

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE F—LONG-TERM OBLIGATIONS

The College issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the College.

The following is a summary of long-term obligations activity for the College for the year ended June 30, 2023.

| | Balance July 1, 2022, as restated | Additions | Reductions | Balance June 30, 2023 | Due Within One Year |
|--------------------------|---|---------------------|---------------------|--------------------------|------------------------|
| Public placement debt | | | | | |
| General obligation bonds | \$ 28,360,000 | \$ - | \$ 1,920,000 | \$ 26,440,000 | \$ 1,815,000 |
| Net premium (discount) | 822,630 | - | 67,367 | 755,263 | - |
| Lease obligations | 72,057 | - | 24,620 | 47,437 | 25,497 |
| SBITA | 1,906,059 | 218,042 | 731,204 | 1,392,897 | 691,801 |
| Compensated absences | 3,193,736 | 1,284,466 | 1,244,093 | 3,234,109 | 808,527 |
| | \$ 34,354,482 | \$ 1,502,508 | \$ 3,987,284 | \$ 31,869,706 | \$ 3,340,825 |

The general obligation bonds are secured by future state aid and property tax revenues of the College. If the College defaults the bonds are callable.

Public placement debt consists of the following as of June 30, 2023:

| | Interest Rate | Date of Maturity | Balance |
|---------------------------------------|---------------|------------------|----------------------|
| Public placement debt: | | | |
| General obligation bonds | | | |
| 2013 Community College Facility Bonds | 4-5% | May 2038 | \$ 7,220,000 |
| 2014 Community College Facility Bonds | 2.5-4% | May 2039 | 10,455,000 |
| 2016 Refunding Bonds | 2-3% | May 2025 | 1,075,000 |
| 2017 College Facility Bonds | 3-3.125% | May 2037 | 7,690,000 |
| | | | \$ 26,440,000 |

Annual debt service requirements to maturity for debt outstanding as of June 30, 2023 follow:

| Year Ending June 30, | Public Placement Debt | |
|-------------------------|-----------------------|---------------------|
| | Principal | Interest |
| 2024 | \$ 1,815,000 | \$ 990,222 |
| 2025 | 1,865,000 | 932,222 |
| 2026 | 1,370,000 | 867,672 |
| 2027 | 1,420,000 | 817,622 |
| 2028 | 1,475,000 | 765,722 |
| 2029-2033 | 8,245,000 | 2,976,925 |
| 2034-2038 | 9,250,000 | 1,294,868 |
| 2039 | 1,000,000 | 40,000 |
| | \$ 26,440,000 | \$ 8,685,253 |

NOTE G—LEASES AND SUBSCRIPTION-BASED IT ARRANGEMENTS (SBITA)

The College leases the right to use assets from various third parties. These assets include equipment under lease agreements and IT subscription assets under SBITAs. Payments on leases and SBITAs are generally fixed annual amounts. The lease term 5 years and has a discount rate of 3.5 percent. The SBITA terms vary from 13 months to 5 years and have a discount rate of 5 percent.

Right-to-use leased vehicle assets and right-to-use subscription-based IT assets are included in Note E. Lease and SBITA obligations are included in Note F.

The annual requirements of principal and interest to amortize the lease and SBITA obligations outstanding as of June 30, 2023 follows:

| Year Ending June 30, | Leases | | SBITA | |
|---------------------------------|------------------|-----------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 25,498 | \$ 1,293 | \$ 691,801 | \$ 68,104 |
| 2025 | 21,939 | 386 | 609,517 | 34,474 |
| 2026 | - | - | 30,193 | 3,970 |
| 2027 | - | - | 31,734 | 2,429 |
| 2028 | - | - | 29,652 | 1,009 |
| | \$ 47,437 | \$ 1,679 | \$ 1,392,897 | \$ 109,986 |