

Consolidated Transportation Bonds and State Highway Construction Bonds were deposited with escrow agents. As a result of these transactions, the refunded bonds are deemed to be retired and, accordingly, are no longer reported as long-term debt in the accompanying financial statements. At June 30, 1987, the refunded bonds outstanding were \$76,615,000.

In December, 1985, the Department of Transportation undertook an exchange of certain securities which were being held in the Consolidated Transportation Bonds, Refunding Series 1978 Sinking Fund. In connection with this exchange, the Department recognized a gain of \$53,337,000, while maintaining sufficient U. S. Treasury obligations to fully provide for the timely payment of \$354,865,000 of Consolidated Transportation Bonds and interest thereon. As a result of this transaction and the subsequent escrow deposit agreement entered into with the State Treasurer as escrow fund agent, these bonds are defeased and are no longer reported as long-term debt in the financial statements. At June 30, 1987, the defeased bonds outstanding were \$354,865,000.

On September 13, 1985, the Department undertook an exchange of certain securities which were being held in the County Transportation Bonds - First Issue, Refunding Series 1978 Sinking Fund. This exchange resulted in the purchase of a sufficient amount of U. S. Treasury obligations to provide for the timely payment of principal and interest on the refunding series. In connection with this exchange, the Department recognized a gain of \$39,543,000. An agreement with an escrow fund agent was entered into during fiscal year 1987. As a result, the principal amount of \$155,725,000 of County Transportation Bonds — First Issue, Refunding Series 1978 was defeased and are no longer reported as long-term debt in the financial statements. At June 30, 1987, the defeased bonds outstanding were \$155,725,000.

On November 18, 1986, the Department issued \$29,175,000 County Transportation Bonds — First Issue, Refunding Series 1986 with an average interest rate of 5.41% to advance refund the callable maturities in the amount of \$24,680,000 of two separate issues of outstanding County Transportation Bonds, First Issue, Fourth and Fifth Series (Refunded Bonds). The net proceeds of \$29,053,000 plus an additional \$936,000 of sinking fund monies were used to purchase U.S. Treasury Obligations sufficient to provide for the timely payment of the principal and interest on the Refunded Bonds. Those securities were deposited in an irrevocable trust with an escrow agent. As a result, the Refunded Bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group. The Department advance refunded the Refunded Bonds to reduce its total debt service payments by \$3,672,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and the new debt) of \$2,465,000.

On August 7, 1986, Consolidated Transportation Bonds in the amount of \$100,000,000 were issued with a discount of \$992,000.

10. Changes in General Long-Term Debt:

Changes in general long-term debt (amounts expressed in thousands) for the year ended June 30, 1987, are summarized as follows:

	General	Transportation	Accrued	Accrued	Obligations
	Obligation		Retirement	Annual	Under Capital
	Bonds	Bonds	Costs	Leave	Leases
Balance, July 1, 1986	\$2,110,075	\$ 441,470	\$555,292	\$71,345	
Bond issuances	164,645	140,590			
Bond principal retirements	(244,305)	(14,090)			
Defeasement of Transportation Bonds		(155,725)			
Refunded Transportation Bonds		(24,680)			
Excess of expenditures in governmental fund types over actuarially determined retirement costs			(32,061)		
Amortization of prior years' liability for unfunded retirement costs			(16,205)		
Net increase in accrued annual leave				10,359	
Net increase in obligations under capital leases					\$12,743
Balance, June 30, 1987	\$2,030,415	\$ 387,565	\$507,026	\$81,704	\$12,743