

**NEW ISSUE- BOOK ENTRY ONLY**

**Insured Rating: S&P: “AA” (stable outlook)  
Underlying Rating: S&P: “A” (stable outlook)  
See “RATINGS” herein**

*In the opinion of Rose Law Firm, a Professional Association, Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Series 2025 Bonds is excludable from gross income for federal income tax purposes, subject to continued compliance with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and interest on Series 2025 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax; provided, however, that with respect to certain corporations, interest on Series 2025 Bonds will be taken into account in determining annual adjusted financial statement income for the purpose of computing the federal alternative minimum tax. The Series 2025 Bonds are not “qualified tax-exempt obligations” with the meaning of Section 265 (b) (3) of the Code. The interest on Series 2025 Bonds is exempt from State of Arkansas income tax and Series 2025 Bonds are exempt from property taxation in the State of Arkansas. See the caption “TAX MATTERS” herein.*

**\$23,230,000**

**CITY OF TEXARKANA, ARKANSAS  
PUBLIC FACILITIES BOARD  
WATERWORKS AND SEWER FACILITIES REVENUE BONDS  
SERIES 2025**

**Dated Date: Date of Delivery**

**Due: September 1, as shown on inside cover**

The City of Texarkana, Arkansas Public Facilities Board’s (the “Issuer”) \$23,230,000 Waterworks and Sewer Facilities Revenue Bonds, Series 2025 (the “Series 2025 Bonds”) are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, to which principal, premium, if any, and interest payments on the Series 2025 Bonds will be made so long as DTC or its nominee is the registered owner of the Series 2025 Bonds. Individual purchases of the Series 2025 Bonds will be made only in book-entry form, in denominations of \$5,000 or integral multiples thereof. Individual purchasers (“Beneficial Owners”) of Series 2025 Bonds will not receive physical delivery of bond certificates. See the caption “BOOK-ENTRY ONLY SYSTEM” herein.

The Series 2025 Bonds will bear interest from their dated date, payable on March 1 and September 1 of each year commencing the date of delivery of the Series 2025 Bonds. All such interest payments shall be payable to the persons in whose name the Series 2025 Bonds are registered on the bond registration books maintained by Regions Bank, Little Rock, Arkansas, as trustee (the “Trustee”), as of the close of business on the fifteenth day of the calendar month preceding the applicable interest payment date. Principal of and premium, if any, on the Series 2025 Bonds shall be payable at the designated corporate trust office of the Trustee. So long as DTC or its nominee is the registered owner of the Series 2025 Bonds, disbursements of such payments to DTC Participants is the responsibility of DTC, and the disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants and Indirect Participants, as more fully described herein.

The Series 2025 Bonds are special obligations of the City of Texarkana, Arkansas Public Facilities Board (the “Issuer”) and are issued as additional parity bonds under the terms of a Trust Indenture dated as of October 15, 1985, as amended and supplemented (the “Indenture”), between the Issuer and the Trustee. See the caption “SUMMARY OF PORTIONS OF THE INDENTURE” herein. The Series 2025 Bonds are payable solely from and secured solely by a pledge of revenues and receipts to be derived by the Issuer in connection with the interest of the City of Texarkana, Arkansas (the “City”) in certain water and sewer utility properties, including particularly payments to be made by the City under the terms of a Sale Agreement dated as of October 15, 1985, as amended and supplemented (the “Sale Agreement”), by and between the Issuer and the City. See the captions “SECURITY FOR SERIES 2025 BONDS” and “SUMMARY OF PORTIONS OF THE SALE AGREEMENT” herein. The Series 2025 Bonds will be issued and secured under the Indenture on a parity basis with \$690,000 outstanding principal amount of the Issuer’s Waterworks and Sewer Facilities Revenue Refunding Bonds, Series 2007 and with \$20,655,000 outstanding principal amount of the Issuer’s Waterworks and Sewer Facilities Revenue Bonds, Series 2023.

The Scheduled payment of principal and interest on the Series 2025 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2025 Bonds by Assured Guaranty Inc.



**The Series 2025 Bonds are special obligations of the Issuer secured by and payable solely from amounts derived by the Issuer under the Sale Agreement. The Series 2025 Bonds do not constitute an indebtedness of the Issuer or the City within the meaning of any constitutional or statutory debt limitation or restriction. The issuance of the Series 2025 Bonds shall not directly, indirectly, or contingently obligate the City to levy or pledge any taxes whatsoever or to make any appropriation for the payment of the Series 2025 Bonds, except as described herein with respect to the net revenues of the City’s water and sewer system. The Issuer has no power of taxation.**

The proceeds of the Series 2025 Bonds will be used, together with other available moneys, (i) to finance a portion of the costs of designing, acquiring, constructing and equipping betterments and improvements to the City’s waterworks and sewer system, (ii) to fund a debt service reserve, (iii) to fund capitalized interest; (iv) to pay the premium on a municipal bond insurance policy, and (v) to pay costs associated with the issuance of the Series 2025 Bonds. See the captions “SOURCES AND USES OF FUNDS” herein. The Series 2025 Bonds are subject to optional and mandatory redemption prior to maturity as more fully described herein under the caption “THE SERIES 2025 BONDS – Redemption.”

The Series 2025 Bonds are offered when, as and if issued and received by the Underwriter, subject to the final approving opinion of Rose Law Firm, a Professional Association, Little Rock, Arkansas, Bond Counsel, and subject to certain other conditions. Certain matters will be passed upon for the Issuer by Joshua Potter, City Attorney, City of Texarkana, Arkansas. It is expected that the Series 2025 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about January 28, 2025.

**Stephens Inc.**

The date of this Official Statement is December 16, 2024.

## MATURITY SCHEDULE

**\$23,230,000**

**City of Texarkana, Arkansas Public Facilities Board  
Waterworks and Sewer Facilities Revenue Bonds  
Series 2025**

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP <sup>†</sup> No.
2026	280,000	5.000%	3.000%	103.083%	881765CJ8
2027	555,000	5.000%	2.950%	105.076%	881765CK5
2028	585,000	5.000%	3.000%	106.759%	881765CL3
2029	615,000	5.000%	3.050%	108.293%	881765CM1
2030	645,000	5.000%	3.100%	109.682%	881765CN9
2031	675,000	5.000%	3.150%	110.931%	881765CP4
2032	710,000	5.000%	3.200%	112.043%	881765CQ2
2033	745,000	5.000%	3.300%	112.624%	881765CR0
2034	785,000	5.000%	3.350%*	112.227%	881765CS8
2035	825,000	5.000%	3.420%*	111.673%	881765CT6
2036	865,000	5.000%	3.470%*	111.279%	881765CU3
2037	905,000	5.000%	3.520%*	110.887%	881765CV1
2038	955,000	5.000%	3.570%*	110.497%	881765CW9
2039	1,000,000	5.000%	3.620%*	110.108%	881765CX7
2040	1,050,000	5.000%	3.700%*	109.490%	881765CY5

\$4,755,000 5.000% Term Bonds due September 1, 2044; Yield 3.950%\*; Price 107.583% CUSIP<sup>†</sup>  
No. 881765CZ2

\$7,280,000 4.125% Term Bonds due September 1, 2049; Yield 4.260%; Price 97.951% CUSIP<sup>†</sup>  
No. 881765DA6

\*Priced to par call on September 1, 2033.

(Interest to accrue from Date of Delivery)

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<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as substitute for CUSIP Services. CUSIP numbers are provided for convenience of reference only. None of the Issuer, the Underwriter or their agents, or counsel shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

*Issuer*

**CITY OF TEXARKANA, ARKANSAS PUBLIC FACILITIES BOARD**  
a public instrumentality of the City of Texarkana, Arkansas  
216 Walnut Street  
Texarkana, Arkansas 71854

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*Utility*

**TEXARKANA WATER UTILITIES**  
801 Wood Street  
Texarkana, Texas 75501

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*Trustee*

Regions Bank  
Little Rock, Arkansas

*Underwriter*

Stephens Inc.  
Little Rock, Arkansas

*Bond Counsel*

Rose Law Firm, a Professional Association  
Little Rock, Arkansas

*City Attorney*

Joshua Potter  
Texarkana, Arkansas

No dealer, broker, salesman or other person has been authorized by the Issuer or the Underwriter to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2025 Bonds in any jurisdiction in which such offer is not authorized, or in which the person making such offer, solicitation Series or sale is not qualified to do so, or to any person to whom it is unlawful to make such offer, solicitation or sale. Certain information set forth herein has been obtained from the Issuer and the City of Texarkana, Arkansas and other sources which are believed to be reliable. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the City of Texarkana, Arkansas, the waterworks and sewer system or other matters described herein since the date hereof.

THE SERIES 2025 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE TRUST INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON CERTAIN EXEMPTIONS FROM SUCH REGISTRATION AND QUALIFICATION CONTAINED IN SUCH LAWS.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2025 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement, including its appendices, contains statements which should be considered “forward-looking statements,” including the information in “ESTIMATED DEBT SERVICE COVERAGE,” meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as “plan,” “expect,” “estimate,” “budget,” “may,” or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause a deviation from the actual results, performance or achievements expressed or implied by such forward-looking statements. The Issuer does not expect or intend to update or revise any forward-looking statements contained herein if or when its expectations, or events, conditions, or circumstances on which such statements are based occur.

Assured Guaranty Inc. (“AG”) makes no representation regarding the Series 2025 Bonds or the advisability of investing in the Series 2025 Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading “BOND INSURANCE” and “Appendix F - Specimen Municipal Bond Insurance Policy”.

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## OFFICIAL STATEMENT

**\$23,230,000**

**CITY OF TEXARKANA, ARKANSAS**

**PUBLIC FACILITIES BOARD**

**WATERWORKS AND SEWER FACILITIES REVENUE BONDS**

**SERIES 2025**

### INTRODUCTION

This Official Statement, including the cover page, summary statement and the Appendices hereto, provides certain information regarding the issuance of \$23,230,000 City of Texarkana, Arkansas, Public Facilities Board Waterworks and Sewer Facilities Revenue Bonds, Series 2025 (the “Series 2025 Bonds”). Unless otherwise defined herein, capitalized terms used in this Official Statement shall have the same meanings assigned to such terms set forth in Appendix A- “DEFINITIONS OF CERTAIN TERMS” herein.

The City of Texarkana, Arkansas Public Facilities Board (the “Issuer”) is a body corporate and politic and a public instrumentality of the City of Texarkana, Arkansas (the “City”). The Issuer is organized and exists under the laws of the State of Arkansas (the “State”) for the purposes, among others, of financing, acquiring, owning, leasing, constructing, and disposing of waterworks and sewer facilities for the benefit of the City.

The City and the City of Texarkana, Texas operate their separate water and sewer utilities as a combined system through a jointly owned department called Texarkana Water Utilities. See the caption “THE UTILITY AND THE SYSTEM” herein. The Series 2025 Bonds are being issued (i) to finance a portion of the costs of designing, acquiring, constructing and equipping betterments and improvements to the City’s waterworks and sewer system, (ii) to fund a debt service reserve, (iii) to fund capitalized interest; (iv) to pay the premium on a municipal bond insurance policy, and (v) to pay costs associated with the issuance of the Series 2025 Bonds. See the captions “SOURCES AND USES OF FUNDS” herein.

The Series 2025 Bonds are being issued pursuant to the laws of the State, including particularly Act No. 142 of the General Assembly of the State of Arkansas for the year 1975, as amended, ordinances of the City’s Board of Directors, a resolution duly adopted by the Issuer and the terms and provisions of a Trust Indenture dated as of October 15, 1985, as supplemented and amended, all between the Issuer and Regions Bank, Little Rock, Arkansas, as successor trustee (as supplemented and amended, the “Indenture”). See the caption “SUMMARY OF PORTIONS OF THE INDENTURE” herein.

Pursuant to the terms and provisions of a Sale Agreement dated as of October 15, 1985, as supplemented and amended, all between the Issuer and the City (as supplemented and amended, the “Sale Agreement”), the City is required to pay to the Issuer the purchase price of the various improvements financed and refinanced with the proceeds of the Issuer’s Bonds. Such payments are due in monthly installments in amounts sufficient to pay the principal of, premium, if any, and interest on Series 2025 Bonds. The City’s obligations under the Sale Agreement are secured by (i) a first lien pledge of and security interest in the Net Revenues (as defined in Appendix A) derived from the City’s water and sewer system. See the caption “SUMMARY OF PORTIONS OF THE SALE AGREEMENT” herein.

Payment of the principal of and interest on the Series 2025 Bonds when due will be guaranteed by a municipal bond insurance policy (the “2025 Policy”) to be issued by Assured Guaranty Inc. (the “2025 Insurer”) simultaneously with the delivery of the Series 2025 Bonds. A specimen municipal bond insurance policy is attached hereto as Appendix F. It is expected that, based on the municipal bond insurance policy by the 2025 Insurer to insure the Series 2025 Bonds, at the time of delivery of the Series 2025 Bonds, Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“S&P”) will assign a rating of “AA” to the Series 2025 Bonds. See the captions “SECURITY FOR SERIES 2025 BONDS,” “BOND INSURANCE,” and “RATINGS” herein.

