NOTE 4 LONG-TERM DEBT

General Obligation Bonds

These "refunding" bonds were used to refinance the debt incurred to finance the reservoir

On December 5, 2011, the City issued $12,695,000 of General Obligation Refunding Bond Series 2011 for both governmental and business-type activities.

The bonds mature September 15, 2012 through September 14, 2022 and bear interest rates that vary from 2.0 percent to 3.0 percent, payable March 15 and September 15.

The bonds outstanding on December 31, 2013 are general obligation debt supported by the full faith and credit of the City and are summarized as follows:

	12/31/13	12/31/14
Purpose	Amount	
Governmental activities	$ 1,215,000	$ 1,055,000
Business-type activities	10,060,000	9,055,000
	$ 11,275,000	$ 10,110,000

Annual debt service requirements to maturity for the bonds payable are as follows:

Year Ending	Governmental Activities			Business-Type Activities		Annual Payments
December 31	Principal	Interest	Total	Principal	Interest	Total
2014	$ 160,000	$ 29,750	$ 189,750	$ 1,005,000	$ 260,450	$ 1,265,450
2015	165,000	26,550	191,550	1,020,000	240,350	1,260,350
2016	170,000	23,250	193,250	1,040,000	219,950	1,259,950
2017	175,000	19,850	194,850	1,070,000	199,150	1,269,150
2018	175,000	16,350	191,350	1,095,000	177,750	1,272,750
2019-2022	$ 370,000	$ 16,800	386,800	4,830,000	369,000	5,199,000
	$ 1,215,000	$ 132,550	$ 1,347,550	$ 10,060,000	$ 1,466,650	$ 11,526,650

The 2011 bonds will be retired in 2022

In 2011, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, assets in the trust account and the liability for the defeased bonds are not included in the City's financial statements. On December 31, 2013, $10.1 million of bonds outstanding were considered defeased.

Equipment Lease/Purchase Agreement – Business Type Activities

On December 19, 2012, the City entered into an $8,897,374 Equipment Lease/Purchase Agreement with Bank of America Public Capital Corporation. The loan bears an interest rate of 2.20%. Payments are due quarterly starting January 1, 2014, with the final payment due January 1, 2028. The proceeds, which are used to partially finance the City's $11,495,735 Automated Meter Infrastructure Project in the business-type activities, were deposited in an Acquisition Fund under the City's name. Disbursements for project construction costs are made out of this fund. The present value of all future minimum lease payments is reported as a lease obligation in the statement of net position.

This is the smart meter lease obligation.

NOTE 4 LONG-TERM DEBT (cont'd)

As of December 31, 2013, payments under this lease obligation are as follows:

Year Ending December 31	Business Type Activities
2014	$ 703,350
2015	703,350
2016	703,350
2017	703,350
2018	703,350
2019-2023	3,516,750
2024-2028	2,813,399
Total lease payments	9,846,899
Less: interest	(1,450,608)
Present value of lease payments	$ 8,396,291

Annual Payments

Capital lease obligation related to Smart Meters will be paid off in 2028

Energy Improvement Loans – Governmental & Business Type Activities

The BOA lease financing covered $8.9 million of the Smart Meter project; the balance of $2.9 million was met with ARRA funding

On July 20, 2012, the City signed a $2,851,935 financing agreement with the Delaware Department of Natural Resources & Environmental Control. The agreement, under the American Recovery and Reinvestment Act of 2009, consists of a promissory note and a security agreement related to the Automated Meter Infrastructure Project in the business-type activities. The loan proceeds partially financed the installation and acquisition of equipment for the Automated Meter Infrastructure Project. The loan bears an interest rate of 1.99%. Payments are due quarterly starting September 1, 2013, with the final payment due September 1, 2022

Other ARRA funding was secured to undertake efficiency projects early in 2012. This financing is similar to the financing that DEMEC is attempting to secure to fund LED lighting projects for member municipalities.

On February 29, 2012, the City entered into a $598,131 financing agreement with the Delaware Department of Natural Resources and Environment Control. The agreement, under the American Recovery and Reinvestment Act of 2009, consists of a promissory note and a security agreement related to the installation of energy efficiency improvements and equipment at various municipal facilities. The loan bears an interest rate of 1.99%. Payments are due quarterly starting January 1, 2013, with the final payment due July 1, 2022.

The loan outstanding on December 31, 2013 are summarized below:

Purpose	Amount
Governmental activities	$ 240,284
Business-type activities	3,112,300
	$ 3,352,584

NOTE 4 LONG-TERM DEBT (cont'd)

Annual debt service requirements to maturity for the energy improvement loans are as follows:

Annual Payments

The ARRA funding will be repaid in 2022.

Year Ending December 31	Governmental Activities Principal	Governmental Activities Interest	Total	Business-Type Activities Principal	Business-Type Activities Interest	Total
2014	$ 26,080	$ 4,717	$ 30,797	$ 393,896	$ 72,295	$ 466,191
2015	26,603	4,194	30,797	328,669	51,812	380,481
2016	27,137	3,660	30,797	335,258	45,222	380,480
2017	27,681	3,116	30,797	341,980	38,500	380,480
2018	28,236	2,561	30,797	348,836	31,644	380,480
2019-2022	$ 104,547	$ 3,242	107,789	1,363,661	53,720	1,417,381
	$ 240,284	$ 21,490	$ 261,774	$ 3,112,300	$ 293,193	$ 3,405,493

NOTE 5 CHANGES IN LONG-TERM LIABILITIES

Long term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable	$ 1,370,000	$ -	$ (155,000)	$ 1,215,000	$ 160,000
Plus: deferred amounts - bond premium	48,832	-	(6,234)	42,598	6,234
Total bonds payable	1,418,832	-	(161,234)	1,257,598	166,234
Notes Payable	269,164	-	(28,880)	240,284	26,080
Compensated absences	661,496	1,121,841	(1,146,213)	637,124	63,712
Long-term liabilities	$ 2,349,492	$ 1,121,841	$ (1,336,327)	$ 2,135,006	$ 256,026
Business-Type Activities					
Bonds payable	$ 11,045,000	$ -	$ (985,000)	$ 10,060,000	$ 1,005,000
Plus: deferred amounts - bond premium	374,461	-	(38,080)	336,381	38,081
Total bonds payable	11,419,461	-	(1,023,080)	10,396,381	1,043,081
Lease payable	8,897,374	-	(501,083)	8,396,291	501,083
Notes Payable	3,180,902	-	(68,602)	3,112,300	393,896
Compensated absences	94,552	282,412	(266,803)	110,161	11,016
Long-term liabilities	$ 23,592,289	$ 282,412	$ (1,859,568)	$ 22,015,133	$ 1,949,076

The compensated absences liability attributable to governmental activities will be paid by the governmental and internal service funds. In the past, approximately 90% has been paid by the General Fund and the remainder by other governmental and internal service funds. The internal service fund predominantly serves the governmental funds.

Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. As of December 31, 2013, $17,984 of internal service funds compensated absences is included in the above amounts.