

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2014

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonded Debt - continued

On March 27, 2007 the County sold \$ 10,895,000 of General Obligation Refunding Bonds, Series 2007. The net proceeds of \$ 9,938,058 were placed in escrow for the defeasement of \$ 9,649,961 in Certificate of Obligation, Series 2001 bonds. These refunding bonds (Series 2007) were issued for the purpose of generating resources and decreasing the total debt service payments. This refunding issue defeased a portion of the outstanding certificates of obligation bonds from the original issue of 2001. All future debt service payments on the original bonds were provided for by placing the proceeds of the refunding bonds in an irrevocable trust. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's basic financial statements.

The difference between the cash flow required to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 662,684. The economic gain resulting from the transaction was \$ 457,782.

On September 23, 2010, the County sold \$ 4,495,000 of General Obligation Refunding Bonds, Series 2010. The net proceeds of \$ 4,503,384, less \$ 23,383 in defeasement costs, were placed in escrow for the defeasement of \$ 4,890,000 in Certificate of Obligation, Series 2001 bonds. These refunding bonds (Series 2010) were issued for the purpose of generating resources and decreasing total debt service payments. This refunding issue defeased the remaining portion of the outstanding certificate of obligation bonds from the original issue of 2001. All future debt service payments on the original bonds were provided for by placing the proceeds of the refunding bonds in an irrevocable trust. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's basic financial statements.

The difference between the cash flow required to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 227,922. The economic gain resulting from the transaction was \$ 234,712.

Tax Note Debt

On November 26, 2013, the County issued a tax note from American National Bank of Texas in the amount of \$ 4,370,000, with an interest rate of 1.82% and a maturity date of November 15, 2020 and a call date of November 15, 2015 at par value. This tax note debt is to be utilized in the County's software upgrade project.

| | <u>Interest Rate %</u> | <u>Issued</u> | <u>Maturity</u> | <u>Callable</u> | <u>Tax Note Outstanding 09-30-14</u> |
|--------------------------|----------------------------|---------------|-----------------|-----------------|--|
| Tax Note: Series 2013 | 1.82 | 2013 | 2020 | 2015 | \$ <u>4,370,000</u> |
| Total | | | | | \$ <u>4,370,000</u> |