

SPRING HILL INDEPENDENT SCHOOL DISTRICT

Description of Bonded Indebtedness

Spring Hill ISD has outstanding bonds in eight different categories. Additional information is provided on page three which details bond balances and yearly payments due for each series. Further, detailed information from NOTE I (pages 36 - 39) in the annual audit report is also included with this information in an effort to supply full transparency. The complete audit report is included in the financial transparency section of the SHISD website.

A brief description of each bond follows:

SERIES 2005 REFUNDING BOND:

This bond was refunded in November 2015 and was replaced with the Series 2015A Refunding Bonds.

SERIES 2008 BUILDING BOND:

This bond was issued to provide funding for the first phase of the construction costs for the new high school. All of the available approved bond capacity was not issued in an effort to limit interest costs over the life of the construction project.

SERIES 2009 BUILDING BOND:

This bond was issued to provide funding for the second phase of construction costs for the new high school. All of the available approved bond capacity was not issued in an effort to limit interest costs over the life of the construction projects.

SERIES 2011 BUILDING & REFUNDING BOND:

This bond was issued to provide funding for the final phase of construction costs for the new high school, for improvements to the intermediate campus, and for improvements to the former high school campus which now serves as the current junior high campus.

SERIES 2015 REFUNDING BOND:

This bond was issued to refund a portion of the 2008 bonds in an effort to take advantage of historically low interest rates. This action will save approximately \$1,674,424 over the remaining life of the bonds.

SERIES 2015 QUALIFIED SCHOOL CONSTRUCTION BONDS:

This bond was issued to provide funding for roof improvements, tennis courts, and lighting.

SERIES 2015A REFUNDING BONDS:

This bond was issued to refund the remaining balance of the 2005 bonds in an effort to take advantage of historically low interest rates. This action will save approximately \$130,524 over the remaining life of the bonds.

SERIES 2016 REFUNDING BONDS:

This bond was issued to refund another portion of the 2008 bonds in an effort to take advantage of historically low interest rates. This action will save approximately \$2,057,372 over the remaining life of the bonds.

SERIES 2016 QUALIFIED SCHOOL CONSTRUCTION BONDS:

This bond was issued to provide funding for facilities upgrades including stadium upgrades.

SERIES 2017 REFUNDING BONDS:

This bond was issued to refund the remaining portion of the 2008 bonds in an effort to take advantage of historically low interest rates. This action will save approximately \$2,204,011 over the remaining life of the bonds.

SERIES 2017 QUALIFIED SCHOOL CONSTRUCTION BONDS:

This bond was issued to provide funding for facilities upgrades such as new flooring and parking lot rehabilitation.

SERIES 2018 BUILDING BONDS:

This bond was issued to provide funding for new athletic facilities.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:

Instruction	845,650
Instructional Resources and Media Services	24,944
Curriculum Development and Instructional Staff	25,784
School Leadership	97,400
Guidance, Counseling and Evaluation Services	26,868
Health Services	11,771
Student (Pupil) Transportation	36,813
Food Services	71,736
Cocurricular/Extracurricular Activities	88,636
General Administration	66,208
Facilities Maintenance and Operations	201,363
Security and Monitoring Service	9,215
Data Processing Services	24,329
Community Services	<u>2,198</u>

Total Depreciation Expense - Governmental Activities 1,532,915

Note I. Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	41,390,629	1,537,402	1,445,000	41,483,031	1,469,000
Premium/Discount on Issuance of Bonds	<u>3,081,641</u>	<u>73,993</u>	<u>238,153</u>	<u>2,917,481</u>	<u>-</u>
Total Bonds Payable	44,472,270	1,611,395	1,683,153	44,400,512	1,469,000
Other Liabilities:					
TRS Net Pension Liability	2,781,153	(258,033)	234,577	2,288,543	-
TRS Net OPEB Liability	<u>8,482,347</u>	<u>(3,620,266)</u>	<u>57,442</u>	<u>4,804,639</u>	<u>-</u>
Total Other Liabilities	<u>11,263,500</u>	<u>(3,878,299)</u>	<u>292,019</u>	<u>7,093,182</u>	<u>-</u>
Total Governmental Activities					
Long-term Liabilities	<u>55,735,770</u>	<u>(2,266,904)</u>	<u>1,975,172</u>	<u>51,493,694</u>	<u>1,469,000</u>

Spring Hill Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Spring Hill Independent School District.

There are a number of limitations and restriction contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2018.

