

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

For a period of no more than 20 years or until the dissolution of TAC, or until the value of the TAC-East Water System set forth in the contract has been paid, whichever comes first, the Utility will pay to TAC \$0.03 per 1,000 gallons of water delivered by the Utility to its customers on the TAC- East Water System (excluding the U. S. Army/Red River Army Depot). If during any year, the aggregate amount paid by the Utility exceeds \$39,609 (ceiling aggregate), then the overage is credited to the Utility and applied to the following payment year. If during any year, the aggregate amount paid by the Utility is less than the ceiling aggregate, no further monies are due from the Utility to TAC for that year. In prior years, the capital assets and corresponding liability of \$792,172 were recorded in the financial statements. The Utility recorded capital contributions of \$39,364 for the amount “forgiven” under the contract terms for fiscal year 2017. The remaining liability under this contract is \$594,499 as of September 30, 2017.

On July 10, 2017 the Texarkana, Texas City Council approved Resolution 2017-072, which authorized the sale of the TAC-East Water System to Riverbend Water Resources District. Subsequently, on January 26, 2018, this system was sold to Riverbend Water Resources District in the amount of \$291,320 with the City of Texarkana, Texas receiving proceeds of \$244,500 and the Texarkana, Texas Water Utility fund receiving proceeds of \$46,820.

NOTE 16 - LEASE COMMITMENTS - Capital Leases

The government has entered into a lease agreement as lessee for financing the acquisition of computer equipment. The government also has financed undivided interests in the acquisition of the Millwood Water Treatment Facilities and the McKinney Bayou Wastewater Facilities. The following is a schedule by years of future minimum lease payments under capital lease obligations as of September 30, 2018:

<u>Ending September 30:</u>	<u>Governmental Activities</u>	<u>Enterprise Funds</u>
2019	\$ 243,731	751,361
2020	209,746	749,787
2021	209,746	691,065
2022	185,651	631,193
2023	28,503	631,273
2024-2028	<u>1,258,254</u>	<u>1,258,254</u>
Total minimum lease payments	877,377	4,712,933
Less:		
Unexpended funds		(746,946)
Amounts representing interest	(42,197)	(658,358)
Present value of minimum lease payments	<u>\$ 835,180</u>	<u>3,307,629</u>

The gross amount of assets acquired in prior years under capital leases were as follows:

<u>Asset Class</u>	<u>InterSystem Leases</u>
Land	\$ 399,965
Buildings	3,400,033
Improvements other than buildings	6,933,407
Machinery and equipment	2,261,201
Total	<u>\$ 12,994,606</u>

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Notes to the financial statements continued.

NOTE 17 - LONG-TERM OBLIGATIONS

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City has dedicated 28.69% of the ad valorem taxes received for the year for the payment of principal and interest on general obligation bonds. General obligation bonds at September 30, 2018 are as follows:

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2018</u>
General obligation bonds:			
General Obligation Refunding Bonds, Series 2012 used to refund certain bonds which were issued to finance certain capital improvements of the City - due serially in varying amounts from February 15, 2013 through February 15, 2023.	2.00% - 5.00%	\$ 10,730,000	4,845,000
General Obligation Refunding Bonds, Series 2013 used to refund certain bonds which were issued to finance certain capital improvements of the City - due serially in varying amounts from February 15, 2014 through February 15, 2027.	2.00% - 5.00%	14,550,000	10,600,000
General Obligation Refunding Bonds, Series 2016 used to refund certain bonds which were issued to finance certain capital improvements of the City - due serially in varying amounts from February 1, 2017 through February 1, 2030.	2.00% - 3.00%	9,090,000	8,950,000
Total general obligation bonds		<u>\$ 28,340,000</u>	<u>24,395,000</u>

Annual requirements to amortize general obligation bonds outstanding at September 30, 2018 are as follows:

<u>Requirements Year Ending September 30</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,225,000	755,532	2,980,532
2020	2,325,000	781,732	3,106,732
2021	2,140,000	689,082	2,829,082
2022	2,295,000	583,757	2,878,757
2023	2,480,000	470,732	2,950,732
2024-2028	10,610,000	1,099,348	11,709,348
2029-2031	2,320,000	70,200	2,390,200
Total	<u>\$ 24,395,000</u>	<u>4,450,383</u>	<u>28,845,383</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Certificates of Obligation

The City issues certificates of obligation to fund construction projects and acquire capital assets. Certificates of obligation are direct obligations and pledge the full faith and credit of the City. Certificates of obligation at September 30, 2018 are as follows:

	<i>Rate of interest</i>	<i>Original Issue</i>	<i>Outstanding September 30, 2018</i>
Certificates of obligation:			
Certificates of Obligation, Series 2009 used for acquiring, constructing, improving and equipping various streets, park and recreational facilities, Waterworks and Sewer System, facilities, equipment and vehicles for various City departments, including City hall - due serially in varying amounts through February 1, 2030.	3.00% - 4.50%	\$ 17,420,000	\$ 4,070,000
Certificates of Obligation, Series 2010 used for constructing, improving and equipping convention center facilities and the acquisition of sites - due serially in varying amounts through February 1, 2030.	1.02% - 5.728%	7,000,000	4,920,000
Combination Tax and Revenue Certificates of Obligation, Series 2012 used for street and drainage improvements, constructing, improving and equipping park and recreational facilities - due serially in varying amounts through February 1, 2035.	0.50% - 3.500%	4,115,000	3,365,000
Combination Tax and Revenue Certificates of Obligation, Series 2017 used for public safety facilities, street and drainage improvements, park and recreational facilities, roof replacements, public works facilities, and municipal airport facilities due serially in varying amounts through February 1, 2037.	2.625 - 4.0%	14,160,000	14,160,000
Total certificates of obligation		\$ 42,695,000	26,515,000

