

Grand Rapids Community College

Notes to Financial Statements June 30, 2020 and 2019

Note 8 - Long-term Obligations

Long-term obligation activity during the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
Series bonds, 2019 series	\$ 7,080,000	\$ -	\$ 505,000	\$ 6,575,000	\$ 635,000
Series bonds, 2018 series	3,935,000	-	1,350,000	2,585,000	1,310,000
Series bonds, 2013 series	1,430,000	-	535,000	895,000	530,000
Series bonds, 2012 series (Facilities)	19,790,000	-	1,155,000	18,635,000	1,210,000
Series bonds, 2012 series	1,415,000	-	505,000	910,000	505,000
Leases Payable -					
Capital leases	59,500	-	52,600	6,900	6,900
Other Long-term Liabilities					
Unamortized bond premium	2,339,915	-	214,657	2,125,258	214,657
Accrued employee leave	4,482,421	2,395,907	1,792,238	5,086,090	2,033,607
Michigan job training grants	375,853	248,000	313,913	309,940	-
Total	<u>\$ 40,907,689</u>	<u>\$ 2,643,907</u>	<u>\$ 6,423,408</u>	<u>\$ 37,128,188</u>	<u>\$ 6,445,164</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
Series bonds, 2019 series	\$ -	\$ 7,080,000	\$ -	\$ 7,080,000	\$ 505,000
Series bonds, 2018 series	5,305,000	-	1,370,000	3,935,000	1,350,000
Series bonds, 2016 series	1,615,000	-	1,615,000	-	-
Series bonds, 2013 series	1,970,000	-	540,000	1,430,000	535,000
Series bonds, 2012 series (Facilities)	20,890,000	-	1,100,000	19,790,000	1,155,000
Series bonds, 2012 series	1,920,000	-	505,000	1,415,000	505,000
Series bonds, 2009 series	8,450,000	-	8,450,000	-	-
Leases Payable -					
Capital leases	157,234	-	97,734	59,500	52,600
Other Long-term Liabilities					
Unamortized bond premium	1,584,747	916,922	161,754	2,339,915	214,949
Accrued employee leave	4,306,842	2,429,422	2,253,843	4,482,421	2,345,727
Michigan job training grants	1,031,451	373,520	1,029,118	375,853	-
Total	<u>\$ 47,230,274</u>	<u>\$ 10,799,864</u>	<u>\$ 17,122,449</u>	<u>\$ 40,907,689</u>	<u>\$ 6,663,276</u>

Note 8 - Long-term Obligations (Continued)

Series Bonds, 2019 Refunding - The College issued \$7,080,000 in general obligation bonds (2019 Series Bonds) with an average interest rate of 2.57 percent. The 2019 Series Bonds were issued to refund \$7,850,000 outstanding of 2009 Series Bonds with an average interest rate of 3.88 percent. In conjunction with the issuance, the College established an irrevocable trust with an escrow agent to provide for future debt service payments on the 2009 Series Bonds. As a result, the 2009 Series Bonds are considered to be defeased, \$7,850,000 in liability for the bonds has been removed from the statement of net position, and the transaction has been treated as a noncash financing activity in the statement of cash flows. Defeased debt that remains on the 2009 Series Bonds was \$7,200,000 at June 30, 2020. The principal and interest on the 2019 Series Bonds are paid primarily from property tax levies. The bonds bear interest ranging from 5.69 percent to 6.50 percent and have remaining annual maturities ranging from \$635,000 to \$835,000. The bonds mature in 2029.

