

**Note 7 - Long-term Obligations**

**Short-term Obligations** - On March 18, 2013, the College entered into a \$1,000,000 revolving line of credit agreement. The agreement requires interest to be paid monthly at LIBOR plus 3 percent and matures on April 1, 2018. There were no outstanding borrowings under this line of credit as of June 30, 2017 and 2016.

# Southwestern Michigan College

## Notes to Financial Statements June 30, 2017 and 2016

### Note 7 - Long-term Obligations (Continued)

**Long-term Obligations** - Long-term obligation activity during the year ended June 30, 2017 was as follows:

	July 1, 2016	Additions	Reductions	June 30, 2017	Current Portion
<b>Bonds Payable</b>					
2002 Community College Improvement Bonds	\$ 125,000	\$ -	\$ (125,000)	\$ -	\$ -
2008 Community College Improvement Bonds	12,350,000	-	(12,000,000)	350,000	350,000
2009 Community College Build America Bonds	6,925,000	-	(150,000)	6,775,000	150,000
2014 Community College Improvement Bonds	5,000,000	-	-	5,000,000	100,000
2017 Community College Improvement Bonds	-	12,250,000	-	12,250,000	-
Total bonds payable	24,400,000	12,250,000	(12,275,000)	24,375,000	600,000
Unamortized Bond Premium	-	130,018	(1,955)	128,063	5,865
Capital Lease	109,990	-	(53,917)	56,073	56,073
Total long-term obligations	\$ 24,509,990	\$ 12,380,018	\$ (12,330,872)	\$ 24,559,136	\$ 661,938

Long-term obligation activity during the year ended June 30, 2016 was as follows:

	July 1, 2015	Additions	Reductions	June 30, 2016	Current Portion
<b>Bonds Payable</b>					
2002 Community College Improvement Bonds	\$ 250,000	\$ -	\$ (125,000)	\$ 125,000	\$ 125,000
2008 Community College Improvement Bonds	12,700,000	-	(350,000)	12,350,000	350,000
2009 Community College Build America Bonds	7,050,000	-	(125,000)	6,925,000	150,000
2014 Community College Improvement Bonds	5,000,000	-	-	5,000,000	-
Total bonds payable	25,000,000	-	(600,000)	24,400,000	625,000
Capital Lease	161,834	-	(51,844)	109,990	53,917
Total long-term obligations	\$ 25,161,834	\$ -	\$ (651,844)	\$ 24,509,990	\$ 678,917

Bond principal and interest are payable from the proceeds of ad valorem taxes levied on all taxable properties in the College taxing district without limitation as to rate or amount.

**Community College Improvement Bonds, 2002** - The College issued \$1,500,000 of 4.80 to 4.90 percent General Obligation - Limited Tax Bonds. The bonds are insured, payable from tax revenue of the College, callable at a premium, and maturing in the amount of \$125,000 through 2017. Proceeds from this issuance were used for the purpose of paying a portion of the cost of acquiring, constructing, equipping, furnishing, and making improvements to a college facilities building.

### Note 7 - Long-term Obligations

**Community College Improvement Bonds, 2008** - The College issued \$14,220,000 of 4.125 to 5.50 percent General Obligation - Limited Tax Bonds. The bonds are insured, payable from tax revenue of the College, callable at a premium, and mature in an amount of \$350,000 in 2018. Proceeds from this issuance were used for the purpose of paying a portion of the cost of purchasing, erecting, and equipping a new student residence hall; purchasing, erecting, and equipping additions to, and renovating and re-equipping college buildings; and developing and improving sites.

In February 2017, the College issued an additional series of bonds for the purpose of advance refunding a portion of the 2008 Community College Improvement Bonds that are callable as of May 1, 2018. The refunded bonds, with an outstanding principal balance of \$11,650,000, were originally maturing from 2019 through 2039. The College used the proceeds of the new bond issue to establish an escrow fund that will be used to pay the principal and interest of the 2008 Community College Improvement Bonds when due and at call for redemption.

**Community College Build America Bonds, 2009** - The College issued \$7,500,000 of 5.25 to 7.25 percent General Obligation - Limited Tax Build America Bonds authorized by Section 1531 of the American Recovery and Revitalization Act of 2009. The College will receive payments from the federal Treasury equal to 35 percent of the total coupon interest paid by the College. The bonds are insured, payable from tax revenue of the College, callable at a premium, and mature in amounts ranging from \$150,000 to \$500,000 through 2040. Proceeds from this issuance were used for the purpose of paying all or a portion of the cost of purchasing, erecting, and equipping a new student residence hall and developing and improving sites.

**Community College Improvement Bonds, 2014** - The College issued \$5,000,000 of 3.00 to 3.75 percent General Obligation - Limited Tax Bonds. The bonds are insured, payable from tax revenue of the College, callable at a premium, and mature in amounts ranging from \$100,000 to \$375,000 beginning 2018 through 2039. Proceeds from this issuance are being used for the purpose of paying a portion of the cost of renovating and re-equipping two existing college classroom buildings.

**Community College Improvement Bonds, 2017** - The College issued \$12,250,000 of 2.00 to 4.00 percent General Obligation - Limited Tax Bonds. The bonds are insured, payable from tax revenue of the College, callable at a premium, and mature in amounts ranging from \$490,000 to \$780,000 beginning 2019 through 2039. Proceeds from this issuance were for the purpose of advance refunding a portion of the 2008 Community College Improvement Bonds. The bonds were sold at a premium of \$130,018. Amortization expense for the year ended June 30, 2017 was \$1,955. The bond refunding resulted in a capitalized loss on defeasance of \$603,240. Amortization expense for the year ended June 30, 2017 was \$9,071. The refunding resulted in a total reduction of future debt service of \$1,990,561, with a net present value reduction of \$1,412,805.

# Southwestern Michigan College

## Notes to Financial Statements June 30, 2017 and 2016

### Note 7 - Long-term Obligations

**Capital Lease** - The College entered into a five-year capital lease agreement for software commencing on September 1, 2013 in the amount of \$270,000. The lease requires annual payments of \$58,314, including 4.00 percent interest. The lease is secured by the related software. Depreciation expense on property under capital lease is included in the depreciation amount disclosed in Note 6.

Total principal and interest maturities on the debt obligations as of June 30, 2017 are as follows:

Years Ending June 30	Debt Obligations		
	Principal	Interest	Total
2018	\$ 656,073	\$ 1,178,701	\$ 1,834,774
2019	740,000	1,072,462	1,812,462
2020	785,000	1,050,662	1,835,662
2021	805,000	1,021,426	1,826,426
2022	880,000	985,726	1,865,726
2023-2027	4,775,000	4,327,752	9,102,752
2028-2032	5,600,000	3,202,596	8,802,596
2033-2037	6,565,000	1,869,213	8,434,213
2038-2040	3,625,000	332,502	3,957,502
Total	<u>\$ 24,431,073</u>	<u>\$ 15,041,040</u>	<u>\$ 39,472,113</u>

For the years ended June 30, 2017 and 2016, interest charged was \$1,188,398 and \$1,334,316, respectively. During the years ended June 30 2016, interest related to the 2014 College Improvement Bonds of \$94,525 was capitalized as part of a construction project. In addition, there was a Build America Bonds subsidy of \$156,230 and \$158,456 received during the years ended June 30, 2017 and 2016, resulting in a net expense of \$1,025,049 and \$1,081,335, respectively.