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**NOTE 9: LONG-TERM DEBT****A. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Bonds and certificates payable					
Certificates of obligation	\$ 14,875,686	\$ -	\$ (5,494,291)	\$ 9,381,395	\$ 577,997
General obligation bonds	<u>476,031</u>	<u>4,887,402</u>	<u>(476,031)</u>	<u>4,887,402</u>	<u>-</u>
Total bonds and certificates payable	<u>15,351,717</u>	<u>4,887,402</u>	<u>(5,970,322)</u>	<u>14,268,797</u>	<u>577,997</u>
Bond premium	<u>278,388</u>	<u>593,158</u>	<u>(35,740)</u>	<u>835,806</u>	<u>-</u>
Compensated absences	<u>427,338</u>	<u>314,553</u>	<u>(307,134)</u>	<u>434,757</u>	<u>108,689</u>
Net pension liability	<u>2,215,640</u>	<u>1,762,986</u>	<u>-</u>	<u>3,978,626</u>	<u>-</u>
Total governmental activity long-term liabilities	<u>\$ 18,273,083</u>	<u>\$ 7,558,099</u>	<u>\$ (6,313,196)</u>	<u>\$ 19,517,986</u>	<u>\$ 686,686</u>
<b>Business-type activities</b>					
Bonds and certificates payable					
Certificates of obligation	\$ 9,089,313	\$ -	\$ (15,705)	\$ 9,073,608	\$ 232,003
General obligation bonds	<u>2,553,969</u>	<u>1,642,598</u>	<u>(2,318,974)</u>	<u>1,877,593</u>	<u>115,000</u>
Total bonds and certificates payable	<u>11,643,282</u>	<u>1,642,598</u>	<u>(2,334,679)</u>	<u>10,951,201</u>	<u>347,003</u>
Bond premium	<u>324,792</u>	<u>199,353</u>	<u>(23,573)</u>	<u>500,572</u>	<u>-</u>
State infrastructure note	<u>3,314,617</u>	<u>-</u>	<u>(148,064)</u>	<u>3,166,553</u>	<u>151,765</u>
Capital leases payable	<u>1,045,473</u>	<u>-</u>	<u>(401,939)</u>	<u>643,534</u>	<u>423,595</u>
Compensated absences	<u>55,765</u>	<u>65,151</u>	<u>(65,567)</u>	<u>55,349</u>	<u>55,349</u>
Net pension liability	<u>563,638</u>	<u>431,018</u>	<u>-</u>	<u>994,656</u>	<u>-</u>
Total business-type activity long-term liabilities	<u>\$ 16,947,567</u>	<u>\$ 2,338,120</u>	<u>\$ (2,973,822)</u>	<u>\$ 16,311,865</u>	<u>\$ 977,712</u>

**NOTE 9: LONG-TERM DEBT - (Continued)**

**B. Bonds and Certificates Payable - Governmental Activities**

Bonds and certificates payable of the City's governmental activities at September 30, 2016, were comprised of the following individual issues:

2009 Certificates of Obligation due in annual installments ranging from \$135,000 to \$140,000 through August 1, 2018; interest rate at 4.77%.	\$ 275,000
2006 Combination Certificates of Obligation due in annual installments ranging from \$30,000 to \$45,000 through August 1, 2021; interest rate at 4.10%.	215,000
2006-A Combination Certificates of Obligation due in annual installments ranging from \$167,436 to \$260,456 through August 1, 2021; interest rate at 4.12%.	1,190,656
2015 Combination Certificates of Obligation due in annual installments ranging from \$184,400 to \$596,995 through August 1, 2035; interest rate at 3.39%.	7,700,739
2016 General Obligation Refunding Bonds due in annual installments ranging from \$205,700 to \$680,680 through August 1, 2028; interest rate at 3.6%.	<u>4,887,402</u>
	<u>\$ 14,268,797</u>

Annual debt service requirements to maturity for the City's governmental activity bonds and certificates are as follows:

Year Ending September 30	Principal	Interest	Total
2017	\$ 577,997	\$ 510,111	\$ 1,088,108
2018	601,519	483,158	1,084,677
2019	690,741	466,532	1,157,273
2020	727,093	442,638	1,169,731
2021	745,656	418,498	1,164,154
2022-2026	3,826,055	1,379,611	5,205,666
2027-2031	4,294,160	878,016	5,172,176
2032-2035	<u>2,805,576</u>	<u>326,803</u>	<u>3,132,379</u>
	<u>\$ 14,268,797</u>	<u>\$ 4,905,367</u>	<u>\$ 19,174,164</u>

The City is scheduled to receive annual installments ranging from \$48,093 to \$65,676 from LEDC and annual installments ranging from \$170,304 to \$290,798 from Wastewater Utility Fund for the 2015 Combination Certificates of Obligation through August 1, 2035.