Series Bonds, 2018 Refunding - The College issued \$5,305,000 in general obligation bonds (2018 Series Bonds) with an average interest rate of 2.26 percent. The 2018 Series Bonds were issued to refund \$5,260,000 outstanding of 2008 Series Bonds with an average interest rate of 5.0 percent. In conjunction with the issuance, the College established an irrevocable trust with an escrow agent to provide for future debt service payments on the 2008 Series Bonds. As a result, the 2008 Series Bonds are considered to be defeased, \$5,260,000 in liability for the bonds has been removed from the statement of net position, and the transaction has been treated as a noncash financing activity in the statement of cash flows. Defeased debt that remains on the 2008 Series Bonds was \$2,585,000 at June 30, 2020. The principal and interest on the 2018 Series Bonds are paid primarily from property tax levies. The bonds bear interest ranging from 2.3 percent to 2.45 percent and have remaining annual maturities ranging from \$1,275,000 to \$1,310,000. The bonds mature in 2022.

Series Bonds, 2013 - The College issued \$4,830,000 in general obligation bonds (2013 Series Bonds) with an average interest rate of 2.16 percent. The 2013 Series Bonds were issued to refund \$4,915,000 outstanding of 2003 Series Bonds with an average interest rate of 5.27 percent. In conjunction with the issuance, the College established an irrevocable trust with an escrow agent to provide for future debt service payments on the 2003 Series Bonds. As a result, the 2003 Series Bonds are considered to be defeased, and the liability for the bonds has been removed from the statement of net position. Defeased debt that remains on the 2003 Series Bonds was \$1,090,000 at June 30, 2020. The principal and interest on the 2013 Series Bonds are paid primarily from property tax levies. The remaining bonds bear interest at 3.0 percent and have annual maturities ranging from \$365,000 to \$530,000. The bonds mature in 2022.

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Notes to Financial Statements

June 30, 2020 and 2019

Note 8 - Long-term Obligations (Continued)

Series Bonds, 2012 (Facilities) - The College issued \$26,645,000 in general obligation limited tax bonds (2012 Series Bonds) with an average interest rate of 3.39 percent. The funds are being used for renovating, refurbishing, and re-equipping existing college facilities, acquiring and installing enhanced technology and technology infrastructure, and purchasing or expanding building and other facilities. The principal and interest on the 2012 Series Bonds are paid from a facilities maintenance fee assessed to students based on contact hour enrolled. The bonds bear interest at rates from 3.4 percent to 5.0 percent and have remaining annual maturities ranging from \$1,210,000 to \$1,910,000. The bonds mature in 2032. These bonds were defeased with the issuance of the 2020 Refunding Bonds on September 30, 2020.

Series Bonds, 2012 Refunding - The College issued \$4,365,000 in general obligation bonds (2012 Series Bonds) with an average interest rate of 3.79 percent. The 2012 Series Bonds were issued to refund \$4,400,000 of the \$10,195,000 outstanding of 2003 Series Bonds with an average interest rate of 4.81 percent. In conjunction with the issuance, the College established an irrevocable trust with an escrow agent to provide for future debt service payments on the 2003 Series Bonds. As a result, the 2003 Series Bonds are considered to be partially defeased, and \$4,400,000 in liability for the bonds has been removed from the statement of net position. Defeased debt that remains on the 2003 Series Bonds was \$980,000 at June 30, 2020. The principal and interest on the 2012 Series Bonds are paid primarily from property tax levies. The bonds bear interest at rates ranging from 3.0 percent to 4.0 percent and have remaining annual maturities ranging from \$200,000 to \$505,000. The bonds mature in 2023.

Capital Leases - During 2011 through 2016, the College acquired copier and printer systems under various capital lease agreements. The systems are included in capital assets at a cost of \$452,132 and have recorded accumulated depreciation of \$439,697 as of June 30, 2020.

