

Grand Rapids Community College

Notes to Financial Statements June 30, 2015 and 2014

Note 7 - Long-term Obligations

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 | <u>\$ 68,788,551</u> | <u>\$ 3,360,058</u> | <u>\$ 9,368,225</u> | <u>\$ 62,780,384</u> | <u>\$ 7,592,461</u> |

Long-term obligation activity during the year ended June 30, 2014 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|--|----------------------|---------------------|---------------------|----------------------|---------------------|
| Bonds Payable | | | | | |
| Series bonds, 2013 series | \$ 4,830,000 | \$ - | \$ 575,000 | \$ 4,255,000 | \$ 580,000 |
| Series bonds, 2012 series (facilities) | 25,740,000 | - | 905,000 | 24,835,000 | 930,000 |
| Series bonds, 2012 series | 4,365,000 | - | 430,000 | 3,935,000 | 485,000 |
| Series bonds, 2009 series | 10,700,000 | - | 350,000 | 10,350,000 | 400,000 |
| Series bonds, 2008 series | 11,810,000 | - | 1,305,000 | 10,505,000 | 1,305,000 |
| Series bonds, 2006 series | 9,075,000 | - | 1,655,000 | 7,420,000 | 1,765,000 |
| Series bonds, 2003 series | | | | | |
| Leases Payable - | | | | | |
| Capital leases | 585,771 | 28,299 | 276,443 | 337,627 | 238,669 |
| Other Long-term Liabilities | | | | | |
| Unamortized bond premium | 2,201,036 | - | 123,257 | 2,077,779 | - |
| Accrued employee leave | 4,154,926 | 2,274,446 | 2,156,289 | 4,273,083 | 2,217,609 |
| Michigan job training grants | 1,007,285 | 1,155,000 | 1,362,223 | 800,062 | - |
| Total | <u>\$ 74,469,018</u> | <u>\$ 3,457,745</u> | <u>\$ 9,138,212</u> | <u>\$ 68,788,551</u> | <u>\$ 7,921,278</u> |

Grand Rapids Community College

Notes to Financial Statements June 30, 2015 and 2014

Note 7 - 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. 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 \$3,880,000 at June 30, 2015. 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 percent and have remaining annual maturities ranging from \$365,000 to \$580,000. The bonds mature in 2022.

Series Bonds, 2012 - 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 \$965,000 to \$1,910,000. The bonds mature in 2032.

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 \$3,470,000 at June 30, 2015. 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.

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Notes to Financial Statements June 30, 2015 and 2014

Note 7 - Long-term Obligations (Continued)

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 \$450,000 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 \$9,600,000 at June 30, 2015. 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 ranging from \$1,310,000 to \$1,315,000. The bonds mature in 2022.

Series Bonds, 2006 - The College issued \$16,515,000 in general obligation bonds (2006 Series Bonds) with an average interest rate of 4.45 percent. The 2006 Series Bonds were issued to advance refund outstanding 1996 Series Bonds with an average interest rate of 5.35 percent and \$2,455,000 was issued to advance refund a portion of the outstanding 1999 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 1996 and 1999 Series Bonds. As a result, the 1996 and a portion of the 1999 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 1996 and 1999 Series Bonds was \$6,665,000 at June 30, 2015. The principal and interest on the 2006 Series Bonds are paid primarily from property tax levies. The bonds bear interest at rates from 4.3 percent to 5.0 percent and have remaining annual maturities ranging from \$1,210,000 to \$1,640,000. The bonds mature in 2019.

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Notes to Financial Statements June 30, 2015 and 2014

Note 7 - Long-term Obligations (Continued)

Capital Leases - During 2011 through 2014, the College acquired copier and printer systems under various capital lease agreements. Payments of \$64,571 are due annually. The systems are included in capital assets at a cost of \$337,068 and have recorded accumulated depreciation of \$200,870 as of June 30, 2015.

Total principal and interest maturities on the bonds payable as of June 30, 2015 are as follows:

| Years Ending June 30 | Debt Obligations | | | Lease Obligations | | |
|-------------------------|----------------------|----------------------|----------------------|-------------------|-----------------|------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2016 | \$ 5,025,000 | \$ 2,339,238 | \$ 7,364,238 | \$ 50,015 | \$ 862 | \$ 50,877 |
| 2017 | 5,220,000 | 2,136,728 | 7,356,728 | 34,388 | 143 | 34,531 |
| 2018 | 5,460,000 | 1,923,884 | 7,383,884 | - | - | - |
| 2019 | 5,695,000 | 1,682,144 | 7,377,144 | - | - | - |
| 2020 | 4,160,000 | 1,440,554 | 5,600,554 | - | - | - |
| 2021-2025 | 14,875,000 | 4,701,333 | 19,576,333 | - | - | - |
| 2026-2030 | 11,645,000 | 2,092,188 | 13,737,188 | - | - | - |
| 2031-2032 | 3,755,000 | 212,438 | 3,967,438 | - | - | - |
| Total | <u>\$ 55,835,000</u> | <u>\$ 16,528,507</u> | <u>\$ 72,363,507</u> | <u>\$ 84,403</u> | <u>\$ 1,005</u> | <u>\$ 85,408</u> |

Cash Paid for Interest - Cash paid for interest was approximately \$1,436,000 and \$1,750,000 for the years ended June 30, 2015 and 2014, 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, 2015, the College has outstanding bonds payable to various employers of \$824,269. The bonds mature at various dates through 2030.

