

7. Bonds Payable

Bonds payable as of December 31, 2000 and 1999, consist of the following:

	Amounts Outstanding	
	2000	1999
\$270,570,000 Water Refunding Revenue Bonds of 1992, due in annual installments ranging from \$1,080,000 to \$22,550,000 through 2029, bearing interest ranging from 3.4% to 6.0%, payable semiannually	\$ 168,320,000	\$ 169,495,000
\$76,305,000 Water Revenue Bonds of 1994, due in annual installments ranging from \$2,020,000 to \$4,465,000 through 2016, bearing interest ranging from 2.9% to 5.15%, payable semiannually	59,995,000	63,205,000
\$102,210,000 Water Refunding Revenue Bonds of 1997, due in annual installments ranging from \$245,000 to \$8,280,000 through 2029, bearing interest from 3.8% to 5.0%, payable semiannually	101,445,000	101,710,000
\$51,160,000 Water Revenue Bonds of 2000, due in annual installments ranging from \$760,000 to \$3,350,000 through 2030, bearing interest from 4.5% to 6.125%	51,160,000	-
Total	380,920,000	334,410,000
Less: Current portion	(6,020,000)	(4,650,000)
Deferred amount on refunding	(9,582,904)	(10,245,285)
Long-term portion	\$ 365,317,096	\$ 319,514,715

On February 23, 1994, the Authority issued water revenue bonds in the aggregate principal amount of \$76,305,000 (the Series 1994 Bonds). The Series 1994 Bonds were issued as additional bonds, in accordance with the General Trust Indenture, and are on parity with the previously issued and outstanding water revenue bonds. The Series 1994 Bonds bear interest rates ranging from 2.90% to 5.15% per annum. The bonds began maturing, subject to early redemption, beginning on April 1, 1995. Interest on the Series 1994 Bonds is payable semi-annually on each April 1 and October 1, which commenced on October 1, 1994. The Series 1994 Bonds are not subject to redemption prior to April 2004.

On February 23, 1994, the Authority placed \$81.6 million of cash and securities in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1965, 1967, and 1977 series bonds. The 1965, 1967, and 1977 series bonds, which mature between 1994 and 2016, are considered to be defeased; and the liability for those bonds was eliminated in 1994. The debt is considered to be extinguished, even though the refunded bonds continue to be obligations of the Authority until redeemed or called. In conjunction with this transaction, the above-mentioned bonds are deemed to have been paid, and the lien of the 1965 Trust Agreement has been released with no remaining force or effect. Refunded bonds outstanding at December 31, 2000, amounted to \$69,215,000.

Effective July 15, 1997, the Authority issued water refunding revenue bonds in the aggregate principal amount of \$102,210,000 (the Series 1997 Bonds), pursuant to the 1992 General Trust Indenture, with interest rates ranging from 3.8% to 5.0% to advance refund \$93,815,000 of outstanding 1992 series bonds with interest rates ranging from 5.75% to 6.0%. The net proceeds of \$97,628,000 (after \$4,230,049 in bond discounts and \$352,000 in issuance costs) and an additional investment already held by the Authority of approximately \$2,000,000, net of the gain on the investment transferred, were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 1992 series bonds. As a result, the refunded portion of the 1992 series bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt account. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$11,861,178. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations, as a component of interest expense, through the year 2029, the life of the new debt, using the effective interest method. The Authority completed the advance refunding to reduce its total debt service payments from 1997 through 2029 by approximately \$5.9 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$3 million. The holders of the refunded bonds have an express lien on all assets held in escrow by the escrow agent. Refunded bonds outstanding at December 31, 2000, amounted to \$93,815,000.

On June 1, 2000, the Authority issued water revenue bonds in the aggregate principal amount of \$51,160,000 (the Series 2000 Bonds). The Series 2000 Bonds were issued as additional bonds, in accordance with the General Trust Indenture, and are on parity with the previously issued and outstanding water revenue bonds. The Series 2000 Bonds bear interest rates ranging from 4.500% to 6.125% per annum. The bonds begin maturing, subject to early redemption, beginning on April 1, 2001. Interest on the Series 2000 Bonds is payable semi-annually on each April 1 and October 1, which commenced on October 1, 2000. The Series 2000 Bonds are not subject to redemption prior to April 2012.

At December 31, the Authority is required to have an account balance with the Trustee sufficient to pay principal and interest due on the outstanding 1992, 1994, 1997, and 2000 series bonds issued under the 1992 General Trust Indenture on the following April 1. At December 31, 2000 and 1999, this amount consisted of cash equivalents of \$2,693,137 and \$211,954 and investments in U.S. Government securities of \$13,638,287 and \$13,411,134 with the market value approximately \$13,837,383 and \$13,402,525, respectively, meeting the requirements of the 1992 General Trust Indenture.

Under the terms of the Indenture, before the commencement of each fiscal year, the Authority is required to fix, establish, or maintain or cause to be fixed, established, and/or maintained such rates, fees, and charges for the provision of water service, and revise or cause to be revised the same prior to the commencement of each fiscal year, as necessary, as will produce net revenues, in the opinion of the Consulting Engineer, at least equal in such fiscal year to the total of 110% of the principal-and-interest requirements during that fiscal year.

Future debt payments under all debt agreements as of December 31, 2000, is as follows:

Due Date (December 31)	Principal	Interest	Total
2001	\$ 6,020,000	\$ 20,429,799	\$ 26,449,799
2002	5,830,000	20,158,978	25,988,978
2003	6,095,000	19,878,876	25,973,876
2004	6,390,000	19,579,538	25,969,538
2005	6,700,000	19,259,584	25,959,584
2006–2010	38,885,000	90,713,078	129,598,078
2011–2015	50,090,000	79,194,061	129,284,061
2016–2020	69,875,000	63,093,741	132,968,741
2021–2025	93,045,000	40,375,284	133,420,284
2026–2030	97,990,000	11,638,181	109,628,181
Total	\$ 380,920,000	\$ 384,321,120	\$ 765,241,120

The 1986 Federal Tax Reform Act requires local jurisdictions to report and rebate arbitrage earnings on debt issues to the Federal Government every five years. As of December 31, 2000 and 1999, the Authority had no arbitrage obligation.