Note J. Bonds Payable and Debt Service Requirements

On May 12, 2008, the taxpayers of the District authorized total bonds of \$41,800,000 to (i) acquire, construct, renovate and equip school buildings in the District (ii) for the purchase of necessary sites for school buildings and (iii) pay costs of issuing the bonds. The District issued \$29,000,000 of Unlimited Tax School Building Bonds Series 2008, \$4,000,000 of Unlimited Tax School Building Bonds Series 2009, \$2,700,000 Unlimited Tax School Building Bond Series 2011, \$1,100,000 of Unlimited Tax School Building Qualified School Construction Bonds Series 2015, and \$1,021,000 of Unlimited Tax Qualified School Construction Bonds Series 2016, and \$2,500,000 of Unlimited Tax Qualified Construction Bond Series 2017. In the current year, the District issued an additional \$1,465,000 of Unlimited Tax School Construction Building Bonds Series 2018.

On June 11, 2018, the District issued \$1,465,000 of Unlimited Tax School Building Bonds, Series 2018 for the purpose of constructing, renovating, acquiring, and equipping school buildings.

In the governmental fund financial statements, bonded indebtedness of the District current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. During the year ended August 31, 2018, the District paid \$1,445,000 in principal, \$1,338,695 in interest, and \$613 in bond issuance cost and fees. Bond proceeds from the Unlimited Tax School Building Bonds, Series 2018 are accounted for in the Capital Projects Fund as other financing sources in the amount of \$1,465,000 capital related debt issued and \$73,993 premium/discount on issuance bonds. In the Capital Projects Fund, the District paid \$59,993 in bond issuance cost and fees.

In the government-wide financial statements, bonded indebtedness of the District is reflected in the Statement of Net Position. Premium/discount on issuance of bonds, net of accumulated amortization, totaled \$2,917,481 at August 31, 2018. Bond premium/discount proceeds are deferred and amortized over the life of the bonds. Premium/discount proceeds on the issuance of the Bonds, Series 2018 of \$73,993 was added during the year ended August 31, 2018. The current year amortization for the premium/discount of \$238,153 is reflected in the Statement of Activities for the year ended August 31, 2018.

	Series 2008	Series 2009	Series 2011	Series 2015	Series 2015A	Series 2016	Series 2017	Series 2018	Total
Premium on bonds	(3,086)	(49,760)	(174,305)	(1,180,944)	(34,465)	(928,880)	(710,201)	(73,993)	(3,155,634)
Current year amortization	222	4,854	6,116	91,960	12,407	71,012	51,582	-	238,153
Refunding of bond	-	-	-	-	-	-	-	-	-
Premium on bonds, net	<u>(2,864)</u>	<u>(44,906)</u>	<u>(168,189)</u>	<u>(1,088,984)</u>	<u>(22,058)</u>	<u>(857,868)</u>	<u>(658,619)</u>	<u>(73,993)</u>	<u>(2,917,481)</u>

Interest expense accreted of \$72,402 on the CAB Bonds is reflected in the Statement of Activities for the year ended August 31, 2018. Payment of accretion of interest totaled \$230,000 for the year ended August 31, 2018.

The deferred charge on refunding bonds, net of accumulated amortization, totaled \$2,000,704 at August 31, 2018. Current year amortization of \$173,313 is reflected in the Statement of Activities for the year ended August 31, 2018.

The following is a summary of changes in deferred outflows of resources – deferred charges for refunding for the year ended August 31, 2018:

	Beginning Balance	Additions	Reduction	Ending Balance
Deferred charges for refundings:				
Series 2015	993,618	-	77,373	916,245
Series 2015A	26,605	-	9,577	17,028
Series 2016	793,580	-	60,200	733,380
Series 2017	360,214	-	26,163	334,051
	<u>2,174,017</u>	<u>-</u>	<u>173,313</u>	<u>2,000,704</u>

A summary of changes in bonded indebtedness for the year ended August 31, 2018 is as follows:

	Stated Interest Rate	Amounts Original Issue	Amounts Outstanding 9/1/2017		Issuance/ Accretion	Retirements	Amounts Outstanding 8/31/2018
Series 2008, Term Current Interest Bonds maturing annually thru February 15, 2038	5.00%	19,355,000	860,000		-	-	860,000
Unlimited Tax School Building Bonds Series 2008, Capital Appreciation Bonds maturing February 15, 2010-2018	-	110,000	325,259	(a)	14,741 (d) (c)	(230,000) (110,000)	-
Unlimited Tax School Building Bonds Series 2009, Serial Current Interest Bonds maturing February 15, 2012-2038	2.00-5.00%	3,895,000	2,435,000		-	(c) (155,000)	2,280,000
Unlimited Tax School Building and Refunding Bonds, Series 2011, Current Interest Bonds maturing February 15, 2021-2023, 2040	4.00%	1,935,000	1,935,000		-	-	1,935,000
Unlimited Tax School Building and Refunding Bonds, Series 2011, Current Interest Bonds maturing February 15, 2039-2040	4.75%	2,090,000	2,090,000		-	-	2,090,000
Unlimited Tax School Building and Refunding Bonds, Series 2011, Capital Appreciation Bonds maturing February 15, 2012-2016, 2021, 2039-2040	-	625,000	919,370	(a)	57,661	-	977,031
Unlimited Tax Refunding Bonds, Series 2015 Serial Current Interest Bonds, maturing annually thru February 15, 2036	3.125%-5%	7,195,000	7,195,000		-	-	7,195,000
Unlimited Tax Refunding Bonds Series 2015 Term Current Interest Bonds, maturing annually thru February 15, 2038	3.125%	1,350,000	1,350,000		-	-	1,350,000
Unlimited Tax Qualified School Construction Bonds, Series 2015, Tax Credit Bonds maturing annually thru February 15, 2030	0.00%	1,100,000	1,019,000		-	(c) (56,000)	963,000
Unlimited Tax Refunding Bonds, Series 2015A Term Current Interest Bonds, maturing annually thru February 15, 2020	2.00%	2,455,000	1,863,000		-	(c) (606,000)	1,257,000
Unlimited Tax Qualified School Construction Bonds, Series 2016, Tax Credit Bonds maturing annually thru February 15, 2030	0.00%	1,021,000	949,000		-	(c) (73,000)	876,000
Unlimited Tax Refunding Bonds, Series 2016 Serial Current Interest Bonds, maturing annually thru February 15, 2038	3.0-5.0%	8,860,000	8,860,000		-	-	8,860,000
Unlimited Tax Refunding Bond, Series 2017 Serial Current Interest Bonds, maturing annually thru February 15, 2039	2.0-5.0%	9,115,000	9,115,000		-	(c) (50,000)	9,065,000
Unlimited Tax Qualified School Construction Bonds, Series 2017, Tax Credit Bonds maturing annually thru February 15, 2021	0.00%	2,500,000	2,475,000		-	(c) (165,000)	2,310,000
Unlimited Tax School Building Bonds, Series 2018 Serial Current Interest Bonds, maturing annually thru February 15, 2038	3.00%	1,465,000	-	(b)	1,465,000	-	1,465,000
			41,390,629		1,537,402	(1,445,000)	41,483,031

- (a) Accretion of interest on Capital Appreciation Bonds \$72,402
(b) Building bonds issued \$1,465,000
(c) Principal payment on outstanding bonds \$1,215,000
(d) Payment of accreted interest on Capital Appreciation Bond \$230,000

Bonded debt service requirements are as follows:

Year Ended	General Obligation Bonds		
	Principal	Interest	Total Requirements
<u>August 31</u>			
2019	1,469,000	1,382,181	2,851,181
2020	1,546,000	1,334,511	2,880,511
2021	1,519,000	1,361,560	2,880,560
2022	1,644,000	1,240,129	2,884,129
2023	1,699,000	1,182,279	2,881,279
2024 - 2028	8,782,000	4,984,122	13,766,122
2029 - 2033	10,392,000	3,358,860	13,750,860
2034 - 2038	11,540,000	1,526,275	13,066,275
2039 - 2040	2,540,000	2,519,750	5,059,750
	<u>41,131,000</u>	<u>18,889,667</u>	<u>60,020,667</u>
Interest accreted on Capital Appreciation Bond through 8/31/18	352,031	(352,031)	-
	<u>41,483,031</u>	<u>18,537,636</u>	<u>60,020,667</u>

Note K. Defined Benefit Pension Plan

Plan Description. Spring Hill Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

