Note 8 - Long-term Obligations

Long-term obligation activity during the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
Series bonds, 2016 series	$ -	$ 4,495,000	$ -	$ 4,495,000	$ 1,380,000
Series bonds, 2013 series	3,675,000	-	580,000	3,095,000	575,000
Series bonds, 2012 series (facilities)	23,905,000	-	965,000	22,940,000	1,005,000
Series bonds, 2012 series	3,450,000	-	510,000	2,940,000	510,000
Series bonds, 2009 series	9,950,000	-	450,000	9,500,000	500,000
Series bonds, 2008 series	9,200,000	-	1,310,000	7,890,000	1,315,000
Series bonds, 2006 series	5,655,000	-	5,655,000	-	-
Leases Payable -					
Capital leases	84,403	414,762	136,588	362,577	110,965
Other Long-term Liabilities					
Unamortized bond premium	1,954,521	-	123,258	1,831,263	123,258
Kellogg Foundation Loan	-	1,500,000	-	1,500,000	-
Accrued employee leave	4,082,191	2,212,151	1,891,559	4,402,783	2,040,111
Michigan job training grants	824,269	1,011,294	883,034	952,529	-
Total	$ 62,780,384	$ 9,633,207	$ 12,504,439	$ 59,909,152	$ 7,559,334

Long-term obligation activity during the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
Series bonds, 2013 series	$ 4,255,000	$ -	$ 580,000	$ 3,675,000	$ 580,000
Series bonds, 2012 series (facilities)	24,835,000	-	930,000	23,905,000	965,000
Series bonds, 2012 series	3,935,000	-	485,000	3,450,000	510,000
Series bonds, 2009 series	10,350,000	-	400,000	9,950,000	450,000
Series bonds, 2008 series	10,505,000	-	1,305,000	9,200,000	1,310,000
Series bonds, 2006 series	7,420,000	-	1,765,000	5,655,000	1,210,000
Leases Payable -					
Capital leases	337,627	-	253,224	84,403	84,403
Other Long-term Liabilities					
Unamortized bond premium	2,077,779	-	123,258	1,954,521	123,258
Accrued employee leave	4,273,083	2,279,258	2,470,150	4,082,191	2,359,800
Michigan job training grants	800,062	1,080,800	1,056,593	824,269	-
Total	$ 68,788,551	$ 3,360,058	$ 9,368,225	$ 62,780,384	$ 7,592,461

Note 8 - Long-term Obligations (Continued)

Series Bonds, 2016 Refunding - The College issued $4,495,000 in general obligation bonds (2016 Series Bonds) with an average interest rate of 1.05 percent. The 2016 Series Bonds were issued to refund $4,445,000 outstanding of 2006 Series Bonds with an average interest rate of 4.45 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 2006 Series Bonds. As a result, the 2006 Series Bonds are considered to be defeased, $4,445,000 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. The principal and interest on the 2016 Series Bonds are paid primarily from property tax levies. The bonds bear interest at 1.05 percent and have remaining annual maturities ranging from $1,380,000 to $1,615,000. The bonds mature in 2019.

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. The advance refunding resulted in the recognition of an accounting gain of approximately $124,000 during 2013, and future debt service payments are reduced by the net present value of approximately $866,000. Defeased debt that remains on the 2003 Series Bonds was $3,335,000 at June 30, 2016. The principal and interest on the 2013 Series Bonds are paid primarily from property tax levies. The bonds bear interest at rates ranging from 0.8 percent to 3.0 percent and have remaining annual maturities ranging from $365,000 to $575,000. The bonds 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, refurnishing, 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 $1,005,000 to $1,910,000. The bonds mature in 2032.

Note 8 - Long-term Obligations (Continued)

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 $2,980,000 at June 30, 2016. The principal and interest on the 2012 Series Bonds are paid primarily from property tax levies. The bonds bear interest at rates ranging from 3.8 percent to 5.3 percent and have remaining annual maturities ranging from $200,000 to $510,000. The bonds mature in 2023.

Series Bonds, 2009 - The College issued $12,000,000 in general obligation limited tax bonds (2009 Series Bonds) with an average interest rate of 3.9 percent. Of the 2009 Series Bonds, $9,500,000 was used to purchase various building and properties and the remainder was used for various renovations to this newly acquired property. The principal and interest on the 2009 Series Bonds are paid primarily from property tax levies. The bonds bear interest at rates from 4.1 percent to 6.5 percent and have remaining annual maturities ranging from $500,000 to $900,000. The bonds mature in 2029.

Series Bonds, 2008 - The College issued $18,225,000 in general obligation bonds (2008 Series Bonds) with an average interest rate of 5.0 percent. The 2008 Series Bonds were issued to refund outstanding 1998 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 1998 Series Bonds. As a result, the 1998 Series Bonds are considered to be defeased, the 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. The advance refunding resulted in the recognition of an accounting gain of approximately $252,000 during 2008, and future debt service payments are reduced by the net present value of approximately $1,099,693. Defeased debt that remains on the 1998 Series Bonds was $8,250,000 at June 30, 2016. The principal and interest on the 2008 Series Bonds are paid primarily from property tax levies. The bonds bear an interest rate of 5.0 percent and have remaining annual maturities of $1,315,000. The bonds mature in 2022.