Grand Rapids Community College

Notes to Financial Statements June 30, 2015 and 2014

Note 7 - Long-term Obligations (Continued)

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 8 - Defined Contribution (Optional) Retirement Plan

The College has established an Optional Retirement Plan (ORP) in addition to the Michigan Public School Employees' Retirement System (MPERS) plan as required by State law. Eligible employees may elect to participate in the MPERS 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 \$1,231,000 and \$1,193,000 for the years ended June 30, 2015 and 2014, respectively.

Note 9 - Michigan Public School Employees' Retirement System

Plan Description - The College participates in the Michigan Public School Employees' Retirement System (MPERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the College. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

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Schedule of Bonded Debt Year Ended June 30, 2015

| | Series 2006 | | Series 2008 | | Series 2009 | | Series 2012 | | Series 2012 (Facilities) | | Series 2013 | | Total | |
|--------------|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|--------------------------|---------------------|---------------------|-------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016 | \$1,210,000 | \$270,450 | \$1,310,000 | \$460,000 | \$450,000 | \$382,790 | \$510,000 | \$134,206 | \$965,000 | \$1,017,518 | \$580,000 | \$74,274 | \$5,025,000 | \$2,339,238 |
| 2017 | 1,315,000 | 209,950 | 1,315,000 | 394,500 | 500,000 | 369,628 | 510,000 | 113,806 | 1,005,000 | 978,918 | 575,000 | 69,926 | 5,220,000 | 2,136,728 |
| 2018 | 1,490,000 | 144,200 | 1,315,000 | 328,750 | 550,000 | 354,060 | 510,000 | 93,406 | 1,045,000 | 938,718 | 550,000 | 64,750 | 5,460,000 | 1,923,884 |
| 2019 | 1,640,000 | 69,700 | 1,315,000 | 263,000 | 600,000 | 336,220 | 505,000 | 73,006 | 1,100,000 | 886,468 | 535,000 | 53,750 | 5,695,000 | 1,682,144 |
| 2020 | - | - | 1,315,000 | 197,250 | 650,000 | 315,980 | 505,000 | 52,806 | 1,155,000 | 831,468 | 535,000 | 43,050 | 4,160,000 | 1,440,554 |
| 2021 | - | - | 1,315,000 | 131,500 | 700,000 | 291,940 | 505,000 | 32,606 | 1,210,000 | 773,718 | 535,000 | 27,000 | 4,265,000 | 1,256,764 |
| 2022 | - | - | 1,315,000 | 65,750 | 725,000 | 266,050 | 200,000 | 12,406 | 1,270,000 | 713,218 | 365,000 | 10,950 | 3,875,000 | 1,066,374 |
| 2023 | - | - | - | - | 750,000 | 237,822 | 205,000 | 6,406 | 1,335,000 | 649,718 | - | - | 2,290,000 | 893,946 |
| 2024 | - | - | - | - | 775,000 | 208,622 | - | - | 1,400,000 | 582,968 | - | - | 2,175,000 | 791,590 |
| 2025 | - | - | - | - | 800,000 | 177,691 | - | - | 1,470,000 | 512,968 | - | - | 2,270,000 | 690,659 |
| 2026 | - | - | - | - | 825,000 | 145,763 | - | - | 1,530,000 | 454,168 | - | - | 2,355,000 | 599,931 |
| 2027 | - | - | - | - | 850,000 | 110,906 | - | - | 1,580,000 | 402,532 | - | - | 2,430,000 | 513,438 |
| 2028 | - | - | - | - | 875,000 | 74,985 | - | - | 1,635,000 | 347,232 | - | - | 2,510,000 | 422,217 |
| 2029 | - | - | - | - | 900,000 | 38,034 | - | - | 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 | \$ 5,655,000 | \$ 694,300 | \$ 9,200,000 | \$ 1,840,750 | \$ 9,950,000 | \$ 3,310,491 | \$ 3,450,000 | \$ 518,648 | \$ 23,905,000 | \$ 9,820,618 | \$ 3,675,000 | \$ 343,700 | \$ 55,835,000 | \$ 16,528,507 |