance Owed to SBLF and/or SLRF** - Refer to the final balance on your SBLF/SLRF Detail Statement of Account which can be found online at <https://treas-secure.state.mi.us/lbms/> or contact the SBQL Program at (517) 373-3962.
- **Estimated Amount To Borrow from SLRF in FY 2017**

Estimated Amount to borrow from SLRF (taken from Loan Worksheet)	
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- **Estimated Accrued Interest in FY 2017** – Complete the following calculation to estimate the amount of interest that will be accrued.

Estimated Interest on Existing SBLF and/or SLRF Balance Beginning balance at 6/30/16 * .05	
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Line-by-Line Instructions for Annual Loan Activity Application Worksheet Summer or Split Tax Levy

- Heading -** Enter the *School District Code, School District Name, Total Qualified Debt Millage to be Levied*, and the tax year *2016 Taxable Valuation* in the spaces provided.
- Column A** *Bond Issue Date.* List each bond separately by issue date in the MM/DD/YY format. If the bond is a **variable rate issue**, indicate with “VAR”and attach a current principal and interest payment schedule.
- Column B** *November 1, 2016 Debt Service Payment.* List the November 1, 2016 debt service payment for each bond. Include the total interest due. (verify amount)
- Column C** *May 1, 2017 Debt Service Payment.* List the May 1, 2017 debt service payment for each bond. Include the total principal and interest due. (verify amount)
- Column D** *Fees.* List any fees associated with the bond debt service payments.
- Column E** *Total Debt Service Payments.* Total columns B, C, and D. This is the total debt service due from November 1, 2016 through May 31, 2017.
- Column F** *Reconciled Debt Fund Balance, June 30, 2016.* List the debt retirement fund balances as of June 30, 2016 (or your most recent bank statement). This includes cash, investments, accrued interest, and any other funds that will be available for debt service payments. The balance listed on the worksheet **must** equal the balance on the bank statements or reconciliation. E.g., if a \$50 dollar balance is stated on the worksheet, it must be supported with documentation equaling \$50.
- Column G** *Estimated \$ Delinquency.* Enter the probable delinquency in tax collections for each debt fund.
- Column H** *Funds Needed for Nov2016/May2017 Debt Service Payments.* Column E minus column F plus column G. *Prorated Millage Allocation.* Column H divided by Total of Column H times the total millage to be levied. This method of allocation will result in borrowing for every fund.
- Column I** *Actual Millage Allocation.* Enter the actual millage allocation that will be certified to the assessing officer. This may be different from the prorated allocation. If significantly different from the prorated allocation, please provide explanation. Proper allocation is the sole responsibility of the school district.
- Column J** *Revenues to be Collected from the 2016 Tax Levy.* Column J times the Taxable Value divided by 1000.
- Column K** *Estimated Amount to Borrow from the SLRF for Nov2016/May2017 Debt Service Payments.* Column H minus column K.

Line-by-Line Instructions for Annual Loan Activity Application Worksheet Winter Tax Levy

- Heading** Enter the *School District Code*, *School District Name*, *Total Qualified Debt Millage to be Levied*, and the tax year *2016 Taxable Valuation* in the spaces provided.
- Column A** *Bond Issue Date*. List each bond separately by issue date in the MM/DD/YY format. If the bond is a variable rate issue, indicate with “VAR” and attach a current principal and interest payment schedule.
- Column B** *November 1, 2016 Debt Service Payment*. List the Nov 1, 2016 debt service payment for each bond. Include the total interest due. (verify amount)
- Column C** *Fees*. List any fees associated with the bond debt service payments.
- Column D** *Total November 2016 Debt Service Payment*. Total columns B and C. This is the total debt service due for November 1, 2016.
- Column E** *Reconciled Debt Fund Balance, June 30, 2016*. List the debt retirement fund balances as of June 30, 2016 (or your most recent bank statement). This includes cash, investments, accrued interest, and any other funds that will be available for debt service payments. The balance listed on the worksheet **must** equal the balance on the bank statements or reconciliation. E.g., if a \$50 dollar balance is stated on the worksheet, it must be supported with documentation equaling \$50.
- Column F** *Amount to Borrow from SLRF*. Column D minus column E. If less than 0, enter 0.
- Column G** *Debt Fund Balance after Nov 1, 2016 Debt Service Payment*. Column E plus column F minus column D.
- Column H** *May 1, 2017 Debt Service Payment*. List the May 1, 2017 debt service payment for each bond. Include the total principal and interest due. (verify amount)
- Column I** *Column not intended*.
- Column J** *Funds Needed for May 2017 Debt Service Payments*. Column H minus column G.
- Column K** *Prorated Millage Allocation*. Column J divided by Total of Column J times the total millage to be levied. This method of allocation will result in borrowing for every fund.
- Column L** *Actual Millage Allocation*. Enter the actual millage allocation that will be certified to the assessing officer. This may be different from the prorated allocation. If significantly different from the prorated allocation, please provide explanation. Proper allocation is the sole responsibility of the school district.
- Column M** *Revenues to be Collected from the 2016 Tax Levy*. Column L times the Taxable Value divided by 1000.
- Column N** *Estimated Amount to Borrow from the SLRF for May 2017 Debt Service Payment*. Column J minus column M.
- Column O** *Estimated TOTAL Amount to Borrow from SLRF for Fiscal Year ending 6/30/2017*. Column F plus column N.