

NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION

(A Component Unit of the State of New York)



Basic Financial Statements

for fiscal year ended March 31, 2022

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(A Component Unit of the State of New York)
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Year Ended March 31, 2022

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Independent Auditor's Report

Board of Directors
New York Local Government Assistance Corporation
Albany, New York

Report on the Audit of the Financial Statement

Opinions

We have audited the financial statement of the governmental activities and each major fund of the New York Local Government Assistance Corporation (Corporation), for the year ended March 31, 2022, and the related notes to the financial statement, which collectively comprise the Corporation's basic financial statement as listed in the table of contents.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the respective changes in financial position of the governmental activities and each major fund of the Corporation for the year ended March 31, 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1a, in accordance with subdivision 2 of Section 3233 of the Public Authorities Law, the Corporation will terminate on October 1, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statement - Continued

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statement. Such information is the responsibility of management and, although not a part of the basic financial statement, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2022, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

BST+Co.CPAs, LLP

Albany, New York
June 2, 2022



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The following discussion and analysis of the New York Local Government Assistance Corporation's (the "Corporation" or "LGAC") financial performance provides an overview of the Corporation's financial activities for the fiscal year ended March 31, 2022.

FINANCIAL HIGHLIGHTS

- The Corporation made its final debt service payment in the amount of \$92.3 million on April 1, 2021. All of the Corporation's obligations have been paid and remaining assets were transferred to the State of New York.
- The Corporation will terminate and all operations will cease on October 1, 2022. Upon the termination of the existence of the Corporation, all of its rights and property shall pass to and be vested in the State of New York (the "State").

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USING THIS FINANCIAL REPORT

This financial report consists of the Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities on page 10.

The Statement of Activities provides information about the activities of the Corporation as a whole, and presents a longer-term view of the Corporation's finances by focusing on total available resources and changes therein. Fund financial statements also report the Corporation's operations in more detail than the Corporation-wide statements by providing information about the Corporation's two separate funds: the General Fund and the Debt Service Fund.

The change in the focus between currently available resources and total available resources is identified in the Adjustments column found on the financial statements (page 10). To arrive at the Statement of Activities, transactions relating to long-term liabilities and expenditures that were deferred and amortized are added to or eliminated from the Statement of Revenues, Expenditures and Changes in Fund Balances. For the Corporation, transactions not affecting its reported net position are payments of debt principal, the advance repayment of debt, and expenditures incurred in prior periods. Amounts relating to the aforementioned transactions are displayed in the Adjustments column to the left of the Statement of Activities.

REPORTING THE CORPORATION AS A WHOLE

The Statement of Activities

This statement reports the Corporation's changes to the Corporation's net position. Annual changes in the Corporation's net position - assets and deferred outflows of resources less liabilities and deferred inflows of resources - provide one way to measure the Corporation's financial health or financial position. The Corporation was entirely dependent on appropriations from the State of New York ("State") to support the payments of debt service on the Corporation's bonds, as well as its other expenses.

REPORTING THE CORPORATION'S FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the Corporation's two distinct funds - not the Corporation as a whole. The fund financial statements are prepared using a different approach than the Corporation-wide financial statement. The fund financial statements focus on how money flows into and out of those funds and the balances remaining at year-end. The Corporation's revenues and expenditures are reported in governmental funds. These funds are reported using the modified accrual basis of accounting, which reports revenues when they become both measurable and available to finance expenditures of the current period; expenditures are recorded in the period the liability is incurred and expected to be paid from current financial resources, with the exception of long-term liabilities which are recognized in the period they are payable. The governmental fund statements provide a detailed short-term view of the Corporation's operating requirements for the year ended March 31, 2022.

THE CORPORATION AS A WHOLE

The Corporation has annually reported a deficit in its net position. The deficit in the Corporation's net position arose as it carried out its statutory purpose of eliminating the State's annual short-term borrowing. During the years 1991 through 1995, the Corporation issued long-term obligations to finance State local assistance payments, capital reserve requirements, and costs of issuance. This debt was repaid from annual appropriations received from the State. This unrestricted deficit was extinguished with the retirement of the Corporation's debt outstanding.

The following table summarizes the net position for the fiscal years ended March 31, 2022 and March 31, 2021:

Table 1
Net Position as of March 31, 2022 and March 31, 2021
(Amounts in thousands)

	2022	2021
Assets:		
Cash and investments	\$ -	\$ 93,271
Deferred outflows of resources	-	1,086
Total assets	-	94,357
Liabilities:		
Liabilities due within one year	-	98,799
Net Position:		
Restricted for debt service	-	92,286
Unrestricted (deficit)	-	(96,728)
Total net position (deficit)	\$ -	\$ (4,442)

The Corporation's net position increased by \$4.4 million from one year ago, from a deficit of \$4.4 million to a net position of zero. The increase in the net position resulted from the liquidation of all liabilities including the amortization of bond premiums.