**The Series 2025 Bonds are special obligations of the Issuer secured by and payable solely from amounts derived by the Issuer under the Sale Agreement. The Series 2025 Bonds do not constitute an**

**indebtedness of the Issuer or the City within the meaning of any constitutional or statutory debt limitation or restriction. The issuance of the Series 2025 Bonds shall not directly, indirectly, or contingently obligate the City to levy or pledge any taxes whatsoever or to make any appropriation for the payment of the Series 2025 Bonds, except as described herein with respect to the Net Revenues of the City's water and sewer system. The Issuer has no power of taxation.**

The Series 2025 Bonds will be equally and ratably secured on a parity basis with the Issuer's Waterworks and Sewer Facilities Revenue Refunding Bonds, Series 2007 the Issuer's Waterworks and Sewer Facilities Revenue Bonds, Series 2023, which at the time of delivery of the Series 2025 Bonds are anticipated to have \$690,000 and \$20,655,000 in principal amount outstanding, respectively. The Series 2025 Bonds will be secured on a prior and senior basis to the Issuer's Water Facilities Improvement Revenue Bond, Series 2004B which at the time of delivery of the Series 2025 Bonds are anticipated to have an outstanding principal amount of \$255,571.39.

Pursuant to the provisions of a Continuing Disclosure Agreement to be dated as the date of delivery of the Series 2025 Bonds, by and between the City and the Trustee (the "Series 2025 Disclosure Agreement"), the City has undertaken certain obligations with respect to providing ongoing disclosure of certain financial and operating data concerning the City's waterworks and sewer system and of the occurrence of certain material events. See the caption "SUMMARY OF PORTIONS OF THE SERIES 2025 DISCLOSURE AGREEMENT" herein.

This Official Statement contains brief descriptions or summaries of, among other matters, the Series 2025 Bonds, the Issuer, the City, the Utility and the System, the Indenture, the Sale Agreement, and the Series 2025 Disclosure Agreement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Sale Agreement, and the Series 2025 Disclosure Agreement are qualified in their entirety by reference to such documents, and references herein to the Series 2025 Bonds are qualified in their entirety by reference to the definitive form thereof included in the Indenture. Certain financial and operating data concerning the System has been provided from the audited and unaudited records of the Utility, and certain demographic information has been obtained from other sources which are believed to be reliable.

## **THE SERIES 2025 BONDS**

### **General Description**

The Series 2025 Bonds are issuable only as fully registered bonds in denominations of \$5,000 or any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., as nominee of DTC, to which principal, premium, if any, and interest payments on the Series 2025 Bonds will be made so long as DTC or its nominee is the registered owner of the Series 2025 Bonds. Individual purchases of the Series 2025 Bonds will be made only in book-entry form. Beneficial Owners of the Series 2025 Bonds will not receive physical delivery of bond certificates. See Appendix B-THE BOOK ENTRY ONLY SYSTEM.

Regions Bank, in Little Rock, Arkansas, is trustee, paying agent and bond registrar (the "Trustee") for the Series 2025 Bonds. Each Series 2025 Bond shall be dated as of the date of their initial delivery, shall mature as set forth on the inside cover page hereof, and shall bear interest from the date of delivery, payable semiannually on September 1 and March 1 of each year, commencing September 1, 2025. All interest payments on the Series 2025 Bonds shall be payable to the persons whose names such Series 2025 Bonds are registered as of the Record Date on the bond registration books maintained by the Trustee. Principal of and premium, if any, on the Series 2025 Bonds shall be payable at the designated corporate trust office of the Trustee. So long as DTC or its nominee is the registered owner of the Series 2025 Bonds, disbursement of such payments to DTC is the responsibility of the Trustee. Disbursement of such payments to DTC Participants is the responsibility of DTC, and the disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants or Indirect Participants, as more fully described herein.



## Authority for Issuance

The Series 2025 Bonds are being issued pursuant to the laws of the State, including particularly the Act, ordinances of the City's Board of Directors, a resolution duly adopted by the Issuer and the Indenture.

## Optional Redemption

The Issuer reserves the right, at its option (as directed by the City), to redeem Series 2025 Bonds, having stated maturities on and after September 1, 2034, in whole at any time or in part at any time in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2033, or on any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Series 2025 Bonds are to be redeemed, the Issuer may select the maturities of Series 2025 Bonds to be redeemed.

## Mandatory Sinking Fund Redemption

To the extent not previously redeemed, the Bonds maturing September 1 in the years 2044 and 2049 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on September 1, in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

### Bonds Maturing September 1, 2044

<u>Years</u>	<u>Principal Amount</u>
2041	\$1,105,000
2042	1,160,000
2043	1,215,000
2044 (maturity)	1,275,000

### Bonds Maturing September 1, 2049

<u>Years</u>	<u>Principal Amount</u>
2045	\$1,340,000
2046	1,395,000
2047	1,455,000
2048	1,515,000
2049 (maturity)	1,575,000

If less than all the Series 2025 Bonds of any maturity are to be redeemed, the Trustee (or DTC while the Series 2025 Bonds are in book-entry-only form) shall determine by lot the Series 2025 Bonds, or portions thereof, within such maturity to be redeemed. If a Series 2025 Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Series 2025 Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent on the redemption date.

## Notice of Redemption

Notice of the call for redemption shall be mailed by registered or certified mail to the Owner of any Series 2025 Bond addressed to his registered address and placed in the mails not more than sixty (60) nor less than thirty (30) days prior to the date fixed for redemption, but the failure to mail or receive the notice by mail shall not affect the validity of the redemption. So long as DTC or its nominee is effecting book-entry transfers of the Series 2025 Bonds, the Trustee shall provide redemption notices only to DTC. It is expected that DTC

shall, in turn, notify its participants and that the participants, in turn, will notify or cause to be notified the beneficial owners.

### **Additional Bonds**

In accordance with the terms of the Indenture, the Issuer may, upon the request of the City, authorize the issuance of Additional Bonds for the purpose of (a) financing the construction and equipping of additions or improvements to the System or (b) refunding any Bonds Outstanding under the Indenture. In each such case, the amount of Additional Bonds may include the costs of issuance and sale of any such Additional Bonds, funded interest for such period as shall be determined by the City, and additional funding of the Debt Service Reserve Fund and any other reserve fund required to be established as a consequence of the issuance of such Additional Bonds.

Prior to issuance of any Additional Bonds under the Indenture, there shall be delivered to the Trustee, among other items, a certificate of an Independent Accountant setting forth, for any period of 12 consecutive calendar months within the 24 months next proceeding the date of adoption of a resolution by the Issuer authorizing the issuance of such Additional Bonds, the Net Revenues of the System; provided, that in the event any adjustment of rates shall have been adopted following the beginning of such 12-month period, the certificate shall set forth an estimate of the Net Revenues of the System for such period which would have resulted if such rate adjustment had been in effect for the entire 12-month period; and certifying that such Net Revenues of the System (as adjusted if any adjustment is made) are not less than 125% of the maximum annual Aggregate Debt Service on all Bonds and Parity Obligations to be Outstanding after the issuance of such series of Additional Bonds. In the event that any portion of the rate adjustment is not effective at the time of issuance of the Additional Bonds, an additional calculation or calculations shall be made for each of the fiscal years prior to the time the rate adjustment is fully effective, taking into account the revenues from those portions of the rate adjustment that are effective and the maximum Aggregate Debt Service on all Bonds and Parity Obligations during those periods. Notwithstanding the foregoing, no such statement from an Independent Accountant shall be required upon the issuance of Additional Bonds for the purpose of refunding Outstanding Bonds if the Issuer or the City certifies that the annual Aggregate Debt Service in each fiscal year on all Bonds and Parity Obligations Outstanding immediately following the issuance of the Additional Bonds will not exceed the annual Aggregate Debt Service in each fiscal year on all Bonds and Parity Obligations that would have been Outstanding had the Additional Bonds not been issued.

### **Parity Obligations**

The City has reserved the right to issue Parity Obligations secured on a parity basis with Series 2025 Bonds upon the conditions and under the circumstances described under the caption “SUMMARY OF PORTIONS OF THE SALE AGREEMENT - Parity Obligations.”

### **Transfer, Exchange and Registration**

In the event the book-entry-only system should be discontinued, the Series 2025 Bonds may be transferred and exchanged on the registration books of the Trustee only upon presentation and surrender to the Trustee and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Neither the Issuer nor the Trustee shall be required to transfer or exchange any Bond during the period beginning on a Record Date and ending on an interest payment date with respect to such Bond, nor to transfer or exchange any Bond after the mailing of notice calling such Bond for redemption as provided in the Indenture, nor during the period of fifteen (15) days next preceding the giving of such notice of redemption.

## **SECURITY FOR SERIES 2025 BONDS**

### **Security and Source of Payment**

The Series 2025 Bonds are special obligations of the Issuer. Except as described below, neither the City, the Texas City, the State of Arkansas, the State of Texas nor any political subdivision of any of the foregoing shall in any event be liable for the payment of the principal of, premium, if any, or interest on the Series 2025 Bonds or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the City or the Texas City. None of the Series 2025 Bonds or any of the agreements or obligations of the City or the Texas City shall be construed to constitute an indebtedness, general or moral obligation or pledge of the faith, loan of credit or charge against the taxing power of the City, the Texas City, the State of Arkansas, the State of Texas or any political subdivision thereof within the meaning of any constitutional or statutory provision whatsoever. The Issuer has no taxing power.

Neither the Indenture nor the Sale Agreement creates a lien or mortgage on all or any portion of the City's waterworks and sewer system, except for Net Revenues, and any judgment against the City with respect to its obligation under the Sale Agreement may not be enforced by levy and execution against any property owned by the City.

The Series 2025 Bonds are issued and secured on a parity basis with the Series 2007 Bonds, outstanding in the principal amount of \$690,000 and a final maturity of September 1, 2025, and the Series 2023 Bonds, outstanding in the principal amount of \$20,655,000 with a final maturity of September 1, 2043. Additional Bonds may be issued and secured on a parity basis with the Series 2007 Bonds, the Series 2023 Bonds, and the Series 2025 Bonds under the circumstances set forth in the Indenture. See the caption "THE SERIES 2025 BONDS – Additional Bonds" herein. The Series 2007 Bonds, the Series 2023 Bonds, the Series 2025 Bonds, and any Additional Bonds are and will be secured on a prior and senior basis to the Series 2004B Bond outstanding in the principal amount of \$255,571.39 and final maturity of October 15, 2025.

### **Pledged Revenues**

The Series 2025 Bonds are special obligations of the Issuer secured, on a parity basis with the Outstanding Series 2007 Bonds and any subsequently issued Additional Bonds (collectively, the "Parity Bonds"), by a first lien pledge of and security interest in Net Revenues of the City's waterworks and sewer system, which security interest is granted by the City under the Sale Agreement. The Bondowners do not have a foreclosable mortgage lien on the System.

Pursuant to the provisions of the Water System Agreement, the City and the Texas City have agreed to share the water treated and delivered by certain facilities located at Millwood Reservoir (the "Arkansas Water Supply Project") and the costs associated therewith. Under the provisions of the Water System Agreement, the Texas City makes monthly payments based upon its use of water from the Arkansas Water Supply Project. The Water System Agreement further requires the Texas City to make certain payments to the City relating to debt service on the Series 2007 Bonds and any Additional Bonds issued to finance or refinance Arkansas Water Supply Project improvements benefiting residents of the Texas City. See the caption "THE UTILITY AND THE SYSTEM – Water Supply Agreements Between Cities" herein. The combined payments of the City under the Sale Agreement and the Texas City under the Water System Agreement are designed to be sufficient to discharge the principal and interest on the Series 2025 Bonds and the Parity Bonds.

### **Rate Covenant**

The City, pursuant to the Sale Agreement, has agreed that it shall at all times fix, establish, maintain and collect rates, fees and charges for the sale, use or service of its waterworks and sewer system which are reasonably expected to produce Net Revenues of the System, computed as the beginning of a Fiscal Year, equal to at least 125% of the average annual Aggregate Debt Service on all Bonds and all other Parity Obligations in each Fiscal Year; provided, however, that such rates, fees and charges shall in any event produce Revenues

sufficient to enable compliance with all covenants of the City under the Sale Agreement, and to pay all charges or liens whatsoever payable out of Revenues in such twelve-month period.

### **Debt Service Reserve Fund**

A Debt Service Reserve Fund has been established with the Trustee, and the amount on deposit therein as of any date of calculation is required to be equal to the average annual principal and interest requirements on Series 2025 Bonds and any Parity Obligations. Moneys in the Debt Service Reserve Fund shall be used solely for the payment of the principal of, premium, if any, and interest on any such Bonds and Parity Obligations, to the extent moneys in the Bond Fund as of any principal or interest payment or redemption date are insufficient for such purposes.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of Series 2025 Bonds, Assured Guaranty Inc. (“AG”) will issue its Municipal Bond Insurance Policy for Series 2025 Bonds (the “2025 Policy”). The 2025 Policy guarantees the scheduled payment of principal of and interest on Series 2025 Bonds when due as set forth in the form of the 2025 Policy included as an appendix to this Official Statement.

The 2025 Policy is not covered by any insurance security or guaranty fund established under New York, Maryland, California, Connecticut, or Florida insurance law.

### **Assured Guaranty Inc.**

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

*Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.*

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG (“AGM”), merged with and into AG, with AG as the surviving company (such transaction, the “Merger”). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

*Current Financial Strength Ratings*

On October 18, 2024, KBRA announced it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

On July 10, 2024, Moody’s, following Assured Guaranty’s announcement of the Merger, announced that it had affirmed AG’s insurance financial strength rating of “A1” (stable outlook).

On May 28, 2024, S&P announced it had affirmed AG’s financial strength rating of “AA” (stable outlook). On August 1, 2024, S&P stated that following the Merger, there is no change in AG’s financial strength rating of “AA” (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody’s and/or KBRA may take. For more information regarding AG’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

*Capitalization of AG*

At September 30, 2024:

- The policyholders’ surplus of AG was approximately \$3,644 million.
- The contingency reserve of AG was approximately \$1,374 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,438 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG, and (ii) the net unearned premium reserves and net deferred ceding commissions of AG’s wholly owned subsidiary Assured Guaranty UK Limited (“AGUK”), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA (“AGE”).