**NOTE 9: LONG-TERM DEBT - (Continued)**

C. Bonds and Certificates Payable - Business-type Activities

Bonds and certificates payable of the City's business-type activities at September 30, 2016, were comprised of the following individual issues:

2009 General Obligation Refunding Bonds due in annual installments of \$115,000 to \$120,000 through February 1, 2018; interest rate at 4.33%.	\$ 235,000
2006-A Combination Certificates of Obligation due in annual installments ranging from \$16,403 to \$19,544 through August 1, 2012; interest rate at 4.12%.	89,344
2015 Combination Certificates of Obligation due in annual installments ranging from \$215,600 to \$698,005 through August 1, 2035; interest rate at 3.39%.	8,981,297
2016 General Obligation Refunding Bonds due in annual installments of \$69,300 to \$229,320 through February 1, 2028; interest rate at 3.60%.	<u>1,645,560</u>
	<u>\$ 10,951,201</u>

The annual debt service requirements to maturity for the above-listed obligations of the City's business-type activities are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 347,003	\$ 234,282	\$ 581,285
2018	363,481	210,734	574,215
2019	324,259	186,040	510,299
2020	337,907	160,077	497,984
2021	344,344	133,232	477,576
2022-2026	2,583,945	389,319	2,973,264
2027-2031	3,395,840	209,588	3,605,428
2032-2035	<u>3,254,422</u>	<u>38,080</u>	<u>3,292,502</u>
	<u>\$ 10,951,201</u>	<u>\$ 1,561,352</u>	<u>\$ 12,512,553</u>

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**NOTE 9: LONG-TERM DEBT - (Continued)****D. State Infrastructure Notes - Business-type Activities**

2013 State Infrastructure Bank Loan is due in annual installments of \$230,000 through June 2033, interest rate of 2.5%.

Annual debt service requirements to maturity for the City's business-type activity State Infrastructure Notes are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 151,765	\$ 79,164	\$ 230,929
2018	155,560	75,370	230,930
2019	159,449	71,481	230,930
2020	163,435	67,494	230,929
2021	167,521	63,408	230,929
2022-2026	902,560	252,090	1,154,650
2027-2031	1,021,164	133,486	1,154,650
2032-2035	445,099	16,759	461,858
	<u>\$ 3,166,553</u>	<u>\$ 759,252</u>	<u>\$ 3,925,805</u>

**D. Capital Leases**

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016, are as follows:

<u>Year Ending September 30</u>	<u>Business-type Activities</u>
2017	\$ 423,595
2018	219,939
Total minimum lease payments	<u>\$ 643,534</u>

**E. Debt Reserves**

There are certain reserve requirements for the various debt issues that are currently outstanding. The following are the reserve requirements by issue:

	<u>Reserve Requirement</u>
2006 Combination Certificates of Obligation	\$ 4,300
2006A Combination Certificates of Obligation	25,600
2009 General Obligation Refunding Bonds	4,700
2009 Combination Certificates of Obligation	5,500
2015 Combination Certificates of Obligation	333,700
2016 General Obligation Refunding Bonds	130,600
	<u>\$ 504,400</u>

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**NOTE 9: LONG-TERM DEBT - (Continued)**

F. Debt Reserves - (Continued)

The cash balances reserved for the reserve requirements are as follows:

<u>Fund</u>	<u>Cash</u>
Debt Service I & S Fund	\$ 278,088
Water Utility Fund	200,000
Wastewater Utility Fund	<u>26,312</u>
	<u>\$ 504,400</u>

G. Refunding Bonds

In April 2016, the City issued \$6,530,000 General Obligation Refunding Bonds with interest of 4.00% to advance refund a portion of the City's Certificates of Obligation, Series 2009, and Series 2009 General Obligation Refunding Bonds which were still outstanding in the amount of \$6,710,000 with interest rates ranging from 4.25% to 4.40% and to provide funding for costs of issuance. As a result, the Series 2009 certificates and bonds are considered defeased and the refunded portion of the liability has been removed from the City's financial statements. The net proceeds available for refunding bonds in the amount of \$7,265,155 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded issue. The refunding of the Series 2009 certificates and bonds resulted in an economic gain of \$574,025 and an increase in cash flow of \$645,194.

**NOTE 10: CONDUIT DEBT OBLIGATIONS**

Lockhart-Luling Water Delivery System

The Guadalupe-Blanco River Authority (GBRA) contracted with the City in 2002 to provide a reliable quantity of treated water through the Luling Water Treatment Plant. For the mutual benefit of the parties, GBRA, the City of Luling, and the City of Lockhart entered into an agreement that enabled GBRA to pump treated water from the Luling Water Treatment Plant to the Lockhart Treatment Plant ground storage reservoir through the water delivery system.

GBRA issued \$4,950,000 in Contract Revenue Refunding Bonds in fiscal year 2014 for the water delivery system. As of September 30, 2016, there was \$4,470,000 bonds outstanding. Through the agreement, the City has agreed to pay GBRA on an annual basis for twenty-five years the following:

- (a.) principal and interest on any bonds issued to pay off the financing, refinancing, design, permitting, construction, and equipping the project;
- (b.) operation and maintenance of the water delivery system;
- (c.) operation and maintenance of the Luling Water Treatment Plant;
- (d.) reserve and contingency fund payments, if any; and
- (e.) capital recovery charges.