The following table summarizes the changes in net position for the fiscal years ended March 31, 2022 and March 31, 2021.

Table 2
Changes in Net Position for the fiscal years ended March 31, 2022 and March 31, 2021
(Amounts in thousands)

	2022	2021
General Revenues:		
Appropriations from New York State	\$ -	\$ 79,443
Settlement refunds	-	527
Investment income	-	16
Total revenues	-	79,986
Expenses:		
General and administrative	41	113
Transfers to New York State	950	-
Interest expense	(5,433)	(2,859)
Total expenses	(4,442)	(2,746)
Changes in net position	4,442	82,732
Net position (deficit), beginning of year	(4,442)	(87,174)
Net position (deficit), end of year	\$ -	\$ (4,442)

The Corporation reported a credit of \$5.4 million in interest expense due to the amortization of \$6.5 million in bond premiums offset by \$1.1 million in amortization deferred losses on bond refunding transactions. These

non-cash credits to expense were offset by \$41 thousand in general and administrative expenses. The remaining Corporation assets of \$950 thousand were transferred to the State as part of the Corporation's planned dissolution.

THE CORPORATION'S GOVERNMENTAL FUNDS

The Corporation made its final debt service payment on April 1, 2021, which consisted of \$90.1 million in bond principal and \$2.2 million in interest. These payments, combined with an interfund transfer to the general fund in the amount of \$15 thousand, reduced the Debt Service fund balance to \$0. The Corporation's General Fund incurred \$41 thousand in general and administrative expenses. After the receipt of \$15 thousand from the Debt Service Fund, the Corporation transferred \$950 thousand to the State, which reduced the General Fund balance to \$0. The Corporation does not anticipate any operations subsequent to March 31, 2022.

Debt

The Corporation was authorized to issue up to \$4.7 billion of bonds or notes plus an amount necessary to fund capital reserve requirements, costs of issuance and a limited amount of capitalized interest. As of March 31, 1996, the Corporation had issued all the debt it was authorized to issue. At year end, the Corporation had no bonds outstanding.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Corporation at 110 State Street, 15th Floor, Albany, New York 12236, by phone at (518) 474-4015 or by email at debtmanagement@osc.ny.gov.

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NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities

For the Year Ended March 31, 2022
(Amounts in thousands)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments (Note 4)</u>	<u>Statement of Activities</u>
Expenditures/Expenses:					
General and administrative.....	\$ 991	\$ —	\$ 991	\$ —	\$ 991
Debt service					
Principal.....	—	90,135	90,135	(90,135)	—
Interest.....	—	2,136	2,136	(7,569)	(5,433)
Total expenditures/expenses.....	<u>991</u>	<u>92,271</u>	<u>93,262</u>	<u>(97,704)</u>	<u>(4,442)</u>
Excess (deficiency) of revenues over expenditures.....	(991)	(92,271)	(93,262)	97,704	—
Other financing sources (uses):					
Transfers To/From.....	15	(15)	—	—	—
Net change in fund balance.....	(976)	(92,286)	(93,262)	93,262	—
Change in net position.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,442</u>	<u>4,442</u>
Fund balances/net position (deficit):					
Beginning of year.....	976	92,286	93,262	(97,704)	(4,442)
End of year.....	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

See accompanying notes to the basic financial statements.

NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

Notes to the Financial Statements
Year Ended March 31, 2022

(1) Summary of Significant Accounting Policies

(a) Organization

The New York Local Government Assistance Corporation (“Corporation” or “LGAC”) was established by Chapter 220 of the Laws of 1990 (as amended) to issue up to \$4.7 billion in long-term debt, in order to finance certain local assistance payments appropriated by the State of New York (“State”), in addition to bonds necessary to fund a capital reserve account, costs of issuance and up to six months of capitalized interest. Prior to the creation of the Corporation, certain large payments due to the State's local government units were made in the first quarter of the State's fiscal year, particularly in support of primary and secondary education, while revenues were received more evenly throughout the fiscal year. To meet these payments, the State issued short-term tax and revenue anticipation notes referred to as the annual “Spring Borrowing.” Primarily as a result of bond issuances by the Corporation, there was no Spring Borrowing in the State's 1995 through 2022 fiscal years. The fiscal year ended March 31, 2022 was the thirty-first year of the Corporation's existence. The Corporation is a blended component unit of the State, and its continued operations are almost entirely dependent upon the annual appropriations received from the State.