The policyholders’ surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

*Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (filed by AGL with the SEC on February 28, 2024);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 (filed by AGL with the SEC on May 8, 2024);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 (filed by AGL with the SEC on August 8, 2024); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 (filed by AGL with the SEC on November 12, 2024).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption “BOND INSURANCE – Assured Guaranty Inc.” or included in a document incorporated by reference herein (collectively, the “AG Information”) shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading “BOND INSURANCE”.

### **INVESTMENT CONSIDERATIONS**

An investment in the Series 2025 Bonds involves certain risks which should be carefully considered by investors. The sufficiency of revenues to pay debt service on the Series 2024A Bonds may be affected by events and conditions relating to, among other things, population and employment trends and economic conditions in the Issuer, the nature and extent of which are not presently determinable. In addition, factors such as natural disasters or terrorism could damage the assets of the Utility. Cyberattacks or supply chain shortages could disrupt or hinder the operations of the Utility. This discussion of risk factors is not intended to be exhaustive and should be read in conjunction with all other parts of this Official Statement.

The information technology department of the Utility provides the primary information technology support for the Utility and the Cities. On December 7, 2020, a cyberattack occurred leading to a ransomware data encryption of the information systems of the Utility, the Cities and Bowie County, Texas. This immediately led to a shut-down of all systems. Roughly 40% of the data across the enterprise was encrypted. The Utility was unable to read all customer meters or accurately bill all customer accounts until late February 2021. By mid-April 2021, the systems of the Utility and the Cities were restored, migrated, or replaced by new systems. At no time were any supervisory control or data acquisition for industrial control processes for water production or sewer treatment compromised or disabled. Since the attack, significant measures have been taken to protect and secure the Utility’s information technology environment.

## THE ISSUER

The Issuer was created by ordinance of the Board of Directors of the City of Texarkana, Arkansas (the “City”) on October 30, 1978, pursuant to the Act. The Issuer is authorized by such ordinance, amendments thereto and the Act to assist the City in providing facilities for new, additional, expanded or improved waterworks and sewer facilities within or near the City and, in connection therewith, to own, acquire, construct, reconstruct, extend, equip, improve, operate, maintain, sell, lease and otherwise deal in and dispose of waterworks and sewer facilities. The Issuer is authorized to issue revenue bonds from time to time and to use the proceeds to finance or refinance its authorized functions. The Issuer has no taxing power.

The Issuer consists of a board of five persons serving staggered terms of up to five years each. The initial members of the Issuer were appointed by the Board of Directors of the City. Successor members are nominated by a majority of the remaining Issuer members and appointed by the Mayor of the City, subject to the advice and consent of the City’s Board of Directors.

The present members of the Issuer and their principal occupations are set forth below.

<u>Name</u>	<u>Principal Occupation</u>
Tyler Richards, Chair	City Manager, City of Texarkana, Arkansas
Jamie Finley, Secretary	City Planner, City of Texarkana, Arkansas
Laura Cowling, Vice Chair	Interim Finance Director, City of Texarkana, Arkansas
Eric Etheridge, Member	Media Manager, City of Texarkana, Arkansas
Mary Beck, Member	Citizen Member

## THE 2025 PROJECT

The 2025 Project consists of a Water System Project and Sewer System Project for facilities to be owned and operated by the City System. The 2025 Project includes particularly, without limitation: looping certain dead end mains; an automatic metering system; replacement of certain water mains along Loop 245 and North Stateline Avenue; extension of water and sewer services to a site located at Miller County Road 64 and U.S. Highway 67 for future industrial development; upgrades to the North Texarkana wastewater treatment plant; improvements to the Stateline Corridor; 500,000 Gallon Elevated Tank in Lakewood; and increase the capacity of the Millwood water treatment plant to 20 million gallons per day.

## SOURCES AND USES OF FUNDS

The proceeds of the Series 2025 Bonds and other available moneys are expected to be used as follows:

<u>Sources of Funds</u>	
Principal Amount of Series 2025 Bonds	\$23,230,000
Net Reoffering Premium	<u>1,343,884</u>
Total	<u>\$24,573,884</u>
<u>Uses of Funds</u>	
Deposit to Construction Fund *	\$22,821,094
Deposit to Debt Service Reserve Fund	1,245,262
Closing Costs (including, bond insurance premium, and other costs of issuance)	275,228
Underwriter’s Discount	<u>232,300</u>
Total	<u>\$24,573,884</u>

\*Includes capitalized interest in the amount of \$1,198,432.

## **FORECASTED REVENUES AND EXPENSES**

In preparation for the five capital year capital plan initiated in 2022 (See the subcaption “THE UTILITY AND THE SYSTEM-Capital Improvement Plan” herein) the Utility engaged NewGen Strategies and Solutions, LLC, Richardson, Texas to project revenues and expenditures for the years 2023 through 2026 and to determine the rate increases necessary implement that plan (the “NewGen Study”). On August 1, 2022, the Board of Directors of the City adopted Ordinance No. 22-2022 approving the recommended water and wastewater rates and charges proposed in the NewGen Study. (See the subcaption THE UTILITY AND THE SYSTEM-Rate Ordinance-Water and Sewer herein and APPENDIX D- WATER AND WASTEWATER SERVICE CHARGES attached hereto). Revenue and expense projections made by the NewGen Study for the two remaining years of their report (the Utility’s 2025 and 2026 fiscal years) are set forth in the table below. of the System.

Fiscal Years Ending September 30	Projected 2025	Projected 2026
Operating Revenues	\$17,161,515	\$18,213,556
Operating Expenses (Excluding Depreciation)	<u>\$12,894,420</u>	<u>\$13,540,639</u>
Revenues Available for Debt Service	<u>\$4,267,095</u>	<u>\$4,672,916</u>

The forecasted revenues and expenses are forward-looking and involve certain assumptions and judgments regarding future events. Although the forecasted revenues and expenses are based on currently available information, they are also based on assumptions about the future state of the regional economy as well as assumptions about the future actions by various parties, which cannot be assured or guaranteed. While the Utility believes the assumptions upon which these estimates are based are reasonable and the methodology valid, actual results may differ from those projections. The forecasted revenues and expenses are not a prediction or assurance that a certain level of performance will be achieved or that certain events will occur. Actual results will vary, and the variations may be material.

*[Remainder of Page Intentionally Left Blank]*



## DEBT SERVICE REQUIREMENTS

The following table sets forth the amounts required to pay scheduled principal and interest on the Series the Series 2007 Bonds, the Series 2023 Bonds, and the Series 2025 Bonds (the “Parity Debt Service”) during the Utility’s fiscal years indicated. In addition, the Parity Debt Service together with the principal and interest on the Series 2004B Subordinate Bond are shown under “Total Debt Service”.

Fiscal Year Ended September 30	Series 2004B	Series 2007	Series 2023 *	Series 2025 *	Series 2025 Bonds And Parity Obligations	Total Debt Service
2025	\$261,932	\$718,635	\$1,169,800	\$ 649,532	\$2,537,967	\$2,799,899
2026	130,954		1,548,550	1,377,800	2,926,350	3,057,304
2027			1,677,800	1,638,800	3,316,600	3,316,600
2028			1,679,050	1,641,050	3,320,100	3,320,100
2029			1,678,300	1,641,800	3,320,100	3,320,100
2030			1,680,550	1,641,050	3,321,600	3,321,600
2031			1,675,550	1,638,800	3,314,350	3,314,350
2032			1,678,550	1,640,050	3,318,600	3,318,600
2033			1,679,050	1,639,550	3,318,600	3,318,600
2034			1,677,050	1,642,300	3,319,350	3,319,350
2035			1,677,550	1,643,050	3,320,600	3,320,600
2036			1,680,300	1,641,800	3,322,100	3,322,100
2037			1,680,050	1,638,550	3,318,600	3,318,600
2038			1,676,800	1,643,300	3,320,100	3,320,100
2039			1,678,800	1,640,550	3,319,350	3,319,350
2040			1,678,600	1,640,550	3,319,150	3,319,150
2041			1,676,200	1,643,050	3,319,250	3,319,250
2042			1,676,600	1,642,800	3,319,400	3,319,400
2043			1,679,600	1,639,800	3,319,400	3,319,400
2044				1,639,050	1,639,050	1,639,050
2045				1,640,300	1,640,300	1,640,300
2046				1,640,025	1,640,025	1,640,025
2047				1,642,481	1,642,481	1,642,481
2048				1,642,463	1,642,463	1,642,463
2049				1,639,969	1,639,969	1,639,969
Totals:	<u>\$392,886</u>	<u>\$718,635</u>	<u>\$31,248,750</u>	<u>\$39,768,469</u>	<u>\$71,735,855</u>	<u>\$72,128,740</u>

\*Does not take into account capitalized interest currently available for debt service on the Series 2023 Bonds in the amount of \$1,590,207.52 and the deposit of \$1,198,432 from the proceeds of the Series 2025 Bonds.

## **ESTIMATED DEBT SERVICE COVERAGE**

The following table estimates the revenues available for debt service for the Utility’s fiscal years ending September 30, 2025, and 2026. the amount of maximum annual debt service expected to be due, and the extent to which debt service is covered by such funds. The revenues available for debt service estimates are derived from the NewGen Study. See the caption FORCASTED REVENUES AND EXPENSES herein. Maximum Annual Debt Service represents the combined maximum annual debt service for the Series 2025 Bonds, the Parity Obligations, and the Subordinate Bond. As noted under the caption DEBT SERVICE REQUIREMENTS, Maximum annual debt service occurs in the fiscal year 2036.

	Projected <u>2025</u>	Projected <u>2026</u>
Revenues Available for Debt Service (A)	\$4,267,095	\$4,672,916
Maximum Annual Debt Service <sup>(1)</sup> (B)	\$3,332,100	\$3,332,100
Debt Service Coverage (A/B)	1.28x	1.41x

## **THE UTILITY AND THE SYSTEM**

### **General**

Since 1948, the City and the Texas City (collectively the “Cities”) have operated their separate water and sewer utilities as a combined system via a jointly operated department called Texarkana Water Utilities (the “Utility”). The City and the Texas City’s portion of the Utility each maintains separate books and records and is subject to separate audits in connection with or as a part of the audits required for each city under its own state laws. Although a portion of the Utility’s facilities and equipment is jointly owned by the Cities, the principal components of the water and sewer facilities (such as treatment plants and distribution or collection facilities) are owned by one city but subject to agreements with the other city, and with others, for the transfer of an ownership interest in such facilities upon the occurrence of certain events. Such arrangements are recorded as capital lease transactions and the assets are allocated accordingly (see the notes to the financial statements in Appendix A attached hereto). Authority for joint operation of the Utility is derived from a 1948 contract between the Cities and subsequently amended and superseded as described below. Operating expenses which cannot be specifically identified between the City and the Texas City were allocated between the Arkansas City and the Texas City at 37% and 63%, respectively for the fiscal year 2023. Revenues from each city's respective customers, including retail, wholesale, and contract customers, are credited to such city. System operating expenses which cannot be specifically identified to one City's utility system are allocated between the City and the Texas City currently at 42% and 58%, respectively. Such ratio is reviewed annually and adjusted on the basis of each city’s metered water sales in proportion to total metered water sales. Authority for joint operation of the Utility is derived from a 1948 contract entered into between the Cities and subsequently superseded as described below. The Utility’s address and phone number are Texarkana Water Utilities, 801 Wood Street, Texarkana, Texas 75504, (903) 798-3800.

The Arkansas portion of the Utility reports to the City Manager of the City and a Utility Committee consisting of three members of the City's Board of Directors. Directors of the City are elected in public elections. The City Manager is hired by the Board of Directors. The following list reflects the present members of the City’s Board of Directors, the expiration of their current terms, their length of service, and their principal occupations, and indicates members of the Utility Committee:

Director	Term Expires	Length of Service
Allen Brown, Mayor	12/31/2026	7 years
Terry Roberts, Ward 1	12/31/2028	7 years
Laney Harris, Ward 2(**)	12/31/2028	19 years
Steven Hollibush, Ward 3	12/31/2026	7 years
Ulysses Brewer, Ward 4(*)	12/31/2026	6 years
Danny Jewell, Ward 5(*)	12/31/2026	4 years
Steve Smith, Ward 6 (**)	12/31/2028	0 years

(\*) Members of the Public Utility Committee.

(\*\*) Elected or reelected November 2024. New terms to commence January 1, 2025.

The Texas portion of the Utility reports directly to the City Manager and City Council of the Texas City. Members of the City Council of the Texas City are elected in public elections. The City Manager is hired by the City Council.

The principal members of the management of the Utility are as follows:

Name	Title	In Position	With Utility
Gary Smith	Executive Director	3 Years	21 Years
Tricia Briggs	Finance Director	3 Years	23 Years
Kenny Icenhower	Assistant Executive Director	3 Years	7 Years
Michelle Warren	Administrative Coordinator	1 Year	1 Year
Brandon Uselton	IT Director	2 Years	8 Years
Rick Barton	Water Production Manager	19 Years	39 Years
Donnie Crittenden	Pollution Control Manager	11 Years	36 Years
Cory Hensley	Operations Manager	1 Year	19 Years
John Cates	Fleet Services Manager	13 Years	13 Years
Len McBride	Engineering Manager	2 Years	2 Years
David Waldroup	Environmental Engineer	9 Years	19 Years

Set forth below is information relating to the Utility and the System, including summaries of certain agreements entered into by the City and/or the Texas City. Such summaries do not purport to be complete, and reference is made to the full text of each such agreement for a complete description of its terms. Copies of such agreements are on file and available for review at the offices of the Utility.

### Waterworks System

In 1948, the Cities assumed control of their respective portions of a privately owned water system owned and operated by American Water Company, which had served the Cities. Since that time, the two Cities' water systems have been operated jointly by Texarkana Water Utilities.

