

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

6. LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Bond payable					
Series 2010	\$ 560,000	\$ -	\$ (275,000)	\$ 285,000	\$ 285,000
Series 2017	3,830,000	-	(40,000)	3,790,000	40,000
Other long-term obligations					
Accrued employee benefits payable	155,831	18,699	(18,699)	155,831	13,000
Total long-term obligations	\$ 4,545,831	\$ 18,699	\$ (333,699)	\$ 4,230,831	\$ 338,000

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
Bond payable					
Series 2010	\$ 4,410,000	\$ -	\$ (3,850,000)	\$ 560,000	\$ 275,000
Series 2017	-	3,830,000	-	3,830,000	40,000
Other long-term obligations					
Accrued employee benefits payable	176,468	5,014	(25,651)	155,831	8,000
Total long-term obligations	\$ 4,586,468	\$ 3,835,014	\$ (3,875,651)	\$ 4,545,831	\$ 323,000

Bond Defeasance

In November 2017, the College issued \$3,830,000 of Refunding Bonds, Series 2017 with an interest rate of 2.198 percent, which, in conjunction with a debt service fund contribution, were used to refund \$3,590,000 of outstanding Building and Site and Refunding Bonds, Series 2010. The net proceeds of \$3,785,203 (after payment of \$44,797 in underwriting fees and other issuance costs), plus an additional \$38,000 of prior debt retirement fund monies, were used to purchase U.S. treasury securities which were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the College's long-term obligations. At June 30, 2019 and 2018, \$3,590,000 of bonds outstanding are considered defeased.

The refunding reduced total debt service payments by \$345,610, which represents an economic gain of approximately \$299,000. Bond issuance costs of \$44,797 are included as expenses in the accompanying financial statements at June 30, 2018.

College Building and Site and Refunding Bonds, Series 2017 and 2010

At June 30, 2019, general obligation bonds totaling \$4,075,000 were outstanding with interest rates from 2.198 percent to 4.5 percent. Principal payments are due annually in May with payments for the upcoming year ranging from \$40,000 to \$285,000. Interest payments are due semiannually in May and November ranging from approximately \$4,500 to \$42,000. These bonds are insured and mature in varying amounts through 2030.

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Future debt service requirements on bonds payable for years ending after June 30, 2019 are as follows:

Year Ending June 30,	Debt Obligations		
	Principal	Interest	Total
2020	\$ 325,000	\$ 94,704	\$ 419,704
2021	340,000	82,425	422,425
2022	345,000	74,952	419,952
2023	355,000	67,369	422,369
2024	365,000	59,566	424,566
2025-2029	1,935,000	174,521	2,109,521
2030	410,000	9,012	419,012
Totals	\$ 4,075,000	\$ 562,549	\$ 4,637,549

Interest expense was \$118,164 and \$210,634 for the years ended June 30, 2019 and 2018, respectively.