

Grand Rapids Community College

Notes to Financial Statements June 30, 2021 and 2020

Note 8 - Long-term Obligations

Long-term obligation activity during the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
Series bonds, 2020 series	\$ -	\$ 18,285,000	\$ -	\$ 18,285,000	\$ -
Series bonds, 2019 series	6,575,000	-	635,000	5,940,000	655,000
Series bonds, 2018 series	2,585,000	-	1,310,000	1,275,000	1,275,000
Series bonds, 2013 series	895,000	-	530,000	365,000	365,000
Series bonds, 2012 series (Facilities)	18,635,000	-	17,735,000	900,000	200,000
Series bonds, 2012 series	910,000	-	505,000	405,000	200,000
Leases Payable -					
Capital leases	6,900	-	6,900	-	-
Other Long-term Liabilities					
Unamortized bond premium	2,125,258	-	1,341,829	783,429	91,692
Accrued employee leave	5,086,090	2,507,599	2,443,198	5,150,491	2,060,196
Michigan job training grants	309,940	10,000	264,281	55,659	-
Total	\$ 37,128,188	\$ 20,802,599	\$ 24,771,208	\$ 33,159,579	\$ 4,846,888

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	\$ 40,907,689	\$ 2,643,907	\$ 6,423,408	\$ 37,128,188	\$ 6,445,164

Note 8 - Long-term Obligations (Continued)

Series Bonds, 2020 Refunding - The College issued \$18,285,000 in general obligation bonds (2020 Series Bonds) with an average interest rate of 1.44 percent. The 2020 Series Bonds were issued to refund \$16,810,000 outstanding of 2012 Series Facilities Bonds with an average interest rate of 3.39 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 2012 Series Facilities Bonds. As a result, the 2012 Series Facilities Bonds are considered to be defeased, \$16,810,000 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 2012 Series Facilities Bonds was \$900,000 at June 30, 2021. The principal and interest on the 2020 Series Bonds are paid primarily from property tax levies. The bonds bear interest ranging from .42 percent to 1.90 percent and have remaining annual maturities ranging from \$1,755,000 to \$1,940,000. The bonds mature in 2032.

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 \$6,500,000 at June 30, 2021. 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 \$655,000 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 \$1,315,000 at June 30, 2021. The principal and interest on the 2018 Series Bonds are paid primarily from property tax levies. The bonds mature in 2022.

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Notes to Financial Statements

June 30, 2021 and 2020

Note 8 - Long-term Obligations (Continued)

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 \$505,000 at June 30, 2021. 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 mature in 2022.

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. These bonds were defeased with the issuance of the 2020 Refunding Bonds on September 30, 2020. The outstanding balance not refunded by the 2020 Series Bonds matures in 2022.

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 \$460,000 at June 30, 2021. 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 \$205,000. The bonds mature in 2023.

Total principal and interest maturities on the bonds payable as of June 30, 2021 are as follows:

Years Ending	Debt Obligations			
	June 30	Principal	Interest	Total
2022	\$	3,395,000	\$ 589,220	\$ 3,984,220
2023		2,640,000	492,332	3,132,332
2024		2,460,000	451,372	2,911,372
2025		2,500,000	405,672	2,905,672
2026		2,535,000	355,401	2,890,401
2027-2031		11,700,000	881,137	12,581,137
2032		1,940,000	36,763	1,976,763
Total	\$	<u>27,170,000</u>	<u>\$ 3,211,897</u>	<u>\$ 30,381,897</u>

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Notes to Financial Statements

June 30, 2021 and 2020

Note 8 - Long-term Obligations (Continued)

Cash Paid for Interest - Cash paid for interest was approximately \$668,000 and \$1,330,000 for the years ended June 30, 2021 and 2020, respectively.

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, 2021, the College has outstanding bonds payable to various employers of \$55,658. 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.

Note 9 - Defined Contribution (Optional) Retirement Plan

The College has established an Optional Retirement Plan (ORP) in addition to the Michigan Public School Employees' Retirement System (MPSERS) plan as required by state law. Eligible employees may elect to participate in the MPSERS plan or join the ORP. Eligible employees are defined as full-time faculty and professional staff. Participants are immediately vested in the ORP, which requires an employer and employee contribution of 12.00 percent and 3.00 percent, respectively. In general, a participant may request payment of benefits at any time after total disability, termination of employment, or age 65 unless deferred until age 70½. College contributions to the ORP were approximately \$1,638,000 and \$1,537,000 for the years ended June 30, 2021 and 2020, respectively.

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Schedule of Bonded Debt Year Ended June 30, 2021

	2020 Refunding Bonds		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	Principal	Interest
2022	\$ -	\$ 228,476	\$ 655,000	\$ 283,650	\$ 200,000	\$ 12,406	\$ 900,000	\$ 22,500	\$ 365,000	\$ 10,950	\$ 1,275,000	\$ 31,238	\$ 3,395,000	\$ 589,220
2023	1,755,000	228,476	680,000	257,450	205,000	6,406	-	-	-	-	-	-	2,640,000	492,332
2024	1,760,000	221,122	700,000	230,250	-	-	-	-	-	-	-	-	2,460,000	451,372
2025	1,770,000	210,422	730,000	195,250	-	-	-	-	-	-	-	-	2,500,000	405,672
2026	1,785,000	196,651	750,000	158,750	-	-	-	-	-	-	-	-	2,535,000	355,401
2027	1,805,000	177,462	780,000	121,250	-	-	-	-	-	-	-	-	2,585,000	298,712
2028	1,825,000	155,893	810,000	82,250	-	-	-	-	-	-	-	-	2,635,000	238,143
2029	1,855,000	129,886	835,000	41,750	-	-	-	-	-	-	-	-	2,690,000	171,636
2030	1,880,000	101,598	-	-	-	-	-	-	-	-	-	-	1,880,000	101,598
2031	1,910,000	74,148	-	-	-	-	-	-	-	-	-	-	1,910,000	74,148
2032	1,940,000	36,763	-	-	-	-	-	-	-	-	-	-	1,940,000	36,763
Total	\$ 18,285,000	\$ 1,760,897	\$ 5,940,000	\$ 1,370,600	\$ 405,000	\$ 18,812	\$ 900,000	\$ 22,500	\$ 365,000	\$ 10,950	\$ 1,275,000	\$ 31,238	\$ 27,170,000	\$ 3,214,997