

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, 2019. There were no outstanding borrowings under this line of credit as of June 30, 2018 and 2017.

Long-term Obligations - Long-term obligation activity during the year ended June 30, 2018 was as follows:

| | July 1, 2017 | Additions | Reductions | June 30, 2018 | Current Portion |
|--|---------------|-----------|--------------|---------------|-----------------|
| Bonds Payable | | | | | |
| 2008 Community College Improvement Bonds | \$ 350,000 | \$ - | \$ (350,000) | \$ - | \$ - |
| 2009 Community College Build America Bonds | 6,775,000 | - | (150,000) | 6,625,000 | 150,000 |
| 2014 Community College Improvement Bonds | 5,000,000 | - | (100,000) | 4,900,000 | 100,000 |
| 2017 Community College Improvement Bonds | 12,250,000 | - | - | 12,250,000 | 490,000 |
| Total bonds payable | 24,375,000 | - | (600,000) | 23,775,000 | 740,000 |
| Unamortized Bond Premium | 128,063 | - | (5,866) | 122,197 | 5,866 |
| Capital Lease | 56,073 | - | (56,073) | - | - |
| Total long-term obligations | \$ 24,559,136 | \$ - | \$ (661,939) | \$ 23,897,197 | \$ 745,866 |

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

| | July 1, 2016 | Additions | Reductions | June 30, 2017 | Current Portion |
|--|---------------|---------------|-----------------|---------------|-----------------|
| Bonds Payable | | | | | |
| 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 | 130,000 |
| 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 |

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 were insured, payable from tax revenue of the College, callable at a premium, and matured 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.

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.

Note 7 - Long-term Obligations (Continued)

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 were 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 was 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 were 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 years ended June 30, 2018 and 2017 was \$5,866 and \$1,955, respectively. The bond refunding resulted in a capitalized loss on defeasance of \$603,240. Amortization expense for the years ended June 30, 2018 and 2017 was \$27,214 and \$9,071, respectively. 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.

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 required annual payments of \$58,314, including 4.00 percent interest. The lease was secured by the related software. Depreciation expense on property under capital lease is included in the depreciation amount disclosed in Note 6. The final payment was made on the capital lease during the year ended June 30, 2018.

Note 7 - Long-term Obligations (Continued)

Total principal and interest maturities on the debt obligations as of June 30, 2018 are as follows:

| Years Ending June 30 | Debt Obligations | | |
|-------------------------|------------------|---------------|---------------|
| | Principal | Interest | Total |
| 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 | 875,000 | 947,026 | 1,822,026 |
| 2024-2028 | 4,950,000 | 4,113,938 | 9,063,938 |
| 2029-2033 | 5,780,000 | 2,959,053 | 8,739,053 |
| 2034-2038 | 6,855,000 | 1,563,607 | 8,418,607 |
| 2039-2040 | 2,105,000 | 148,438 | 2,253,438 |
| Total | \$ 23,775,000 | \$ 13,862,338 | \$ 37,637,338 |

For the years ended June 30, 2018 and 2017, interest charged was \$1,183,132 and \$1,188,398, respectively. In addition, there was a Build America Bonds subsidy of \$153,585 and \$156,230 received during the years ended June 30, 2018 and 2017, resulting in a net expense of \$1,029,547 and \$1,025,049 respectively.