

ELKTON PIGEON BAY PORT LAKER SCHOOLS

LONG-TERM DEBT :

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2015, \$6,240,000 of the bonds outstanding are considered defeased.

On February 24, 2015 the District issued general obligation bonds of \$5,540,000 with an interest rate ranging from 2.0% to 4.0% to advance refund refunding bonds with an interest rate ranging from 4.0% to 5.0%. The refunding bonds mature on May 1, 2025. The general obligation bonds were issued at a premium after paying issuance costs of \$98,420, the net proceeds were \$6,072,825. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements. The reacquisition price was less than the net carrying amount of the old debt by \$233,368.

As result of the advance refunding, the District reduced its total debt service requirements by \$712,140, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$645,933.

The District issued general obligation bonds to provide funds for the construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

LONG-TERM DEBT: (CONTINUED)

The following is a summary of the changes in the long-term debt during the year ended June 30, 2015:

	<u>BALANCE</u> <u>JUNE 30, 2014</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2015</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
2005 Refunding General obligation bonds	\$6,775,000	\$ -	\$6,775,000	\$ -	\$ -
2015 Refunding General obligation bonds	-	5,540,000	-	5,540,000	475,000
Premium on bond refunding	108,184	631,245	129,226	610,203	63,125
2012 Technology bonds	185,000	-	185,000	-	-
Capital Lease - Telephone system	12,058	-	12,058	-	-
Capital lease - Copiers	-	87,000	5,800	81,200	17,400
Compensated absences	186,230	-	1,985	184,245	-
Totals	<u>\$7,266,472</u>	<u>\$6,258,245</u>	<u>\$7,109,069</u>	<u>\$6,415,648</u>	<u>\$555,525</u>

ELKTON PIGEON BAY PORT LAKER SCHOOLS

LONG-TERM DEBT: (CONTINUED)

2015 general obligation refunding bonds due in annual installments of \$475,000 to \$640,000 starting May 1, 2016 through May 1, 2025 with interest at 2.00% to 4.00%.	\$5,540,000
Premium on bond refunding	610,203
Total general obligation bonds	<u>6,150,203</u>
Capital lease for copiers due in monthly installments of \$1,450 starting March 2015 through March 2020 with 0% interest.	81,200
Obligation under contract for compensated absences	184,245
Total general long-term debt	<u>\$6,415,648</u>

Interest expense (all funds) for the year ended June 30, 2015 was approximately \$166,000. General fund interest expense is included in support services.

The annual requirements to amortize the long-term obligations as of June 30, 2015, including interest are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 492,400	\$ 239,507	\$ 731,907
2017	502,400	192,900	695,300
2018	517,400	183,200	700,600
2019	537,400	163,200	700,600
2020	551,600	142,400	694,000
2021-2025	<u>3,020,000</u>	<u>370,600</u>	<u>3,390,600</u>
Subtotal	5,621,200	1,291,807	6,913,007
Premium on bond refunding	610,203	-	610,203
Obligation under contract for compensated absences	184,245	-	184,245
Total general long-term debt and interest	<u>\$6,415,648</u>	<u>\$1,291,807</u>	<u>\$7,707,455</u>