The trend in customer accounts for the waterworks portion of the Utility is reflected in the following table. The figures are broken down by state and rate classification.

		Total Number of Customer (Water) Accounts as of September 30				
		2019	2020	2021	2022	2023
Arkansas:						
	Residential	8,247	9,093	10,342	8,346	9,277
	Commercial	951	1,018	1,097	842	917
Texas:						
	Residential	9,111	10,200	11,633	8,770	11,939
	Commercial	1,920	2,037	2,207	1,613	1,943

		Total Number of Customer (Sewer) Accounts as of September 30				
		2019	2020	2021	2022	2023
Arkansas:						
	Residential	5,446	6,092	7,071	6,056	8,217
	Commercial	703	748	816	737	813
Texas:						
	Residential	7,642	8,557	9,780	8,283	11,449
	Commercial	1,492	1,581	1,723	1,557	1,711

The Texas City provides water to seven communities (“Member Cities”) outside its corporate limits, located at varying distances within 60 miles of the Texas City. The Member Cities utilize approximately 14% of the System’s current total water output. In addition, the Texas City has nine wholesale customers and City has one utilizing approximately 19% of the System’s total current water output. The remaining water is utilized by the Texas City and the City for the customers tabulated above at approximately 42% and 25%, respectively, of the System’s total current water output.

The Water System Agreement provides that there will be no priorities or discrimination between customers located in either of the Cities.

## Water Supply

The Cities entered into a contract dated May 28, 1953 (the "1953 U.S. Contract") with the U.S. Government for the right to withdraw up to 13 million gallons of water per day (on average) from Lake Wright Patman (formerly named Texarkana Reservoir, and prior to that, named Lake Texarkana) in Cass and Bowie Counties, Texas. This agreement terminates upon the termination of the useful life of the dam/reservoir. Annual payments of \$7,000 are required.

In 1968, the Texas City entered into two agreements with the U.S. Government for water rights in Lake Wright Patman. The first agreement dated April 16, 1968 (the "April 1968 U.S. Contract"), provides for the reallocation of an additional 120,000 acre feet of water storage in Lake Wright Patman to the Texas City after the completion of Cooper Reservoir. This water supply will become available to the Utility effective upon the later of (1) the date Cooper Reservoir becomes operative for storage of water for flood control or (2) the date of completion of modifications to Lake Wright Patman required to effect the conversion of storage space therein from flood control use to municipal and industrial water supply use. The term of the April 1968 Contract is for as long as the U.S. Government continues to operate Lake Wright Patman. Payments of \$269,308 per year for fifty years are estimated beginning upon the effective date of water withdrawal. Although Cooper Reservoir has been constructed, the necessary modifications to Lake Wright Patman have not been made at this time. The Texas City is currently in discussions with U.S. Corps of Engineers and pursuing cost estimates of improvements needed to activate the contract to permit the withdrawal of additional water from the lake.

The second contract with the U.S. Government is for the purpose of providing the Texas City additional water supply until such time as Cooper Reservoir is completed and necessary modifications are made to Lake Wright Patman to convert additional storage to municipal and industrial use. This contract, dated September 16, 1968 (the "September 1968 U.S. Contract"), provides for 84 million gallons per day (on average) in addition to the 13 million gallons provided in the 1953 U.S. Contract. The term of the September 1968 Contract extends until the later of (1) the date Cooper Reservoir becomes operative for storage of water for flood control or (2)

the date of completion of modifications to Lake Wright Patman required to effect the conversion of storage space therein from flood control use to municipal and industrial water supply use. The Texas City is required to make annual payments under the September 1968 Contract of \$55,300. The amount of water available to the Texas City is limited by water levels in the lake, and from time to time available water is less than the maximum amount provided in the contract.

Construction of the modifications to Lake Wright Patman required to effect the conversion of storage space therein from flood control use to municipal and industrial water supply use have not commenced. The Texas City cannot predict if or when such construction will be undertaken or completed and anticipates that it will continue to obtain water supply under the September 1968 U.S. Contract until water supply becomes available pursuant to the April 1968 U.S. Contract.

Under the 1953 U.S. Contract and the September 1968, U.S. Contract, the Texas City has the right to a total of 180,000 acre/feet of water per year allocating 45,000 acre/feet to municipal use and 135,000 acre/feet to industrial use.

In addition to the water sources described above, the City has secured and developed a source of water from Millwood Reservoir in portions of Little River and Hempstead Counties, Arkansas. In 1978, the City entered into a contract (the "1978 Contract") with the Southwest Arkansas Water District (the "District") to reserve storage space sufficient to provide 50 million gallons of water per day from the Millwood Reservoir. The 1978 Contract was extended in 1983, and upon completion of the Millwood Treatment Plant in 1986, a new water supply contract with the District dated May 14, 1986, was entered into having a term of 50 years. Given current usage levels, the annual cost to the City for water supplied from the Millwood Reservoir is approximately \$471,000. The Millwood Treatment Plant was originally financed through an issue of Waterworks and Sewer Facilities Revenue Bonds issued in 1982 by the Issuer (the "Series 1982 Bonds"). This debt was refunded in 1985, 1987, 1997 and again by the Series 2007 Bonds. Currently, the City is treating an average of approximately 5.4 MGD from the Millwood Reservoir. In 2016 the City of Texarkana, Arkansas purchased the rights to an additional 120 MGD giving them rights to a total of 144.8 MG. This water source is also available to the Texas City, and the Texas City has pledged to make payment on indebtedness incurred to finance the Millwood Treatment Plant in an amount proportionate to its consumption of water from the combined System. See the sub caption "Water Supply Agreements Between Cities – 1985 Agreement" below. Currently there are Outstanding the Series 2007 Bonds in the principal amount of \$690,000.

### **Water Supply Agreements Between Cities**

1969 Agreement. The Cities entered into a water supply agreement dated May 20, 1969, whereby the Texas City provides treated water to the City. This agreement superseded all previous contractual arrangements relating to the Texas City's obligation to supply treated water to the City and provides that the City will pay the same amount per one thousand gallons of water supplied to it as shall be computed to be the cost to the Texas City under its contractual arrangements with other cities. The City agrees to fix and collect rates and charges to its customers sufficient to pay operation and maintenance expenses of its waterworks and sewer system and to make all payments due under the agreement. The agreement also provides that there will be no priorities or discrimination between customers located in either City. The agreement, with an original term of 50 years, was extended for an additional 50 years, or the remaining usable life of the water supply line and the treatment plant, whichever is earlier. The agreement further provides that the treated water will be provided from Lake Wright Patman through treatment facilities originally acquired and constructed by the Lake Texarkana Water Supply Corporation (see the subcaption "Lake Texarkana Water Supply Corporation Contract" herein), and that when the indebtedness of Lake Texarkana Water Supply Corporation incurred in connection with the acquisition and construction of the water facilities has been discharged, the Texas City will convey upon request to the City and the Member Cities an undivided interest in such facilities. The Lake Texarkana Water Supply Corporation indebtedness has been retired, and the conveyance of an undivided interest in the facilities to the City has been recorded as a capital lease transaction for accounting purposes. The City's undivided interest in the facilities equals a pro rata portion of the total capital payments (payments made on the principal of the bonds issued by Lake Texarkana Water Supply Corporation) made by both Cities.

There have been no transfers with respect to debt service since 2001 when the Lake Texarkana Water Supply Corporation bonds were retired.

1985 Agreement. The Texas City and City, by an Amended and Restated Water System Agreement dated as of October 15, 1985 (the "Water System Agreement"), have agreed to share the water (and the costs associated therewith) treated and delivered by the Millwood Treatment Plant and transportation pipeline designed to treat and transport water from the Millwood Reservoir to the City (the "Arkansas Water Supply Project"). Pursuant to the Water System Agreement, the City agrees to furnish, supply and make available to the Texas City potable treated water from the Arkansas Water Supply Project of the same quality, purity and fitness as that which may be sold by the City to its customers, and in such amounts as will be sufficient to satisfy all demands imposed on the Texas City's waterworks system, except that no Member Cities are to receive such water from the Texas City without the City's express written consent. However, in any event, the Texas City's water demands may not exceed the lesser of the capacity of the Arkansas Water Supply Project or the amount of water made available to the City from the Arkansas Water Supply Project under its contract with the Southwest Arkansas Water District. The Water System Agreement provides that there will be no priorities or discrimination between customers located in either city.

Pursuant to the Water System Agreement, the Texas City agrees to pay to the City a monthly payment based upon water used by it from the Arkansas Water Supply Project. Determination of the amount of water deemed to be used by the Texas City from the Arkansas Water Supply Project, without regard for the actual amount so used by Texas City, shall be based upon the same proportion as the amount of water sold by the Texas City from whatever source to its metered customers during a billing period bears to the total amount of metered water sold by both Cities during the same period. Charges to the Texas City will be computed per thousand gallons of water used, based upon the cost to the City for water used by it from the Arkansas Water Supply Project. The City provides a master meter whereby the actual amount of water delivered for the joint use of the Cities may be measured.

The Texas City further agrees that so long as the City of Texarkana, Arkansas Public Facilities Board's Series 2007 Bonds, or any interest thereon, remain Outstanding and unpaid, it will make minimum monthly payments adequate to discharge its pro rata share (in the same proportion as the amount of water sold by the Texas City during any given year bears to the total amount of metered water sold by both Cities during such year) of the following items, regardless of the actual quantity of water delivered from the Arkansas Water Supply Project: All amounts required for amortization of the cost of the Arkansas Water Supply Project, including amounts represented by 95.33 percent of Outstanding Series 2007 Bonds (which amount excludes from the Texas City's proportionate obligation that portion of the Outstanding Series 2007 Bonds allocable to the refunding of certain of the City's outstanding water and sewer revenue bonds) and any additional bonds required to complete the Arkansas Water Supply Project:

- (a) All amounts for which the City may be obligated under its 1978 water supply contract with the Southwest Arkansas Water District;
- (b) Reasonably required maintenance, operation and administration expenses of all properties and facilities acquired, constructed, and equipped pursuant to the Water System Agreement; and
- (c) The City of Texarkana, Arkansas, Public Facilities Board's (the "Board") administration expenses attributable directly to its activities under the Sale Agreement between the Board and the City.

Under the Water System Agreement, the Texas City agrees to fix, establish, maintain and collect such rates, fees and charges for the sale of water and use or service of its water and sewer system, as now in existence or hereafter extended or improved, as will, in combination with any other funds legally available and reasonably assured for such purpose, yield surplus net revenues of its water and sewer system, after payment of all expenses of operation and maintenance thereof and payments required in connection with revenue bonds or other obligations of the Texas City secured by a first lien or pledge on such revenues, equal to not less than 125% of the Texas City's proportionate obligation with respect to the annual debt service requirements of

Outstanding Series 2007 Bonds. Under the Water System Agreement, the City covenants to provide a water and sewer rate structure for its water and sewer customers which will be at least equal to the Texas City's rate covenant obligations under the Water System Agreement.

The City and the Texas City have agreed that when the Outstanding Series 2007 Bonds have been fully paid and discharged, the City will, upon the Texas City's request, convey to the Texas City an undivided interest in the facilities constituting the Arkansas Water Supply Project. The Texas City's interest will be equal to the proportionate amount paid by the Texas City under the Water System Agreement toward retirement of the Series 2007 Bonds issued in connection with the acquisition and construction of the Initial Project which currently consist solely of the Series 2007 Bonds, which have a final maturity of September 1, 2025. Thereafter, either city shall have the right to an extension of the contract upon such terms as may be agreed upon at that time.

The Cities entered into the Water System Agreement pursuant to Act 7 of the Acts of Arkansas of 1965 (Ark. Code Ann. Sections 14-54-201, et seq.), and Article 969e, Vernon's Annotated Texas Civil Statutes, as amended. Those acts provide in substance that Arkansas and Texas municipalities adjoining each other and bordering on a state line may, subject to certain stipulations, enter into joint or cooperative agreements with an adjacent out-of-state municipality for the provision of any governmental services or facility.

### **Lake Texarkana Water Supply Corporation Contract**

On July 24, 1969, the Texas City entered into a contract with the Lake Texarkana Water Supply Corporation (the "Corporation"), a non-profit corporation organized under the Texas non-profit corporation act, for the purpose of providing a supply of treated water to the Texas City and others from Lake Wright Patman. Under the provisions of this contract, the Corporation agreed to construct improvements and extensions to the water system properties obtained by the Corporation from its merger with Texarkana Water Supply Corporation. The Corporation issued its \$8,400,000 Lake Texarkana Water Supply Corporation Bonds, Series 1969 (the "Corporation Bonds"), to discharge bonds of the Texarkana Water Supply Corporation that the Corporation had assumed, and, together with a \$3,000,000 grant from the Department of Housing and Urban Development, to construct improvements to its water system. In return, the Texas City agreed to purchase from the Corporation all of its water system properties and to make monthly payments to the Corporation sufficient to pay the debt service on the Corporation Bonds. The Texas City also agreed to operate and maintain this system. The Corporation Bonds were retired in 2001. The Lake Wright Patman Treatment Plant has a current capacity of 18 MGD and is served by a transmission line with a capacity of 24.5 MGD.

### **Acquisition of Mandeville and Union Water Corporations**

Since 1944, the City, through the Utility, has operated the water systems of the Mandeville and Union Water Corporations (the "Water Corporations") under the terms of separate operating agreements. The non-profit Water Corporations were established to provide water to customers in the predominantly rural area located east of the then existing boundary of the City. The Mandeville system serves approximately 312 customers and the Union system serves approximately 1,304 customers. In the late 1990's, the City annexed areas encompassing large portions of the service areas of the Water Corporations. Mutual agreement was reached among the boards of the Water Corporations, the City, and the Utility for the City to acquire the Mandeville and Union systems, to pay off outstanding balances of the Water Corporations' existing debt (USDA Rural Development Loans), and to accomplish certain rehabilitations to the systems. This acquisition, repayment and rehabilitation was accomplished through the issuance of the City's Water Facilities Acquisition Bond, Series 2004A, and Water Facilities Improvement Revenue Bond, Series 2004B. The City continues to utilize the pre-existing water rates of the Water Corporations, which are slightly higher than the City's regular water rates, and which are necessary to adequately fund the operations and debt service specifically related to the acquired and improved systems.