The Corporation made its final debt service payment on April 1, 2021. All liabilities or obligations of the Corporation have been paid or discharged in full, and its remaining assets were transferred to the State of New York. Accordingly, the Corporation has no assets or liabilities as of March 31, 2022. In accordance with subdivision 2 of Section 3233 of the Public Authorities Law, the Corporation will terminate on October 1, 2022.

(b) Basis of Presentation

The accompanying basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for governments. Such principles are prescribed by the Governmental Accounting Standards Board (“GASB”), which is the standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. The Corporation has prepared a Corporation-wide financial statement titled “Statement of Activities” as well as the required supplementary information titled “Management’s Discussion and Analysis” which precedes the financial statements. The Corporation also prepared fund financial statements titled “Statement of Revenues, Expenditures and Changes in Fund Balances.” The basic financial statements include both the Corporation-wide and the fund financial statements, which have been combined together and presented on the same page.

The Corporation follows the principles of fund accounting in that each segment of operations is represented under a discrete fund presentation in the fund financial statements. The Corporation uses funds to report its financial position and results of operations. The General Fund consists of the Operating Account, Cost of Issuance Accounts for new bond issuances, and the Local Assistance Payment Account. The Debt Service Fund consists of the Debt Service Accounts, the Capital Reserve Accounts, the Rebate Accounts, and the Cost of Issuance Accounts for refunding bond issuances. The General Fund is used to account for all financial transactions of the Corporation except for debt service related transactions which are accounted for in the Debt Service Fund. The Rebate Account

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Notes to the Financial Statements
Year Ended March 31, 2022

within the Debt Service Fund is used to remit investment earnings to the United States Department of the Treasury, when necessary, in accordance with the Internal Revenue Code (arbitrage rebate payments).

(c) *Basis of Accounting*

The Corporation utilizes the modified accrual basis of accounting, which focuses on changes in current financial resources, in the preparation of the fund financial statements. Under the modified accrual basis of accounting, revenues and related receivables are recorded in the accounting period that they become both measurable and available. “Available” means collectible within the current period, which is within twelve months of the end of the current fiscal period, to be used to pay liabilities of the current period. Expenditures and related liabilities are recorded in the accounting period the liability is incurred and payable from current resources, except for principal and interest on long-term debt and estimated other long-term liabilities which are recorded only when payment is due and payable.

Operating expenditures are direct costs incurred by the Corporation, such as legal fees, financial advisory fees, printing costs, trustee fees, arbitrage rebate calculation fees, and other related costs. Operating expenditures are paid from monies received from the State and earnings from their investments. Staff support is provided by the State without cost to the Corporation.

The Corporation utilizes the full accrual basis of accounting, which focuses on changes in total economic resources, in the preparation of the Corporation-wide financial statement. Under the full accrual basis of accounting, changes in long-term assets and deferred outflows of resources and liabilities and deferred inflows of resources are incorporated into the financial statements. Since the fund financial statements are prepared using a different method of measuring revenues and expenditures and a different basis of accounting than the Corporation-wide financial statement, an adjustments column is presented to convert the fund basis financial statements into the Corporation-wide financial statement.

Amortization of bond premiums has been computed using the straight-line method. The Corporation also defers and amortizes losses on refunding bond issuances using the straight-line method.

(d) *Municipal Assistance Corporation Refinancing Act*

Chapter 62 and Chapter 63 of the Laws of 2003 enacted, among other provisions, the Municipal Assistance Refinancing Act (“Act”), effective July 1, 2003 and is deemed repealed as of July 1, 2034. The Act created an incentive for the State to seek an appropriation to provide \$170 million per year, from the LGATF to the City of New York (“City”) for each of the City’s fiscal years beginning July 1, 2003 and ending June 30, 2034. The Act requires the Corporation to annually certify \$170 million so that the State, subject to annual State appropriation by the Legislature, can provide for a series of payments to the City or the Mayor’s assignee in each City fiscal year beginning July 1, 2003 and ending June 30, 2034.

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Notes to the Financial Statements
Year Ended March 31, 2022

The Act was established with the expectation that the City, acting through the Mayor, would assign the annual payments from the State to a newly created not-for-profit corporation that would issue bonds and use those proceeds to refinance all existing debt of the Municipal Assistance Corporation for the City of New York (“MAC”) due in the near term (approximating \$2.5 billion at the time of the Act). The City subsequently created the Sales Tax Asset Receivable Corporation (“STARC”) which, in 2004, securitized the annual payments and refinanced the MAC bonds with the proceeds. In 2014, STARC refinanced this debt and certain other bonds, all payable from the \$170 million State payment from the LGATF, as assigned. By law, the LGATF receives a portion of the receipts generated by the State’s sales and use tax (equivalent to one quarter of the four percent tax which was \$4.1 billion during State fiscal year 2021-22). The balance of the LGATF’s receipts not needed by the Corporation for its purposes are transferred from the LGATF to the State’s General Fund. Under prior statute, until the Legislature enacted an annual appropriation of \$170 million, the Corporation certified the release of the funds, the \$170 million State payment was made, the Legislature enacted an appropriation to satisfy all Dedicated Highway and Bridge Trust Fund Cooperative Agreement payments as certified by the Chair of the New York State Thruway Authority and the Corporation received the amount it had certified for its needs, no excess sales tax receipts could be transferred from the LGATF to the State’s General Fund.