Kellogg Loan - In July 2015, the College entered into a loan agreement with the Kellogg Foundation for a loan in the amount of $1,500,000 for the construction of the Lab Preschool Building. The loan bears interest from the date of the loan at the rate of 1 percent per year and has remaining annual maturities ranging from $369,401 to $380,636. The final loan payment is scheduled for June 2022.

Note 8 - Long-term Obligations (Continued)

Capital Leases - During 2011 through 2016, the College acquired copier and printer systems under various capital lease agreements. Payments of $110,965 are due annually. The systems are included in capital assets at a cost of $751,830 and have recorded accumulated depreciation of $328,813 as of June 30, 2016.

Total principal and interest maturities on the bonds payable as of June 30, 2016 are as follows:

Years Ending	Debt Obligations			Lease Obligations		
June 30	Principal	Interest	Total	Principal	Interest	Total
2017	$ 5,285,000	$ 1,998,677	$ 7,283,677	$ 110,965	$ 10,543	$ 121,508
2018	5,470,000	1,827,391	7,297,391	94,377	7,302	101,679
2019	6,039,401	1,643,019	7,682,420	97,734	3,945	101,679
2020	4,533,109	1,450,464	5,983,573	52,600	1,069	53,669
2021	4,641,854	1,262,929	5,904,784	6,901	71	6,972
2022-2026	13,345,636	4,046,882	17,392,519	-	-	-
2027-2031	11,135,000	1,633,069	12,768,069	-	-	-
2032	1,909,999	71,626	1,981,625	-	-	-
Total	$ 52,360,000	$ 13,934,057	$ 66,294,057	$ 362,577	$ 22,930	$ 385,507

Cash Paid for Interest - Cash paid for interest was approximately $1,308,000 and $1,436,000 for the years ended June 30, 2016 and 2015, 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, 2016, the College has outstanding bonds payable to various employers of $952,529. 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.

Grand Rapids Community College

Schedule of Bonded Debt
Year Ended June 30, 2016

	2016 Refunding Bonds		Series 2008		Series 2009		Series 2012	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 1,380,000	$ 56,899	$ 1,315,000	$ 394,500	$ 500,000	$ 369,628	$ 510,000	$ 113,806
2018	1,500,000	32,707	1,315,000	328,750	550,000	354,060	510,000	93,406
2019	1,615,000	16,958	1,315,000	263,000	600,000	336,220	505,000	73,006
2020	-	-	1,315,000	197,250	650,000	315,980	505,000	52,806
2021	-	-	1,315,000	131,500	700,000	291,940	505,000	32,606
2022	-	-	1,315,000	65,750	725,000	266,050	200,000	12,406
2023	-	-	-	-	750,000	237,822	205,000	6,406
2024	-	-	-	-	775,000	208,621	-	-
2025	-	-	-	-	800,000	177,691	-	-
2026	-	-	-	-	825,000	145,763	-	-
2027	-	-	-	-	850,000	110,906	-	-
2028	-	-	-	-	875,000	74,985	-	-
2029	-	-	-	-	900,000	38,034	-	-
2030	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
Total	$ 4,495,000	$ 106,564	$ 7,890,000	$ 1,380,750	$ 9,500,000	$ 2,927,700	$ 2,940,000	$ 384,442

	Series 2012 (Facilities)		Series 2013		Kellogg Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 1,005,000	$ 978,918	$ 575,000	$ 69,926	$ -	$ 15,000	$ 5,285,000	$ 1,998,677
2018	1,045,000	938,718	550,000	64,750	-	15,000	5,470,000	1,827,391
2019	1,100,000	886,468	535,000	53,750	369,401	13,617	6,039,401	1,643,019
2020	1,155,000	831,468	535,000	43,050	373,109	9,910	4,533,109	1,450,464
2021	1,210,000	773,718	535,000	27,000	376,854	6,165	4,641,854	1,262,929
2022	1,270,000	713,218	365,000	10,950	380,636	2,383	4,255,636	1,070,757
2023	1,335,000	649,718	-	-	-	-	2,290,000	893,946
2024	1,400,000	582,968	-	-	-	-	2,175,000	791,589
2025	1,470,000	512,968	-	-	-	-	2,270,000	690,659
2026	1,530,000	454,168	-	-	-	-	2,355,000	599,931
2027	1,580,000	402,532	-	-	-	-	2,430,000	513,438
2028	1,635,000	347,232	-	-	-	-	2,510,000	422,217
2029	1,695,000	290,006	-	-	-	-	2,595,000	328,040
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	$22,940,000	$ 8,803,100	$ 3,095,000	$ 269,426	$ 1,500,000	$ 62,075	$52,360,000	$13,934,057