## Water Supply Contracts with Member Cities

On the dates set forth below, the Texas City entered into various contracts with the cities of Annona, Avery, DeKalb, Hooks, Maud, New Boston and Wake Village, Texas (the "Member Cities"). These contracts provide that the Texas City will make available to the Member Cities treated water at a maximum amount per year to be delivered at a maximum rate per day, as follows:

Member City	Date of Contract	Take or Pay MGY <sup>(1)</sup>	Maximum Allowance	
			MGY <sup>(1)</sup>	MGD <sup>(2)</sup>
Annona	6-24-69	11.0	22.0	0.060
Avery	6-24-69	15.0	30.0	0.082
DeKalb	6-24-69	76.7	153.4	0.420
Hooks	6-24-69	81.4	162.8	0.446
Maud	6-24-69	40.2	80.4	0.220
New Boston	6-24-69	127.8	255.6	0.700
Wake Village	6-24-69	58.4	116.8	0.320

(1) Millions of gallons per year.

(2) Millions of gallons per day.

By contract amendments, each of the Member Cities and Texas City have agreed to determine collaboratively on an annual basis a cost of production rate based upon cost of supply and operation and maintenance expense, and such rate is then utilized to calculate a required "minimum monthly payment" to be made by each Member City based on the respective amount of water contracted.

## Wholesale Water Customers

The Texas City has entered into water purchase agreements with the Cities of Red Water, Nash and Leary, Texas, Macedonia-Eylau Fresh Water Supply District No. 1, Central Bowie County Water Supply Corporation, Red River County Water Supply Corporation, Oak Grove Water Supply Corporation, Riverbend and Day & Zimmermann Inc. whereby the Texas City agrees to furnish treated water in the following amounts and at the following rates per month. Under the respective contracts, each entity agrees to fix and collect rates and charges for water sold by it sufficient to meet its obligations under its contract. The City has entered into a water purchase agreement with the Miller County Public Water Authority. The terms of those contracts and the rates charged the customers are set forth below.

City of Redwater	March 1978	45 Years <sup>(1)</sup>	1.5 MG
City of Nash	June 1980	30 Years <sup>(1)</sup>	10.0 MG
Macedonia-Eylau Water District No. 1	July 1969	60 Years <sup>(2)</sup>	15.0 MG
Central Bowie County WSC	November 1978	30 Years <sup>(1)</sup>	12.0 MG
Red River County WSC	August 1982	40 Years <sup>(1)</sup>	3.0 MG
Oak Grove WSC	April 1971	40 Years <sup>(1)</sup>	2.0 MG
Day and Zimmermann, Inc	December 1993	1 Year <sup>(3)</sup>	20.0 MG
City of Leary	December 2005	40 Years <sup>(4)</sup>	10.5 MG
Riverbend	January 2018	20 Years <sup>(1)</sup>	9.98 MG
Miller County Public Water Authority	December 2013	5 Years <sup>(1)</sup>	15.0 MG

(1) Renewable on mutually agreeable terms and conditions.

(2) 40 years from February 22, 1989, date of contract amendment.

(3) Renewable annually.



<u>Contracting Party</u>	<u>Rate per 1,000 Gallons</u>	
	<u>Minimum Rate Per Month</u>	<u>Over the Minimum</u>
City of Redwater	\$1,192.5 First 750,000 Gallons	\$1.59/M Gallons
City of Nash	6,630 First 4,000,000 Gallons	1.59/M Gallons
Macedonia-Eylau Water District	11,480 First 7,000,000 Gallons	1.64/M Gallons
Central Bowie County WSC	9,840 First 6,000,000 Gallons	1.64/M Gallons
Red River County WSC		1.64/M Gallons
Oak Grove	1,640 First 1,000,000 Gallons	1.64/M Gallons
Day and Zimmermann, Inc.		1.56/M Gallons
City of Leary	1,987.50 First 1,250,000 Gallons	1.59/M Gallons
Riverbend		1.64/M Gallons
Miller County Public Water Authority		1.00/M Gallons

**Table 1 – Historical Utility Water Consumption (Gallons) <sup>(1)</sup>**

<u>Fiscal Year</u>	<u>Average Daily Consumption</u>	<u>Total Yearly Consumption</u>
2019	16,157,680	5,897,553,095
2020	17,118,624	6,248,297,700
2021	16,435,382	5,998,914,501
2022	16,207,443	5,915,716,549
2023	15,289,649	5,580,721,999

(1) Texas and Arkansas combined, including wholesale and Member Cities.

**Table 2 – Historical Water Consumption (Gallons) for Texarkana, Arkansas**

<u>Fiscal Year</u>	<u>Gallons Daily Average</u>	<u>Gallons Peak Month</u>	<u>Gallons Total Usage</u>	<u>Water Revenue</u>
2019	3,695,028	167,690,845	1,348,685,079	\$3,716,645
2020	4,170,630	170,176,267	1,522,280,125	\$3,807,903
2021	3,684,843	150,286,468	1,344,967,853	\$4,169,669
2022	3,979,518	207,907,319	1,452,524,098	\$4,420,774
2023	4,182,330	249,747,326	1,526,550,512	\$5,089,416

**Table 3 – Ten Largest Texarkana, Arkansas Water Customers (Based on Gallons Consumed in Fiscal Year 2023)**

<u>Customer</u>	<u>Industry</u>	<u>Water Use (000's)</u>	<u>% of Total Water Usage</u>	<u>Water Revenue</u>	<u>% of Total Water Revenue</u>
Cooper Tire & Rubber Co.	Tire Manufacturer	186,188	12.20%	\$384,449	7.55%
Arkansas Dept of Community	Correctional Institute	30,673	2.01%	11,326	0.22%
Texarkana Arkansas School District	Public Schools	15,325	1.00%	48,981	0.96%
Beacon Point Apartments	Apartments	8,078	0.53%	38,446	0.76%
4717 County, IILC DBA Chapel	Apartments	11,076	0.73%	53,007	1.07%
The Pointe at Texarkana	Apartments	6,385	0.42%	31,476	0.62%
Bailey Creek Health & Rehab	Medical	5,205	0.34%	18,524	0.36%
Americold Logistics LLC	Cold Storage Warehouse	5,814	0.38%	20,383	0.40%
River Run	Apartments	7,479	0.49%	35,591	0.70%
Clarion Hotel LaCross	Hotel	7,158	0.47%	27,528	0.54%
Totals:		283,381	18.56%	\$669,708	13.16%

## **Sewage Treatment System**

South Regional Wastewater Treatment Plant. The Texas City and the City, by agreement dated March 1, 1983 (the "1983 Wastewater Agreement"), have agreed to share the treatment capacity and costs associated therewith of a sewage treatment plant (the "South Facility") funded with proceeds from the sale of the Texas City's waterworks and sewer system revenue bonds and a joint grant from the Environmental Protection Agency. The 1983 Wastewater Agreement supplemented a 1976 Sewage Facilities Agreement which together superseded all previous contractual arrangements relating to the collection and treatment of the two Cities' wastewater.

Under the 1983 Wastewater Agreement, the Texas City has agreed to receive and treat, at points of delivery mutually agreed upon, the wastewater from the City. The 1983 Wastewater Agreement specifies that all wastewater of the City will be treated as if it were part of the Texas City's flow, with no priorities between customers in either City.

Monthly payments are required to be made by the City to the Texas City based upon the City's metered water sales in proportion to the total metered water sales in both Cities. The payments are computed as a charge per 1,000 gallons based upon the Texas City's total costs of operation and maintenance of the South Facility, including debt service on any bonds issued specifically for improvements to the South Facility, all amounts which the City may already be obligated to pay under its 1976 agreement with the Texas City, and administrative expenses directly attributable to the South Facility. The City presently contributes approximately 36% of the total flow to the South Facility.

Under the 1983 Wastewater Agreement, both Cities agree to fix, charge, and collect rates for water and sewer services to their customers as will yield revenues sufficient to fully satisfy each City's obligations. Further, the Texas City and the City recognize that water and sewer revenue bonds will be issued by the Texas City to fund required improvements, and that revenues from the City will be necessary to repay obligations issued for such improvements.

The 1983 Wastewater Agreement further provides that, upon full payment and discharge of bonds and additional bonds issued in connection with the acquisition and construction of the South Facility, the Texas City shall convey, upon request, an undivided ownership interest to the City equal to the proportionate amount paid by the City of the total debt issued to acquire the South Facility.

North Texarkana Wastewater Treatment Plant. On December 15, 1997, the City entered into an agreement with the Texas City to set forth the provisions relating to the operation and maintenance of the North Texarkana Wastewater Treatment Plant (the "North Facility") and related transmission lines to be located within the State of Arkansas for the collection and treatment of a portion of the two Cities' wastewater. The previous 1976 Sewage Facilities Agreement, as supplemented by the 1983 agreement, remains in force with respect to the South Facility. Each City agrees to fix and collect rates and charges for its wastewater service sufficient, together with other legally available funds, to pay the expenses of their respective wastewater systems and to make all payments under the agreement. The Texas City agreed to pay the City, for operations of the North Facility, the percentage of actual costs to be computed as that ratio which the total of the metered water sold to those Texas City customers, whose wastewater is treated at the North Facility bears to the total of all of the metered water sales to the customers whose wastewater is treated at the North Facility, plus any amounts from Texas contractual customers whose wastewater is treated at the North Facility. This percentage applies to all charges for operation, maintenance, administrative and capital expenditures. The agreement further provides that the contract and the obligation of the Texas City to make payments thereunder shall continue for so long as any bonds issued to finance the North Facility are outstanding, and at the end of such term either City shall have the right to an extension of the term of the contract under such arrangements as may be agreed upon by the Cities. Under the contract provisions, the determination of the amount to be paid by the Texas City upon extension of the contract is to be made as provided for the original term of the contract, except that debt service on the Issuer's bonds shall not be a factor.

## Special Wastewater Treatment Contracts

In February 1989, the Texas City entered into contracts with the City of Wake Village and the City of Nash to provide treatment capacity in the Texas City’s Waggoner Creek wastewater treatment plant. Effective October 1, 2015, a new contract by and between the three cities replaced the separate contacts; and Texas city agreed with the other cities to reserve one-third of the Plants’ capacity for each City’s sole use, respectively, the contract may be terminated by mutual agreement of all parties or upon failure to perform obligations subject to cure and proscribed dispute resolution procedures. The term of each contract is 35 years. The plant has a total treatment capacity of 2.0 MGD. The plant also serves other Texas City customers in the area of the plant.

The Texas City has constructed facilities to divert its share of wastewater flows in excess of five hundred thousand gallons per day to the South Regional Wastewater Treatment Plant. Plans are currently being developed to make improvements to the treatment processes of the Waggoner Creek plant. Such improvements will not increase the total treatment capacity of the plant.

**Table 4 – Historical Wastewater Usage (Gallons)**

Fiscal Year	Average Daily Consumption in Gallons <sup>(1)</sup>
2019	12,480,000
2020	12,015,000
2021	12,246,000
2022	9,491,000
2023	13,361,000

<sup>(1)</sup> Includes flow from Texas City and City

For the Fiscal Year ended September 30, 2023, 90% of the Utility's (City and Texas City) sewer system customers were residential users and 10% were commercial users, although commercial customers provided 37% of the total sewer billings. During such Fiscal Year, no single sewer customer provided more than 7% of the Utility’s sewer revenue. Sewer utility billings are based upon customers’ water usage.

**Table 5 – Ten Largest Texarkana, Arkansas Sewer Customers**

Customer	Industry	Wastewater Revenue	% of Total Wastewater Revenue
Cooper Tire & Rubber Co.	Tire Manufacturer	\$807,741	16.90%
Beacon Point Apartments	Apartments	40,625	0.85%
Arkansas Dept of Community Corrections	Correctional Institute	185,604	3.88%
4717 County, LLC DBA Chapel Ridge Apts	Apartments	53,318	1.12%
The Pointe at Texarkana	Apartments	31,436	0.66%
Texarkana Arkansas School District	Public School	44,257	0.93%
Bailey Creek Health & Rehab	Medical	32,374	0.68%
River Run	Apartments	36,586	0.77%
Fox Creek Apartments	Apartments	27,133	0.57%
Clarion Hotel LaCrosse	Hotel	41,288	0.86%
Totals:		<u>\$1,300,362</u>	<u>27.21%</u>

**Table 6 – Sewer Customers**

The following table shows historical sewer customers for the City.

<b>Fiscal Year</b>	<b>Customer Accounts</b>
2019	9,076
2020	6,395
2021	7,157
2022	8,412
2023	9,030

**Rate Ordinance – Water and Sewer**

On August 1, 2022, the City Board of Directors adopted Ordinance 22-2022 providing for annual water and sewer rate increases beginning each October 1 up to and including October 1, 2025. The schedules of such rates for various City Utility customers are set forth in Appendix C. Water and Wastewater Service Charges.

On the first day of January of each year, beginning January 1, 2026 the water and sewer rates then in effect will be adjusted in an amount equal to the percentage change in the Consumer Price Index (“CPI”) statistics published by the United States Bureau of Labor, using the index entitled "Consumer Price Index - All Items and Major Group Figures for all Urban Consumers (CPI-U) South Region (1982-84 = 100)" (or the nearest comparable data on changes in the cost of living if such index is no longer published) as determined by comparison of the above-identified CPI figure for previously occurring January 1. This change will affect all minimum charges, volume charges, unmetered rates, and wholesale water rates. The ordinance provided however, that notwithstanding the foregoing, in no event shall the CPI provision operate to decrease any water or sewer rate.