Chapter 59 of the Laws of 2021 included provisions that, on and after July 1, 2020, the obligation of the Corporation to make such annual payments shall be terminated if all outstanding bonds of STARC are legally defeased before July 1, 2021 and the Corporation has paid \$46 million to the City of New York on or before June 30, 2021. Prior to July 1, 2021, the outstanding bonds of STARC were legally defeased and the Corporation certified and paid \$46 million dollars to the City of New York on June 29, 2021.

The Corporation filed a complaint in New York State Supreme Court in August 2003 seeking a court determination that the statute requiring a certification and possible payment by the Corporation to the City or its assignee was invalid. Ultimately, the New York State Court of Appeals found the statute to be valid but determined that it does require an annual State appropriation to make any payments. The court further found that any annual payment required by the State could not interfere with the Corporation bondholders' rights.

In May 2004, the Corporation amended its General Bond Resolution and General Subordinate Lien Bond Resolution (“the Resolutions”) to clarify that any failure to certify or assure that the State’s payments are made to the City or its assignee has no impact on the Corporation’s own bondholders; and that if any such act or omission were to occur with respect to any potential STARC bonds, that act or omission would not constitute an Event of Default with respect to the Corporation bonds. In June 2004, the Corporation’s Trustee, The Bank of New York Mellon, notified the Corporation’s bondholders of these amendments.

(e) Adoption of New Accounting Pronouncements

During the fiscal year ended March 31, 2022, the Corporation did not adopt any new accounting standards issued by the GASB.

NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION
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Notes to the Financial Statements
Year Ended March 31, 2022

(2) Bonds Payable

The Corporation was authorized to issue up to \$4.7 billion in bonds plus an amount necessary to fund a capital reserve, costs of issuance, and a limited amount of capitalized interest. As of March 31, 1996, the Corporation had issued bonds equal to its authorized amount. The Corporation had no bonds outstanding as of March 31, 2022.

The State dedicated a portion of its sales and use tax revenues to make payments to the Corporation pursuant to a payment agreement between the State Director of the Division of the Budget and the Corporation for the purpose of funding the Corporation's debt service. Subject to appropriation, the State made these payments to the Corporation five days prior to the debt service due date. The \$92.3 million representing fiscal year 2021-22 debt service payments was comprised of \$90.1 million in principal and \$2.2 million in interest.

(3) Changes in Long-Term Liabilities

Long-term liability activity for the year ended March 31, 2022 was as follows (amounts in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds payable.....	\$ 90,135	\$ -	\$ 90,135	\$ -	\$ -
Unamortized premium	<u>6,520</u>	<u>-</u>	<u>6,520</u>	<u>-</u>	<u>-</u>
Total long-term liabilities.....	\$ <u>96,655</u>	\$ <u>-</u>	\$ <u>96,655</u>	\$ <u>-</u>	\$ <u>-</u>

(4) Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Repayment of bond principal is reported as an expenditure in the governmental funds and, therefore, contributes to the change in fund balance. In the Statement of Net Position, however, repaying bond principal decreases long-term liabilities. Similarly, recognition of revenues and expenditures not expected to be received or paid in the current year will not affect the fund balance reported for the governmental funds. In the Statement of Activities prepared on the full accrual basis, however, all revenues and expenses are recognized in the year they are earned or incurred, regardless of when they are paid, and will therefore be reflected in the Statement of Activities. These differences in measurement recognition affect both the reported fund balance and reported net position. Adjustments required to be made to the reported governmental funds expenditures in order to arrive at the Statement of Activities for March 31, 2022 are as follows (amounts in thousands):

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Notes to the Financial Statements
Year Ended March 31, 2022

Adjustments to expenditures:

Repayment of bond principal:	
To bondholders for repayment of debt.....	\$ (90,135)
Amortization of loss on refunding of bonds.....	1,086
Amortization of premium on refunding of bonds	(6,520)
Net adjustment to arrive at interest expense.....	<u>(2,135)</u>
Net adjustment to expenditures	<u><u>\$ (97,704)</u></u>