Total principal and interest maturities on the bonds payable as of June 30, 2020 are as follows:

Years Ending June 30	Debt Obligations			Lease Obligations		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 4,190,000	\$ 1,203,742	\$ 5,393,742	\$ 6,900	\$ 7	\$ 6,907
2022	3,765,000	1,051,462	4,816,462	-	-	-
2023	2,220,000	913,574	3,133,574	-	-	-
2024	2,100,000	813,218	2,913,218	-	-	-
2025	2,200,000	708,218	2,908,218	-	-	-
2026-2030	11,370,000	2,126,500	13,496,500	-	-	-
2031-2032	3,755,000	212,438	3,967,438	-	-	-
Total	<u>\$ 29,600,000</u>	<u>\$ 7,029,152</u>	<u>\$ 36,629,152</u>	<u>\$ 6,900</u>	<u>\$ 7</u>	<u>\$ 6,907</u>

Cash Paid for Interest - Cash paid for interest was approximately \$1,330,000 and \$1,483,000 for the years ended June 30, 2020 and 2019, respectively.

Note 8 - Long-term Obligations (Continued)

Michigan Job Training Grants - During 2010, the College became involved in the Michigan New Jobs Training Program. The Michigan New Jobs Training Program was created by State of Michigan Public Acts 359 and 360 of 2008 and provides the ability for community college districts to enter into agreements with employers to (1) provide education and training to workers in order to create new jobs and (2) to establish a funding mechanism to pay for the education and training. In connection with this program, the College has entered into agreements with various local employers for the purpose of establishing projects to educate and train certain persons employed in new jobs. The local employers prepay training costs to the College and the College subsequently issues noninterest-bearing revenue bonds payable to the employers equal to the prepayments. The employer remits state income tax withholdings for these new employees directly to the College. The College then remits these withholdings back to the employer on a quarterly basis to reimburse the company for the costs of training, thus reducing bonds payable. As of June 30, 2020, the College has outstanding bonds payable to various employers of \$309,940. The bonds mature at various dates through 2030.

Accrued Employee Leave - The College provides termination benefits upon departure from the College resulting from unused sick time and years of service and defined by each respective labor contract and administrative policy under the vesting method. Under the vesting method, the liability is accrued for employees based on the amount eligible and certain assumptions are used to determine probability of reaching the criteria required for eligibility. Included in the current portion of the accrual is earned but not used vacation and amounts to be provided to employees that will be retiring in the upcoming fiscal year.

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Schedule of Bonded Debt Year Ended June 30, 2020

	2019 Refunding Bonds		Series 2012		Series 2012 (Facilities)		Series 2013		Series 2018		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 635,000	\$ 309,050	\$ 505,000	\$ 32,606	\$ 1,210,000	\$ 773,718	\$ 530,000	\$ 27,000	\$ 1,310,000	\$ 61,368	\$ 4,190,000	\$ 1,203,742
2022	655,000	283,650	200,000	12,406	1,270,000	713,218	365,000	10,950	1,275,000	31,238	3,765,000	1,051,462
2023	680,000	257,450	205,000	6,406	1,335,000	649,718	-	-	-	-	2,220,000	913,574
2024	700,000	230,250	-	-	1,400,000	582,968	-	-	-	-	2,100,000	813,218
2025	730,000	195,250	-	-	1,470,000	512,968	-	-	-	-	2,200,000	708,218
2026	750,000	158,750	-	-	1,530,000	454,168	-	-	-	-	2,280,000	612,918
2027	780,000	121,250	-	-	1,580,000	402,532	-	-	-	-	2,360,000	523,782
2028	810,000	82,250	-	-	1,635,000	347,232	-	-	-	-	2,445,000	429,482
2029	835,000	41,750	-	-	1,695,000	290,006	-	-	-	-	2,530,000	331,756
2030	-	-	-	-	1,755,000	228,562	-	-	-	-	1,755,000	228,562
2031	-	-	-	-	1,845,000	140,812	-	-	-	-	1,845,000	140,812
2032	-	-	-	-	1,910,000	71,626	-	-	-	-	1,910,000	71,626
Total	\$ 6,575,000	\$ 1,679,650	\$ 910,000	\$ 51,418	\$ 18,635,000	\$ 5,167,528	\$ 895,000	\$ 37,950	\$ 2,585,000	\$ 92,606	\$ 29,600,000	\$ 7,029,152