SPRING HILL INDEPENDENT SCHOOL DISTRICT
Combined Annual Debt Service

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Fiscal Year Ending (Aug 31)	Series 2000 Building PSF Guaranteed IFAEDA (01/15/2018)	Series 2009 Building AGC IFAEDA (01/15/2019)	Series 2011 Building & Ref PSF Guaranteed IFAEDA (01/15/2021)	Series 2015 Refunding PSF Guaranteed IFAEDA (01/15/2023)	Series 2015 QSCB PSF Guaranteed EDA (Non-Callable)	Series 2015A Refunding PSF Guaranteed IFAEDA (Non-Callable)	Series 2016 Refunding PSF Guaranteed IFAEDA (01/15/2026)	Series 2016 QSCB PSF Guaranteed EDA (Non-Callable)	Series 2017 Refunding PSF Guaranteed IFAEDA (01/15/2027)	Series 2017 QSCB PSF Guaranteed EDA (Non-Callable)	Series 2018 Building PSF Guaranteed EDA (01/15/2028)	Total Outstanding Voted Bond Debt Service
2018	\$ 382,008.76	\$ 262,820.00	\$ 178,875.00	\$ 348,225.00	\$ 56,000.00	\$ 637,200.00	\$ 322,175.00	\$ 73,000.00	\$ 364,775.00	\$ 165,000.00	\$ -	\$ 2,787,878.76
2019	51,908.76	266,220.00	178,875.00	455,475.00	56,000.00	638,940.00	414,800.00	73,000.00	408,325.00	165,000.00	144,937.50 (e)	2,851,181.26
2020	51,398.26	264,520.00	178,875.00	448,975.00	56,000.00	643,370.00	414,825.00	73,000.00	415,275.00	165,000.00	170,375.00	2,880,511.26
2021	50,965.01	262,820.00	162,875.00	448,350.00	56,000.00	643,370.00	385,550.00	73,000.00	401,275.00	165,000.00	174,125.00	2,880,590.01
2022	50,521.26	260,407.50	169,175.00	448,475.00	56,000.00	643,370.00	381,800.00	73,000.00	402,375.00	165,000.00	177,375.00	2,884,128.76
2023	50,071.26	262,657.50	169,175.00	447,350.00	56,000.00	643,370.00	382,825.00	73,000.00	398,375.00	165,000.00	171,425.00	2,881,278.76
2024	74,041.26	136,975.00	99,275.00	694,600.00	97,000.00	643,370.00	642,175.00	73,000.00	678,575.00	165,000.00	92,837.50	2,753,478.76
2025	82,195.83	133,685.00	99,275.00	689,875.00	97,000.00	643,370.00	644,175.00	73,000.00	672,775.00	165,000.00	95,300.00	2,752,380.63
2026	75,215.00	155,277.50	99,275.00	690,525.00	97,000.00	643,370.00	640,300.00	73,000.00	680,212.50	165,000.00	97,400.00	2,753,285.00
2027	78,208.25	131,752.50	99,275.00	691,175.00	98,000.00	643,370.00	642,575.00	73,000.00	679,525.00	165,000.00	94,400.00	2,752,908.75
2028	76,098.75	137,982.50	99,275.00	686,037.50	98,000.00	643,370.00	645,975.00	73,000.00	676,500.00	165,000.00	96,300.00	2,754,148.75
2029	76,750.00	133,987.50	99,275.00	694,887.50	98,000.00	643,370.00	643,875.00	73,000.00	673,550.00	165,000.00	93,500.00	2,752,835.00
2030	76,250.00	125,900.00	99,275.00	698,137.50	98,000.00	643,370.00	639,837.50	73,000.00	683,075.00	165,000.00	91,100.00	2,748,475.00
2031	73,750.00	130,750.00	99,275.00	701,600.00	99,275.00	643,370.00	786,900.00	73,000.00	687,925.00	165,000.00	103,475.00	2,748,875.00
2032	76,125.00	131,125.00	99,275.00	694,900.00	99,275.00	643,370.00	789,650.00	73,000.00	682,175.00	165,000.00	100,625.00	2,748,875.00
2033	76,250.00	126,375.00	99,275.00	697,400.00	99,275.00	643,370.00	789,850.00	73,000.00	618,950.00	165,000.00	142,100.00	2,752,200.00
2034	75,250.00	131,375.00	99,275.00	694,000.00	99,275.00	643,370.00	789,450.00	73,000.00	823,175.00	165,000.00	142,100.00	2,812,525.00
2035	77,125.00	131,000.00	99,275.00	689,800.00	99,275.00	643,370.00	788,650.00	73,000.00	838,650.00	165,000.00	142,100.00	2,812,300.00
2036	73,875.00	130,375.00	99,275.00	702,343.75	99,275.00	643,370.00	786,650.00	73,000.00	818,525.00	165,000.00	142,100.00	2,812,243.75
2037	75,500.00	134,375.00	99,275.00	691,875.00	99,275.00	643,370.00	789,375.00	73,000.00	821,800.00	165,000.00	142,100.00	2,812,400.00
2038	76,875.00	128,125.00	99,275.00	700,781.25	99,275.00	643,370.00	788,925.00	73,000.00	825,125.00	165,000.00	142,100.00	2,816,800.25
2039			2,529,893.75									2,529,893.75
2040			2,530,058.25									2,530,058.25
	\$ 1,784,248.20	\$ 3,557,275.00	\$ 9,685,225.00	\$ 13,016,887.50	\$ 1,019,000.00	\$ 1,919,510.00	\$ 13,108,037.50	\$ 949,000.00	\$ 13,448,937.50	\$ 2,475,000.00	\$ 1,845,275.00	\$ 62,809,345.70

(a) Includes Accrued Interest in the amount of \$1,984.38 for the Series 2018 Bonds