

Long-Term Debt Disclosure and GASB-88

As a result of the changes made by GASB-88, a typical community's long-term debt section from their annual financial report is below. The original disclosure was approximately four pages long and containing information about debt issuances from years prior, some of which had been retired. The community does not have unused lines of credit, direct borrowings or direct placements, which would now be required presentation in accordance with GASB-88. The redrafted disclosure may be as follows:

Note H – Long-Term Debt

Under the provisions of Chapter LL, Section M, Municipal Law authorizes indebtedness up to a limit of 5 percent of the equalized valuation of all property within the Town limits. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." In addition, however, debt may be authorized exceeding that limit for specific purposes, as approved by the Citizenry. Such debt, when issued, is designated as being "outside the debt limit."

During the fiscal year, the Town issued \$36.9 million of new general obligation bonds of which \$35.4 million was recognized in the governmental funds, and \$1.5 million was recognized in the enterprise fund. As of the fiscal year end, \$6.35 million of bonds are considered defeased from advance refunding bonds issued in previous years.

Changes in long-term obligations for the year ended June 30, 20S7, are as follows:

	Outstanding at <u>July 1, 20S6</u>	<u>Issued</u>	<u>Redeemed</u>	Outstanding at <u>June 30, 20S7</u>	Due within <u>One Year</u>
<i>Governmental Activities</i>					
Inside the Debt Limit	\$53,887,500	\$2,425,000	\$6,095,000	\$50,217,500	\$4,409,800
Outside the Debt Limit	16,365,000	33,000,000	1,740,000	47,625,000	4,597,700
Unamortized premium on bonds	<u>2,434,298</u>	<u>2,621,736</u>	<u>323,681</u>	<u>4,732,353</u>	<u>527,755</u>
Subtotal – Governmental Activities	\$72,686,796	\$38,046,736	\$8,158,681	\$102,574,853	\$9,535,255
<i>Business-Type Activities</i>					
Inside the Debt Limit	\$9,012,919	\$1,500,000	\$2,132,960	\$8,379,197	\$1,873,441
Unamortized premium on bonds	<u>82,762</u>	=	<u>3,737</u>	<u>79,025</u>	<u>3,203</u>
Subtotal – Business-Type Activities	<u>\$9,094,919</u>	<u>\$1,500,000</u>	<u>\$2,136,697</u>	<u>\$8,458,222</u>	<u>\$1,876,644</u>
Total Long-Term Debt	<u>\$81,781,717</u>	<u>\$39,546,736</u>	<u>\$10,295,378</u>	<u>\$111,033,075</u>	<u>\$11,411,899</u>

Debt service requirements to maturity for the Town are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
20S8	\$9,007,500	\$3,566,568	\$1,873,441	\$284,998	\$14,732,507
20S9	8,640,000	3,281,383	1,525,378	230,249	13,677,010
20T0	8,300,000	2,955,369	1,395,378	182,188	12,832,935
20T1	6,795,000	2,675,469	825,000	142,137	10,437,606
20T2	6,795,000	2,393,745	590,000	109,337	9,888,082
20T3-T7	25,335,000	8,470,699	1,740,000	261,616	35,807,315
20T8-U2	15,215,000	4,444,248	320,000	50,180	20,029,428
20U3-U7	8,980,000	2,353,730	110,000	6,007	11,449,737
20U8-V2	<u>8,775,000</u>	<u>864,684</u>	-	-	<u>9,639,684</u>
Total	<u>\$97,842,500</u>	<u>\$31,005,895</u>	<u>\$8,379,197</u>	<u>\$1,266,712</u>	<u>\$138,494,304</u>

The State has approved school construction assistance to the Town. The assistance program, which is administered by the State Building Authority (SBA), provides resources for future debt service of general obligation school bonds outstanding. During 20S7, \$557,000 of such assistance was received for reimbursement. Approximately \$2,418,000 will be received in future years. Of this amount, \$257,000 represents reimbursement of long-term interest costs, and \$2,161,000 represents reimbursement of approved construction costs. Accordingly, a \$2,161,000 intergovernmental receivable and corresponding deferred inflow of resources has been reported in governmental fund financial statements. The deferred inflows of resources have been recognized as revenue in the conversion to the government-wide financial statements.

In addition, through the end of 20S7, the Town has received capital grant proceeds totaling \$7.2 million from the SBA, which is equal to 38.3 percent of approved construction costs submitted for reimbursement. The Town anticipates receiving an additional \$1.1 million of grant proceeds related to 20S7. Accordingly, a \$1.1 million intergovernmental receivable and corresponding deferred inflow of resources – unavailable revenue has been reported in the governmental fund financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 20S7, the Town had \$91,640,265 of authorized and unissued debt.

Note I - Changes in Other Long-Term Liabilities

During the year ended June 30, 20S7, in addition to the bonded indebtedness in Note H, Other Postemployment Benefits in Note S, Net Pension Liability in Note R and Landfill Closure in Note M, the Town had the following Changes in Other Long-Term Liabilities:

	<u>Outstanding at July 1, 20S6</u>	<u>Net Increases</u>	<u>Net Decreases</u>	<u>Outstanding at June 30, 20S7</u>	<u>Due within One Year</u>
<i>Governmental Activities</i>					
Workers Compensation	\$2,937,000	\$967,000	\$-	\$3,904,000	\$429,440
Compensated Absences	<u>8,603,098</u>	-	<u>(379,489)</u>	<u>8,223,609</u>	<u>6,181,448</u>
Subtotal – Governmental Activities	\$11,540,098	\$967,000	\$(379,489)	\$12,127,609	\$6,610,888
<i>Business-Type Activities</i>					
Compensated Absences	<u>435,938</u>	-	<u>(51,736)</u>	<u>384,202</u>	<u>291,945</u>
Subtotal – Business-Type Activities	<u>\$435,938</u>	\$-	<u>\$(51,736)</u>	<u>\$384,202</u>	<u>\$291,945</u>
Total Other Long- Term Liabilities	<u>\$11,976,036</u>	<u>\$967,000</u>	<u>\$(431,225)</u>	<u>\$12,511,811</u>	<u>\$6,902,833</u>

PRACTICE POINT: The schedule of Changes in Other Long-Term Liabilities may not entirely agree to the total of all liabilities in the Statement of Net Position. This is due to presentation of liabilities in other areas of note disclosure. Common areas include, but are not limited to, pensions and other post-employment benefits.