**Financial Information**

The City currently reports its financial statements including its water and sewer system as of its fiscal year ending December 31, each year. The Utility currently reports its financial statements as of its fiscal year ending September 30, each year. Set forth in Appendix G to this Official Statement are the financial statements of the Utility for the fiscal year September 30, 2023, which has been audited by Forvis Mazars, LLP. The accountant’s report for those financial statements also appears in Appendix G. The notes set forth in those Appendices are an integral part of those financial statements, and the statements and notes should be read in their entirety. The Utility has not requested Forvis Mazars, LLP to perform any updating procedures subsequent to the dates of its audit report on the financial statements. Forvis Mazars, LLP has not performed any procedures relating to this Official Statement.

The following table summarizes the Utility’s revenues and expenses for past five fiscal years. The summary of revenue and expenses should be read in conjunction with the financial statements contained in the Appendices to this Official Statement.

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### Summary of Revenues and Expenses

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u> <u>Unaudited</u>
Operating Revenue	\$9,689,488	\$9,937,564	\$10,685,201	\$12,395,361	\$14,029,597
Non-Operating Revenue (Expense)	<u>(554,170)</u>	<u>(169,146)</u>	<u>(208,060)</u>	793,182	<u>(484,832)</u>
Total Revenue	9,135,318	9,768,418	10,477,141	13,188,543	13,544,765
Operating Expenses	(7,315,297)	(7,209,252)	(8,446,231)	(9,928,022)	(9,663,821)
Depreciation and Amortization	<u>(2,374,881)</u>	<u>(2,517,130)</u>	<u>(2,447,033)</u>	<u>(2,499,158)</u>	<u>(1,846,646)</u>
Total Expenses	(9,690,178)	(9,726,382)	(10,893,264)	(12,427,180)	(11,510,467)
Income (Loss) Before Transfers	(554,860)	42,036	(416,123)	761,363	2,034,297
Transfers Out:	(293,195)	(248,318)	(273,679)	(316,750)	(314,878)
Changes in Net Position	(848,055)	(206,282)	(689,802)	444,613	1,719,418

### Capital Improvement Plan

Proceeds of the Series 2025 Bonds, together with the proceeds of Series 2023 Bonds and other funding sources will be used to fund expenditures needed to help complete a five year capital improvement plan initiated in 2022. A final bond issuance in 2026 will provide the funds along with other funding sources to complete this \$53,483,404 capital improvement plan.

### SUMMARY OF PORTIONS OF THE SALE AGREEMENT

The following constitutes a summary of certain portions of the Sale Agreement. This summary does not purport to be complete and reference is made to the full text of the Sale Agreement for a complete description of its terms.

#### Basic Payments and Additional Payments

The City agrees to purchase from the Issuer certain water supply projects at a purchase price to the City equal to the aggregate amount of all payments required to be made by the Issuer under the Indenture to discharge the principal of, premium, if any, and interest on all Bonds Outstanding and any Additional Bonds issued with the approval of the City.

To secure its obligations under the Sale Agreement, the City pledges to the Issuer the Net Revenues collected and received from the operation of the System. The City is required to make monthly Basic Payments from Revenues in an amount sufficient to meet the deposit requirements of the Indenture, including specified deposits into the Bond Fund, the Operation and Maintenance Fund and the Debt Service Reserve Fund, if necessary to replenish any deficiency therein.

The City is also required to pay as Additional Payments all expenses necessarily incurred by the Issuer in connection with the exercise of the Issuer's rights and the discharge of the Issuer's obligations under the Sale Agreement and the Indenture, including the Trustee's fees and expenses, and all other payments which the City has agreed to pay or assume under the provisions of the Sale Agreement.

#### Operation of the Water Supply Project and System

Under the terms of the Sale Agreement, the City has possession of the Initial Project, the 1988 Project, 1994 Project, the 2023 Project, and the 2025 Project, subject to the right of the Issuer and Trustee to enter and inspect. During the term of the Sale Agreement, the City has agreed to maintain the Initial Project, the 1988 Project, 1994 Project, the 2023 Project, and the 2025 Project at its own expense and to keep all improvements forming a part of the Initial Project, the 1988 Project, 1994 Project, the 2023 Project, and the 2025 Project in good repair and in good operating condition by making such necessary repairs, renewals and replacements as may be required.

The City will have the right to make additions, modifications, and improvements to the System at any time without prior approval of the Issuer. However, all such improvements will become a part of the System.

The City agrees to operate their water and sewer systems in a sound and prudent manner, in conformity with accepted practices relating to municipal water and sewer systems. The City has also agreed that it will not permit any mechanics' or other liens to be established or remain against the Initial Project, the 1988 Project, 1994 Project, the 2023 Project, and the 2025 Project for labor or materials furnished by virtue of any extensions, modifications, improvements, repairs, renewals, or replacements. The City will bear, pay, and discharge all taxes and assessments, general and special, imposed upon or against the Initial Project, the 1988 Project, 1994 Project, the 2023 Project, and the 2025 Project.

### **Insurance**

The City shall, at its sole cost and expense, keep insured, or cause to be kept insured, the Initial Project, the 1988 Project, 1994 Project, the 2023 Project, and the 2025 Project and its waterworks and sewer system. The insurance shall cover such risks as are customarily insured against by other municipally owned utilities of like size and type. The proceeds of any insurance maintained by the City on its waterworks and sewer system shall be applied to the repair, replacement, and reconstruction of any damaged or destroyed facilities. The insurance required shall be maintained in full force and effect at all times while any Bonds are Outstanding.

### **Rates and Charges**

The City agrees that so long as there are any Outstanding Bonds under the Indenture, it will fix, establish, maintain and collect rates, fees and charges for water and sewer services of its waterworks and sewer system which are reasonably expected to yield Net Revenues of the System, computed as of the beginning of a Fiscal Year, equal to at least 125% of the average annual Aggregate Debt Service on all Bonds and Parity Obligations in each Fiscal Year; provided that such rates, fees and charges shall in any event produce Revenues sufficient to enable compliance by the City with its covenants under the Sale Agreement regarding Basic Payments and Additional Payments. The City covenants that it will not permit the taking of any action which could result in the levy and collection of water and sewer rates and charges less than those required to enable the City to comply with its covenants under the Sale Agreement. The City further covenants to take all necessary action to recover and collect rates and charges imposed by it to the end of insuring adequate annual collections and availability at all times of Revenues necessary to make the payments required by the Sale Agreement.

### **Parity Obligations**

Notwithstanding the pledge and assignment of Net Revenues of the System by the City to secure its obligations under the Sale Agreement, the City reserves the right to incur other indebtedness or obligations, secured on a parity with Series 2025 Bonds, for the purpose of providing betterments, improvements, extensions or additions to the System or any part thereof, pursuant to provisions of the laws of Arkansas, other than the Act, which permit a pledge of water and/or sewer revenues of the City to secure any such financings for such purposes (herein called "Parity Obligations"). Any such issuance of other Parity Obligations by the City shall be permitted only upon compliance with the provisions of the Sale Agreement.

The City shall be permitted to issue Parity Obligations only upon the filing with the Issuer and the Trustee of the following:

- (a) A copy, certified by the City Clerk, of the ordinance of the City authorizing the issuance, execution, delivery and performance of the Parity Obligations, together with a copy, certified by the City Clerk, of the most recently enacted ordinance or ordinances setting rates and charges with respect to the System as in effect on the date of delivery of the Parity Obligations to the original purchaser(s) thereof;
- (b) An opinion of counsel for the City stating that in the opinion of such counsel (i) the execution, delivery and performance by the City of the Parity Obligations are within the power of the City

and have been duly authorized, executed and delivered, (ii) the City's covenants under the authorizing ordinance(s) referred to in (a) above are in full force and effect and create a valid first lien pledge of the Net Revenues of the System, or any part thereof, on a parity with the pledge of Net Revenues securing Bonds and (iii) the execution, delivery and performance by the City of the Parity Obligations do not contravene, violate or constitute a breach of or default under any agreement, mortgage, indenture, instrument, law, regulation, decree, rule or order of any court or regulatory agency to which the City or any of the System is subject or may be bound;

- (c) An opinion of nationally recognized bond counsel for the City stating that in the opinion of such bond counsel the issuance of the Parity Obligations will not cause or result in the loss of the federal tax exempt status of the interest on Series 2025 Bonds;
- (d) A certificate of an Independent Accountant of similar tenor to the certificate required by the provisions of the Indenture relating to the issuance of Additional Bonds; and
- (e) Notwithstanding any other provision of the Sale Agreement, the provisions of the preceding paragraph shall not apply to any issue of Parity Obligations the proceeds of which are to be applied to pay (i) the costs of construction of any additions, repairs, renewals and replacements, improvements, expansions or corrections of any damage or loss to the System (or any part thereof) necessary, in the opinion of a Consulting Engineer (as expressed in a certificate delivered to the Trustee), to keep the System (or any part thereof) in good operating condition or to prevent a loss of Revenues therefrom to the extent that the cost thereof cannot reasonably be paid from System reserves, from insurance proceeds or from other available funds of the System, or (ii) the cost of any additions, improvements, repairs or modifications of the System required by any governmental agency having jurisdiction over the System other than the City or the Issuer.

The City may issue revenue bonds or other obligations payable from Net Revenues which are junior and subordinate to Series 2025 Bonds or the Parity Obligations, without regard to the requirements of the Sale Agreement relating to the issuance of Parity Obligations.

### **Repairs and Maintenance of the System**

As long as there are any Outstanding Bonds, the City shall, at no cost to the Issuer, keep and maintain its waterworks and sewer system in good and tenantable repair, order and condition, reasonable wear and tear excepted and will make all necessary repairs to the System.

### **Events of Default and Remedies**

Events of default under the Sale Agreement include (a) failure by the City to pay any Basic Payments when due; (b) failure by the City to pay or perform when due any other payment or obligation under the Sale Agreement and continuation thereof for sixty (60) days after notice given to the City by the Issuer or the Trustee, unless the Issuer and the Trustee shall agree to an extension of time; and (c) certain financial difficulties of the City, including dissolution, liquidation, bankruptcy and assignment for the benefit of creditors. Upon the occurrence of an event of default, the Issuer, with the consent of the Trustee, or the Trustee may (a) declare the unpaid balance of the purchase price for the Initial Project, and any Additional Project financed under the Sale Agreement, with interest thereon, and all other amounts payable by the City under the Sale Agreement, immediately due and payable; (b) proceed by action at law or in equity to collect the unpaid balance of the purchase price; and/or (c) take judicial action to foreclose the lien of the Sale Agreement, seek appointment of a receiver for the System, and/or pursue other available remedies of the Issuer or the Trustee.

### **Amendments to Sale Agreement**

The Sale Agreement may not be amended or supplemented without the express written consent of the Trustee. However, by reason of the provisions of the Indenture, the Trustee shall not consent to any such amendment, change or modification of the Sale Agreement without the prior approval or consent of the Owners of not less than two-thirds (2/3) in aggregate principal amount of Outstanding Bonds, unless it is for the purpose

of curing any ambiguity or formal defect or omission or making any other change therein which in the reasonable judgment of the Trustee is not to the prejudice of the Trustee or the Bondowners.

### **Special Covenant**

The City covenants in the Sale Agreement to take all steps necessary to cause the Issuer to comply with the rebate provisions of the Indenture in connection with the applicable arbitrage and rebate requirements under the Code.

## **SUMMARY OF PORTIONS OF THE INDENTURE**

The Indenture is a contract between the Issuer and the Trustee for the benefit of the Owners of Series 2025 Bonds. Under the Indenture, the Issuer has assigned to the Trustee all of the Issuer's right, title, and interest in the Sale Agreement, including the Revenues of the City pledged thereunder. Set forth below is a summary of certain portions of the Indenture which does not purport to be comprehensive, and reference is made to the full text of the Indenture for a complete description of its terms.

### **Certain Covenants**

The Issuer agrees, upon request of the Trustee, to enforce all covenants and obligations of the City under the Sale Agreement, and agrees that the Trustee, in its own name or in the name of the Issuer, may at any time enforce all rights of the Issuer and all obligations of the City under the Sale Agreement.

The Issuer and the Trustee mutually covenant that neither of them shall take, suffer or permit any action which may cause the interest payable on Series 2025 Bonds to be includable in gross income for federal income tax purposes, including any use of proceeds of the sale of Series 2025 Bonds directly or indirectly in such manner as to cause Series 2025 Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code.

### **Establishment of Funds**

The Indenture creates the Revenue Fund, Operation and Maintenance Fund, Bond Fund, Debt Service Reserve Fund and Rebate Fund.

Revenue Fund. All Revenues of the City derived from operation of the System will be deposited into the Revenue Fund. Moneys in the Revenue Fund will be applied monthly to make Basic Payments and Additional Payments as follows: First, to make necessary deposits to the Operation and Maintenance Fund; second, to make equal monthly deposits to the Bond Fund in amounts sufficient to satisfy each forthcoming interest and principal payment on all Outstanding Bonds; and third, to the Debt Service Reserve Fund in amounts necessary to cause the amount on deposit therein to equal the Debt Service Reserve Fund Requirement. If and to the extent that a surplus exists in the Revenue Fund after making all necessary deposits to the Funds maintained under the Indenture, and if there are no deficiencies therein, the City may use such surplus for any proper public purpose related to the System, including but not limited to the making of betterments, improvements and additions to the System, or to the purchase or redemption of Outstanding Bonds.