Annual requirements to amortize certificates of obligations outstanding at September 30, 2018 are as follows:

<i>Year Ending September 30</i>	<i>Certificates of Obligation</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2019	\$ 1,810,000	956,978	2,766,978
2020	1,870,000	889,253	2,759,253
2021	1,945,000	817,477	2,762,477
2022	2,020,000	742,685	2,762,685
2023	1,840,000	672,505	2,512,505
2024-2028	6,580,000	2,528,227	9,108,227
2029-2031	6,210,000	1,210,905	7,420,905
2033-2038	4,240,000	282,587	4,522,587
Total	\$ 26,515,000	8,100,617	34,615,617

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Revenue Bonds

The City issues bonds pledged with income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at September 30, 2018 are as follows:

	<i>Rate of interest</i>	<i>Original Issue</i>	<i>Outstanding September 30, 2018</i>
Revenue bonds:			
Waterworks and Sanitary Sewer System Revenue Bonds Series 2004 net of bond premium of \$3,566 used to finance the costs of making improvements and extensions to the water and sewer system due serially in varying amounts from February 1, 2006 through February 1, 2023.	3.00% - 4.25%	\$ 2,500,000	873,566
Waterworks and Sanitary Sewer System Revenue Bonds, Series 2013 net of bond discount of \$15,276 used to finance the costs of making improvements and extensions to the water and sewer system. Due serially in varying amounts from August 1, 2014 through August 1, 2033.	2.00% - 4.875%	<u>2,200,000</u>	<u>1,759,724</u>
Total Texarkana, Texas Water Utilities		<u>\$ 6,505,000</u>	<u>2,633,290</u>

Annual requirements to amortize revenue bonds outstanding at September 30, 2018 are as follows:

<i>Requirements Year Ending September 30</i>	<i>Revenue Bonds</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2019	\$ 249,793	107,169	356,962
2020	259,793	97,663	357,456
2021	269,793	87,588	357,381
2022	279,793	76,956	356,749
2023	294,245	65,594	359,839
2024-2028	569,851	244,534	814,385
2029-2033	<u>710,022</u>	<u>105,486</u>	<u>815,508</u>
Total	<u>\$ 2,633,290</u>	<u>784,990</u>	<u>3,418,280</u>

The Utility has pledged future water customer revenues, net of specified operating expenses, to repay \$6.505 million in water system revenue bonds issued in 2004 and 2013. Proceeds from the bonds provided financing for the water and wastewater facility improvements and updates. The bonds are payable solely from water customer net revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require approximately 2% of net revenues. The total principal and interest remaining to be paid on the bonds is \$3,418,280. Principal and interest paid for the current year and total customer net revenues were \$359,994 and \$17,747,257, respectively.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Changes in long-term liabilities

The following is a summary of changes in long-term liabilities for the year ended September 30, 2018:

	<i>Balance October 1, 2017 as restated</i>	<i>Additions</i>	<i>Retirements/ Deductions</i>	<i>Balance September 30, 2018</i>	<i>Long-term Balance</i>	<i>Due Within One Year</i>
Governmental activities:						
General obligation bonds	\$ 26,745,000		(2,350,000)	24,395,000	22,170,000	2,225,000
Issuance premiums	2,177,007		(269,744)	1,907,263	1,907,263	
Total general obligation bonds	<u>28,922,007</u>	<u>-</u>	<u>(2,619,744)</u>	<u>26,302,263</u>	<u>24,077,263</u>	<u>2,225,000</u>
Certificates of obligation	27,730,000		(1,215,000)	26,515,000	24,705,000	1,810,000
Issuance premiums	509,573		(33,484)	476,089	476,089	
Total certificates of obligation	<u>28,239,573</u>	<u>-</u>	<u>(1,248,484)</u>	<u>26,991,089</u>	<u>25,181,089</u>	<u>1,810,000</u>
Capital leases	905,236	156,582	(226,638)	835,180	610,023	225,157
Net pension liabilities	21,821,643	12,685,754	(19,762,456)	14,744,941	14,744,941	
Net other postemployment liabilities	10,224,149	2,318,116	(175,906)	12,366,359	12,366,359	
Accrued compensated absences	4,141,484	1,371,434	(1,277,751)	4,235,167	3,956,171	278,996
Governmental activity Long-term liabilities	<u>\$ 94,254,092</u>	<u>16,531,886</u>	<u>(25,310,979)</u>	<u>85,474,999</u>	<u>80,935,846</u>	<u>4,539,153</u>
Business-type activities:						
Revenue bonds	\$ 2,890,000		(245,000)	2,645,000	2,395,000	250,000
Issuance premiums	(11,917)		207	(11,710)	(11,710)	
Total revenue bonds	<u>2,878,083</u>	<u>-</u>	<u>(244,793)</u>	<u>2,633,290</u>	<u>2,383,290</u>	<u>250,000</u>
Capital leases	3,731,217		(423,588)	3,307,629	2,880,287	427,342
Net pension liabilities	4,831,754	2,446,461	(4,303,454)	2,974,761	2,974,761	
Other postemployment liabilities	2,164,869	182,807	(134,874)	2,212,802	2,212,802	
Accrued compensated absences	410,327	323,142	(333,077)	400,392	343,924	56,468
Business-type activity Long-term liabilities	<u>\$ 14,016,250</u>	<u>2,952,410</u>	<u>(5,439,786)</u>	<u>11,528,874</u>	<u>10,795,064</u>	<u>733,810</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year end, \$58,441 of internal service funds compensated absences is included in the above amounts.

The General Fund is the governmental fund which primarily is responsible for the accrued compensated absences liability and net pension and other postemployment liabilities for the governmental activities.