

# Kalamazoo Valley Community College

## Notes to Financial Statements June 30, 2018 and 2017

### Note 9 - Risk Management (Continued)

The College estimates the liability for medical benefit claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past three fiscal years were as follows:

	2018	2017	2016
Estimated liability - Beginning of year	\$ 700,000	\$ 500,000	\$ 900,000
Estimated claims incurred, including changes in estimates	4,746,357	5,470,471	4,440,407
Less claim payments	<u>(4,646,357)</u>	<u>(5,270,471)</u>	<u>(4,840,407)</u>
Estimated liability - End of year	<u>\$ 800,000</u>	<u>\$ 700,000</u>	<u>\$ 500,000</u>

### Note 10 - Federal Direct Lending Program

The College distributed \$8,382,648 and \$9,363,353 for student loans through the U.S. Department of Education federal direct lending program for the years ended June 30, 2018 and 2017, respectively. These distributions and related funding source are not included as expenses or revenue in the accompanying financial statements.

### Note 11 - Long-term Obligations

The College's long-term liability activity for the year ended June 30, 2018 is as follows:

	July 1, 2017	Additions	Reductions	June 30, 2018	Current Portion
2014 Bonds	<u>\$ 8,902,982</u>	<u>\$ -</u>	<u>\$ (570,998)</u>	<u>\$ 8,331,984</u>	<u>\$ 590,999</u>

The College's long-term liability activity for the year ended June 30, 2017 is as follows:

	July 1, 2016	Additions	Reductions	June 30, 2017	Current Portion
2014 Bonds	<u>\$ 9,458,981</u>	<u>\$ -</u>	<u>\$ (555,999)</u>	<u>\$ 8,902,982</u>	<u>\$ 570,999</u>

The 2014 general obligation, limited-tax bonds were issued in December 2014, as authorized by the board of trustees for the construction of capital projects. Bond principal payments range from \$580,000 to \$800,000 and are due annually each May through maturity in fiscal year 2030. Interest payments are due semiannually through maturity at rates ranging from 2.0 percent to 3.25 percent. At June 30, 2018 and 2017, the unamortized bond premium outstanding amounts to \$131,984 and \$142,982, respectively.

# Kalamazoo Valley Community College

## Notes to Financial Statements June 30, 2018 and 2017

### Note 11 - Long-term Obligations (Continued)

As of June 30, 2018, bond maturities are as follows:

Years Ending June 30	Debt Obligations			
	Principal	Premium	Interest	Total
2019	\$ 580,000	\$ 10,999	\$ 220,962	\$ 811,961
2020	595,000	10,999	209,362	815,361
2021	615,000	10,999	197,463	823,462
2022	630,000	10,999	185,163	826,162
2023	650,000	10,999	170,988	831,987
2024-2028	3,555,000	54,993	588,213	4,198,206
2029-2030	1,575,000	21,996	77,187	1,674,183
Total	<u>\$ 8,200,000</u>	<u>\$ 131,984</u>	<u>\$ 1,649,338</u>	<u>\$ 9,981,322</u>

There were no changes in long-term liabilities for the Foundation (including FSIC) for the years ended June 30, 2018 and 2017.

The FSIC has a note payable to New Markets Investment 94, LLC (the Sub CDE) in the amount of \$7,720,000 as of June 30, 2016. The loan consists of Tranche A for \$5,348,000 and Tranche B for \$2,372,000. The note is evidenced by a note document and an agreement and bears an interest rate of 1.2109 percent. The note is collateralized by the real property assets of the Project. Interest-only payments totaling \$23,371 commenced on March 10, 2016, and are due quarterly through and including December 10, 2022. On December 10, 2022, a residual repayment in the amount of \$20,000 is due. On March 10, 2023, and quarterly thereafter, accrued interest and principal in the amount of \$96,017 are due. The note matures in December 2045, at which time all unpaid principal and interest are due.

As of June 30, 2018, note maturities are as follows:

Years Ending June 30	Amount
2019	\$ -
2020	-
2021	-
2022	-
2023	165,634
Thereafter	<u>7,554,366</u>
Total	<u>\$ 7,720,000</u>