Operation and Maintenance Fund. Moneys in the Operation and Maintenance Fund will be used to pay reasonable and monthly expenses of operation, repair, and maintenance of the System.

Bond Fund. Moneys on deposit in the Bond Fund are to be used to pay the principal of, premium, if any, and interest on Series 2025 Bonds as the same become due, whether at maturity, by Sinking Fund Installment, or by reason of prior redemption. There will be deposited in the Bond Fund all accrued interest from the date of the Series 2025 Bonds to the date of delivery thereof to the Underwriter. There will also be deposited in the Bond Fund, as and when received from time to time, the applicable portion of Basic Payments made by the City pursuant to the Sale Agreement, and all other moneys received by the Trustee under the Sale



Agreement or the Indenture when accompanied by directions that such moneys are to be deposited in the Bond Fund.

The Issuer authorizes and directs the Trustee in the Indenture to withdraw sufficient funds from the Bond Fund to pay the principal of, premium, if any, and interest on Series 2025 Bonds as the same become due and payable.

Debt Service Reserve Fund. Reference is made to the caption “SECURITY FOR SERIES 2025 BONDS – Debt Service Reserve Fund” herein for a summary of the provisions of the Indenture regarding the Debt Service Reserve Fund.

Rebate Fund. The Rebate Fund is created in connection with the Issuer’s covenants in the Indenture to comply with the arbitrage and rebate requirements of the Code.

### **Investments**

Moneys held for the credit of a fund or account held by the Trustee, except the Bond Fund, shall, upon direction by a duly designated representative of the Issuer, be invested and reinvested by the Trustee in Investment Obligations having maturity dates, or subject to redemption by the owner at the option of the owner, on or prior to the dates the funds will be needed as reflected by a statement of an Authorized City Representative, which statement must be on file with the Trustee prior to any investment. The Issuer will cause the City to invest or cause to be invested moneys not needed by the Trustee. Moneys held for the credit of the Bond Fund shall, to the extent practicable, be invested or reinvested in Investment Obligations which will mature, or which will be subject to redemption by the owner thereof at the option of the owner, not later than the date or dates on which the money held for credit of the Bond Fund shall be required for the purposes intended. The Trustee shall invest and reinvest pursuant to instructions from an Authorized City Representative. Obligations so purchased as an investment of moneys in any such fund or account shall be deemed at all times a part of such fund or account. Any profit realized from such investments shall be credited to the fund or account and any loss shall be charged to such fund or account; provided, however, that interest earnings on investments of moneys in the Operation and Maintenance Fund may, at the direction of the City, be deposited in the Revenue Fund.

The Value of investments of funds under the Indenture shall be determined as of the last day of each month.

The Issuer covenants in the Indenture to restrict the yield on certain investments and to rebate excess earnings on other investments as is necessary to comply with the arbitrage and rebate requirements of the Code.

### **Defaults and Remedies**

Events of default under the Indenture include failure by the Issuer to make any payment of interest, principal or premium when due; failure by the Issuer to make any required payments into the Bond Fund; and failure by the Issuer to perform any other of its covenants, agreements or conditions under the Indenture continued for sixty days. Upon the occurrence of an event of default, the Trustee may, and upon the written request of the Owners of not less than 25% in aggregate principal amount of all Bonds then Outstanding shall, declare the principal of and accrued interest on all Outstanding Bonds immediately due and payable. The Trustee may (and, if requested to do so by the Owners of at least 25% in aggregate principal amount of Series 2025 Bonds then Outstanding and if properly indemnified, shall) also take such other action as it, being advised by counsel, shall deem most expedient in the interest of the Bondowners.

### **Supplemental Indentures**

The Issuer and the Trustee may, without the consent of the Bondowners, enter into indentures supplemental to the Indenture (a) to cure any ambiguity or formal defect or omission in the Indenture; (b) to grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers,

authority or security; (c) to subject to the lien and pledge of the Indenture additional revenues, properties or collateral; or (d) in connection with the issuance of Additional Bonds. With the consent of the Owners of not less than 66-2/3% in aggregate principal amount of all Bonds then Outstanding, the Issuer and the Trustee may enter into such other supplemental indentures as the Issuer shall deem necessary and desirable, provided that there shall be no extension of maturity dates of the principal or interest on Series 2025 Bonds, reduction in the principal amount or rate of interest on any Bonds, creation of a lien upon the mortgaged properties superior to or on a parity with the lien created by the Indenture, depriving any Bondowner of the security afforded by the Indenture, permitting a privilege or priority of any Bond over any other Bond or reduction in the aggregate principal amount of Series 2025 Bonds required for consent to such supplemental indenture.

## **CONTINUING DISCLOSURE**

### **Continuing Disclosure Agreement**

The City will enter into a Disclosure Agreement which is being executed and delivered for the benefit of the Bondowners and to assist the Underwriter in complying with Section (b)(5)(i) of the Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934. See APPENDIX E- FORM OF CONTINUING DISCLOSURE AGREEMENT attached hereto.

### **Prior Disclosure Obligations**

During the past five years, the City has been obligated to comply with continuing disclosure agreements, related to eight bond issues issued by the City or the Issuer (the "Prior Disclosure Agreements"). The Prior Disclosure Agreements require the City to file certain information with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system ("EMMA"). All of the Prior Disclosure Agreements required the City to file annual reports that included (i) certain financial and operating data ("Operating Data") and (ii) audited financial statements ("Audits") within various time periods set forth in the agreements. The Prior Disclosure Agreements also required the City to file notices of the occurrence of certain significant events ("Material Events"). According to information obtained by the Underwriter, the City's past compliance with undertakings during that period is as follows.

During the aforementioned five-year period, the Issuer had two Water and Wastewater bond issues outstanding for which the City made continuing disclosure undertakings. For those two issues the City was late filing: (i) Operating Data in two years (437 days and 802 days late); (ii) Audits in all five years (ranging from 1 day to 321 days late); and (iii) Material Event reports in two years (6 days and 11 days late). During such period, the City had five Franchise Fee Revenue Bond issues outstanding. The City was late filing common information for those Franchise Fee bond issues as follows: (i) Operating Data in three years (3 days, 75 days, and 93 days late); and (ii) Audits in four years (ranging from 1 day to 38 days late). During such period, the City had one Limited Tax Bond issue outstanding and was late in filing Audits in four years (ranging from 1 day to 11 days late). The City has failed to file required continuing disclosure documents when due June 28, 2024, for both the Franchise Fee Bonds and the Limited Tax Bond. In 2024 the City experienced a change in staff positions that include two of the three members of the Disclosure Working Group established pursuant to the City's Continuing Disclosure Policies and Procedures adopted by the City Board of Directors January 22, 2019. Those staff members have been made aware of their responsibilities under those Policies and Procedures and will make the required filings at the earliest possible date. In 2024, the City has complied in all material respects with its undertakings in relation to the Issuer's bonds.

## **UNDERWRITING**

Under a bond purchase agreement entered into by and among the Issuer and the Underwriter, the Series 2025 Bonds are being purchased at a price equal to \$24,341,584.25 (representing the stated principal amount of the Series 2025 Bonds plus a net reoffering premium of \$1,343,884.25 and less an underwriting discount of \$232,300.00, for reoffering by the Underwriter. The bond purchase agreement provides that the Underwriter will purchase all of the Series 2025 Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2025 Bonds is subject to various conditions contained in the bond purchase agreement, including the absence of pending or threatened litigation questioning the validity of the Series 2025 Bonds or

any proceedings in connection with the issuance thereof and the absence of material adverse changes in the financial or business condition of the Utility.

The Underwriter intends to offer the Series 2025 Bonds to the public initially at the offering prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2025 Bonds to the public. The Underwriter may offer and sell Series 2025 Bonds to certain dealers (including dealers depositing Series 2025 Bonds into investment trusts) at prices lower than the public offering price.

## **TAX MATTERS**

### **Federal Income Taxes**

In the opinion of Rose Law Firm, a Professional Association, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2025 Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the City and the Issuer with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2025 Bonds. Failure to comply with such requirements could cause interest on the Series 2025 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2025 Bonds. The City and the Issuer have covenanted to comply with such requirements.

Prospective purchasers of Series 2025 Bonds should be aware that owners of the Series 2025 Bonds may result in collateral federal income tax consequences to certain taxpayers including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred, certain expenses allocable to the Series 2025 Bonds. Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Series 2025 Bonds should consult their tax advisors regarding collateral federal income tax consequences.

*Original Issue Discount.* The initial public offering prices of the Series 2025 Bonds maturing on September 1, 2049 (the “Discount Bonds”), are less than the principal amounts payable at maturity for such Bonds, and as a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering prices of the Discount Bonds as set forth on the inside cover page of this Official Statement (assuming they are the first prices at which a substantial amount of each such maturity are sold) (the “Issue Price” for each such maturity), and the amounts payable at maturity of the Discount Bonds will be treated as “original issue discount.” A taxpayer that purchases a Discount Bond in the initial public offering at the Issue Price for such maturity and that holds such Discount Bond to maturity may treat the full amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes and will not, under present federal income tax law, realize taxable capital gain upon payment of the Discount Bond at maturity.

The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Discount Bonds on the basis of the yield to maturity determined on the basis of compounding at the end of each six-month period (or shorter period from the date of the original issue) ending September 1 and March 1 (with straight line interpolation between compounding dates).

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of original issue discount accruing each period will be added to the owner’s tax basis for the

Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, redemption, or payment at maturity). Owners of the Discount Bonds that dispose of Discount Bonds prior to maturity should consult their tax advisors as to the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bonds prior to maturity.

The original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. Owners of any Discount Bonds should be aware that the accrual of original issue discount in each year may result in a tax liability from these collateral tax consequences even though the owners of such Discount Bonds will not receive a corresponding cash payment until a later year.

Owners that purchase Discount Bonds in the initial public offering but at a price different from the Issue Price for such maturity should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

The Code and Treasury Regulations contain certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. Owners that do not purchase Discount Bonds in the initial public offering should consult their own tax advisors with regard to the other tax consequences of owning the Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning Discount Bonds. It is possible under the applicable provisions governing the determination of state and local income taxes that accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

*Original Issue Premium.* The Series 2025 Bonds maturing in the years 2026 through 2044 are being sold at a premium. An amount equal to the excess of the purchase price of a Series 2025 Bond over its stated redemption price at maturity constitutes premium on such Series 2025 Bond. A purchaser of a Series 2025 Bond must amortize any premium over such Series 2025 Bond's term using constant yield principles, based on the Series 2025 Bond's yield to maturity (or, in the case of premium bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the purchaser's basis in such Series 2025 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such Series 2025 Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Series 2025 Bond at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to state and local tax consequences of owning such Series 2025 Bonds.

It is not an event of default on Series 2025 Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2025 Bonds.

## **State Taxes**

Bond Counsel is of the opinion that, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2025 Bonds is exempt from all state, county, and municipal taxes in the State of Arkansas.

Purchasers of the Series 2025 Bonds should consult their tax advisors with respect to the State and local consequences of owning the Series 2025 Bonds.

### **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2025 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2025 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular lawsuit will be resolved, or whether the Series 2025 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2025 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives, or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial authorities as of the date of issuance and delivery of the Series 2025 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives, or litigation.

## **LEGAL MATTERS**

### **Legal Opinions**

Legal matters incident to the authorization and issuance of the Series 2025 Bonds are subject to the unqualified approving opinion of Rose Law Firm, a Professional Association, Little Rock, Arkansas, Bond Counsel, whose approving opinion will be delivered with the Series 2025 Bonds and a form of which is attached hereto as Appendix B. Certain matters will be passed upon for the Issuer and the City by Joshua Potter, City Attorney.

Bond Counsel has participated in the preparation, and has reviewed those portions, of this Official Statement pertaining to the Series 2025 Bonds, the tax status of interest on the Series 2025 Bonds and the provisions of the Sale Agreement, the Indenture and the Series 2025 Disclosure Agreement, including the materials contained and matters of law discussed under the captions "THE SERIES 2025 BONDS," "SECURITY FOR SERIES 2025 BONDS," "SUMMARY OF PORTIONS OF THE SALE AGREEMENT," "SUMMARY OF PORTIONS OF THE INDENTURE," "SUMMARY OF PORTIONS OF THE SERIES 2025 DISCLOSURE AGREEMENT" and "TAX MATTERS" and in the "FORM OF BOND COUNSEL OPINION" in Appendix B. Bond Counsel has not been retained to pass upon, and will not express any opinion upon, any other information contained in this Official Statement.

### **Litigation**

There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Series 2025 Bonds or questioning or affecting the legality of the Series 2025 Bonds or the proceedings and authority under which the Series 2025 Bonds are to be issued or questioning the right of the Issuer to enter into the Indenture and the Sale Agreement or to issue the Series 2025 Bonds.

Other than as set forth above, there is no material litigation currently pending, or to management's knowledge threatened, against the Utility or the System properties.

### **Bankruptcy**

The City is authorized by State law to file for bankruptcy under the United States Bankruptcy Code.

## **RATINGS**

S&P Global Ratings, a business unit of Standard and Poor’s Financial Services, LLC (“S&P”) a subsidiary of The McGraw-Hill Companies, Inc., is expected to assign the insured ratings to the Series 2025 Bonds as indicated on the cover page, based upon the issuance of the 2025 Policy to be issued by AG at the time of delivery of the Series 2025 Bonds.

Such ratings reflect only the view of S&P at the time such ratings were given. An explanation of the significance of the ratings may be obtained from S&P. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by S&P if in its judgment circumstances so warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2025 Bonds.

None of the Issuer, the City nor the Underwriter has undertaken any responsibility subsequent to the issuance of the Series 2025 Bonds to assure the maintenance of the ratings or to oppose any revision or withdrawal of the ratings. No application has been made to any rating agency other than S&P for a rating on the Series 2025 Bonds.

## **PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS**

### **Pension Plans**

The City has elected to participate in Social Security coverage as well as the following retirement plans for employees of the Utility: (i) and the Texarkana Arkansas Water Utilities Employment Retirement System (“TAWUERS”) and the Texas Municipal Retirement System Plan No. 3 (“TMRS”). Both plans offer retirement, disability, and death benefits to plan members. Certain employees of the City water and sewer system have been covered by TAWUERS, a single employer defined benefit pension plan, after completion of one year of service. However, there are no new participants in TAWUERS on and after November 15, 2000. An amendment froze that plan as of that date and all active participants are 100% vested. No employee could become a participant of TAWUERS after November 15, 2000.

Substantially all of the Utility’s full-time employees are eligible for TMRS. All eligible employees of the Utility are required to participate in TMRS. TMRS is a nontraditional, joint contributory, hybrid agent multiple-employer defined benefit plan administered by the Texas Municipal Retirement System that acts as a common investment and administrative agent for participating municipalities.

A detailed description of these plans, along with the Utility’s required contributions to each plan, are represented in the Note 9 to the Utility’s Audited Basic Financial Statements of Texarkana Water Utilities (Enterprise Funds of the City of Texarkana, Arkansas and City of Texarkana, Texas) for the fiscal year ended September 30, 2023, included as Appendix G of this Official Statement.

### **Other Post-Employment Benefits**

The Utility has obligations to its employees for post-employment benefits other than pensions, accounted for pursuant to the Government Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75). The Utility’s OPEB liabilities and associated contributions are represented in Note 10 to the Utility’s Audited Basic Financial Statements of Texarkana Water Utilities (Enterprise Funds of the City of Texarkana, Arkansas and City of Texarkana, Texas) for the fiscal year ended September 30, 2023, included as **APPENDIX G** of this Official Statement.

**MISCELLANEOUS**

The Utility has furnished the information in this Official Statement relating to the System and the operation thereof. The Underwriter has furnished the information in this Official Statement with respect to the public offering price of the Series 2025 Bonds and the information under the caption "UNDERWRITING."

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

**ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT**

The information contained in this Official Statement has been taken from sources considered to be reliable but is not guaranteed. To the best of the knowledge of the Issuer, this Official Statement does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated herein, or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Official Statement has been duly authorized by the Issuer and the City.

**CITY OF TEXARKANA, ARKANSAS  
PUBLIC FACILITIES BOARD**

By: /s/ Tyler Richards  
Tyler Richards, Chair

## APPENDIX A

### DEFINITIONS OF CERTAIN DEFINITIONS

Following are certain definitions of terms as used in this Official Statement, in the Sale Agreement and Indenture, and in the summaries thereof contained herein.

“Act” – Act No. 142 of the General Assembly of the State of Arkansas, for the year 1975, as amended, known as “The Public Facilities Boards Act.”

“Additional Bonds” - Any series of bonds issued under the provisions of Article II of the Indenture ranking on a parity of security with Bonds of another series, including the Series 2007 Bonds, the Series 2023 Bonds, and the Series 2025 Bonds, and with Parity Obligations.

“Additional Payments” - The payments required under Section 4.4 of the Sale Agreement with respect to Trustee and Paying Agent fees and expenses and expenses incurred by the Issuer.

“Additional Project” - Any Water System Project or any Sewer System Project.

“Aggregate Debt Service” - For any period shall mean, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all series of Bonds and Parity Obligations.

“Authorized City Representative” - The person at the time designated to act on behalf of the City by written certificate furnished to the Issuer and the Trustee containing the specimen signature(s) of such person(s) and signed on behalf of the City by its Mayor. Such certificate may designate an alternate or alternates.

“Basic Payments” - The monthly payments to be made by the City under Section 4.3 of the Sale Agreement in the amounts required to be paid into the Bond Fund, Debt Service Reserve Fund, and Operation and Maintenance Fund.

“Bond Fund” - The fund so designated which is established by Section 502 of the Indenture.  
“Bondowner” or “Owner” – The registered owner of any Bond issued under the Indenture.

“Bonds” or “bonds” - Any bonds issued and Outstanding under the Indenture, including the Series 2007 Bonds, the Series 2025 Bonds, and any Additional Bonds.

“City” – The City of Texarkana, Arkansas.

“Cities” – The City and the Texas City.

“Code” - The Internal Revenue Code of 1986, as amended, of the United States of America, and the regulations proposed or issued thereunder by competent authority.

“Consulting Engineer” - An individual or firm of independent consulting engineers having recognized experience in municipal water and sewer systems, not in the regular employ of the City or Issuer (but may be a regular outside consulting engineer for either of them). Different Consulting Engineers may be employed for different purposes or services provided by the System.

“Debt Service” - For any period shall mean, as of any date of calculation and with respect to any series of Bonds or Parity Obligations, an amount equal to the sum of (a) interest accruing during such period on Bonds of such series or Parity Obligations, except to the extent that such interest is to be paid from deposits made from sale proceeds into the Bond Fund or other authorized debt service fund and (b) that portion of each Principal Installment for such series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such series



(or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of Series 2025 Bonds or Parity Obligations of such series whichever date is later). Such interest and Principal Installment for such series of Bonds or Parity Obligations shall be calculated on the assumption that no Bonds or Parity Obligations of such series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

“Debt Service Reserve Fund” - The fund so designated which is established by Section 502 of the Indenture.

“Existing System” - All water and sewer utility properties and assets to which legal title is vested in the City on the original date of the Indenture.

“Fiscal Year” - The 12-month period used, at any time, by the City for System accounting purposes, which may but need not be the calendar year.

“Improvement Bonds” - Any Bonds issued pursuant to Section 204 of the Indenture to finance System improvements.

“Indenture” The Trust Indenture dated as of October 15, 1985, as supplemented and amended by a First Supplemental Trust Indenture dated as of March 1, 1987, a Second Supplemental Trust Indenture dated as of May 1, 1988, a Third Supplemental Trust Indenture dated as of April 1, 1994, a Fourth Supplemental Trust Indenture dated as of July 1, 1997, a Fifth Supplemental Trust Indenture dated as of September 1, 2002, a Sixth Supplemental Trust Indenture dated as of June 1, 2007, a Seventh Supplemental Trust Indenture dated September 14, 2023 and an Eighth Supplemental Trust Indenture as of the date of delivery of the Series 2025 Bonds, all between the Issuer and the Trustee.

“Independent Accountant” - An individual or firm of independent certified public accountants having recognized experience in municipal water and sewer systems, licensed to practice public accounting, not in the regular employ of the City or Issuer (but may be a regular outside accountant for either of them). Different Independent Accountants may be employed for different purposes or services provided by the System.

“Initial Project” or “Arkansas Water Supply Project” - The facilities embodied in the acquisition and construction of certain water supply, transmission, treatment, and distribution facilities in connection with the securing and developing of a source of water for municipal or industrial use from Millwood Reservoir in portions of Little River and Hempstead Counties, Arkansas, for the benefit of the City and residents and inhabitants of the surrounding area. The Initial Project was financed and refinanced by the City’s and the Issuer’s Bonds and Refunding Bonds, the Outstanding balance of which was refunded by portions of the proceeds of the Series 2007 Bonds.

“Investment Obligations” - Any of the following:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below);
- (2) U.S. Government Obligations;
- (3) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
  - Export-Import Bank
  - Farm Credit System Financial Assistance Corporation
  - Rural Economic Community Development Administration (formerly the Farmers Home Administration)
  - General Services Administration
  - U.S. Maritime Administration
  - Small Business Administration
  - Governmental National Mortgage Association (GNMA)
  - U.S. Department of Housing and Urban Development (PHA’s)

- Federal Housing Administration
  - Federal Financing Bank;
- (4) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
- Senior debt obligations rated “Aaa” by Moody’s and “AAA” by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
  - Obligations of the Resolution Funding Corporation (REFCORP)
  - Senior debt obligations of the Federal Home Loan Bank System
  - Senior debt obligations of other federal agencies rated “Aaa” by Moody’s and “AAA” by S&P;
- (5) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1+” by S&P, or deposits and repurchase agreements that are fully collateralized or involve investments described in paragraphs (2) – (4) above, and maturing no more than 360 calendar days after the date of purchase;
- (6) Investments in a money market funds or cash management programs that invest only in investments listed in paragraphs (1) – (5) above;
- (7) Municipal obligations rated “Aaa/AAA” or general obligations of states with a rating of at least “A2/A” or higher by both Moody’s and S&P; and
- (8) Investment agreements with financial entities having a rating by S&P of not less than “AA” or by Moody’s of not less than “Aa3.”

“2025 Insurer” or “AG” – Assured Guaranty Inc., a Maryland domiciled financial guaranty company, or any successor thereto or assignee thereof.

“Issuer” – The City of Texarkana, Arkansas Public Facilities Board.

“Member Cities” – Those cities entering into water supply contracts with the Texas City as described under the caption “THE UTILITIES AND THE SYSTEM – Water Supply Contracts with Member Cities” herein.

“Net Revenues” - Revenues less Operating Expenses for any particular time period.

“Operating Expenses” - All ordinary and necessary expenses of operating and maintaining the System for any time period including all items of expense properly attributable to operation and maintenance of the System under generally accepted accounting principles applicable to municipally owned and/or operated water and sewer systems. Notwithstanding the foregoing, operating expenses shall not include depreciation.

“Operation and Maintenance Fund” - The fund so designated which is established in Section 502 of the Indenture.

“Outstanding” – All Bonds which have been authenticated and delivered under the Indenture except:

- (a) Bonds cancelled because of redemption or payment prior to maturity;
- (b) Bonds for the payment or redemption of which cash or U.S. Government Obligations shall have been deposited with the Trustee, provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or satisfactory provision shall have been made therefore; and
- (c) Bonds in lieu of which other Bonds have been authenticated upon destruction or loss as provided in the Indenture.

“Parity Bonds” - The Outstanding Series 2007 Bonds, the Series 2023 Bonds and Series 2025 Bonds and any subsequently issued Additional Bonds.

“Parity Obligations” - Obligations of the City, issued on a parity with Series 2025 Bonds as to payment and security in accordance with Article VII of the Sale Agreement.

“Paying Agent” – The bank or trust company named by the Issuer as the place at which the principal of and interest on Series 2025 Bonds is payable. The current Paying Agent is the Trustee.

“Permitted Encumbrances” With respect to the Trust Estate as of any particular time, the following:

- (a) the Sale Agreement, the Water System Agreement, the Indenture, and any financing statements filed for the purpose of perfecting a security interest in the Trust Estate under the Indenture;
- (b) liens for taxes, assessments, and other governmental charges not then delinquent or which can be paid without penalty;
- (c) any mechanic’s, laborer’s, materialman’s, supplier’s or vendor’s liens or rights in respect thereof, if payment shall not yet be due under the contract in question;
- (d) easements, restrictions, mineral, oil and gas rights and reservations, zoning laws and minor defects, irregularities, encumbrances, utility, access and other easements, rights-of-way and clouds on title as normally exist with respect to property and to which the System may be subject because of their acquisition, construction, and installation as part of the System; and
- (e) liens arising in connection with worker’s compensation, unemployment insurance, statutory obligations, or social security legislation; undetermined liens and charges incidental to construction, or other similar charges arising in the ordinary course of operation and not overdue.

"2025 Policy" - the insurance policy issued by the 2025 Insurer guaranteeing the scheduled payment of principal of and interest on Series 2025 Bonds when due.

“Principal Installment” As of any date of calculation and with respect to any series of Bonds or Parity Obligations, so long as any thereof are Outstanding, (a) the principal amount of Bonds or Parity Obligations of such series due on a certain future date for which no Sinking Fund Installments have been established, or (b) the unsatisfied balance (determined as provided in subsection 3 of Section 512 of the Indenture) of any Sinking Fund Installments due on a certain future date for Bonds or Parity Obligations of such series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds or Parity Obligations on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments or (c) if such future dates coincide as to different Bonds or Parity Obligations of such series, the sum of such principal amount of Bonds or Parity Obligations and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

“1988 Project” - The water treatment, transmission and distribution facilities for the City acquired, constructed, and equipped with proceeds of the Issuer’s Bonds. The 1988 Project was financed and refinanced by the Issuer’s Bonds and Refunding Bonds, the Outstanding balance of which has been refunded by portions of the proceeds of the Series 2007 Bonds.

“1994 Project” - The acquiring, constructing, and equipping of certain capital improvements to the water and sewer treatment, transmission, and distribution facilities of the City. The 1994 Project was financed and refinanced by the Issuer’s Bonds and Refunding Bonds, the Outstanding balance of which have been refunded by a portion of the proceeds of the Series 2007 Bonds.

“2023 Project” Includes a Water System Project and a Sewer System Project involving certain capital improvements to the water and sewer treatment, transmission, and distribution facilities of the City.

“2025 Project” – Includes a Water System Project and a Sewer System Project involving certain capital improvements to the water and sewer treatment, transmission, and distribution facilities of the City.

“Record Date” – The fifteenth day of the calendar month preceding any interest payment date.

“Refunding Bonds” - Any Bonds issued pursuant to Section 205 of the Indenture to refund Outstanding Bonds of the Issuer.

“Revenue Fund” - The fund created by Section 502 of the Indenture.

“Revenues” - All gross income, fees, charges, receipts, profits and other moneys derived by the City from its ownership or operation of the System, including, without limiting the generality of the foregoing (a) all income, fees, charges, receipts, profits and other moneys derived from the sale, furnishing or supplying of the services and facilities of the System (including particularly the payments received or receivable from the City of Texarkana, Texas under the Water System Agreement); (b) the investment income on all funds held under the Indenture and the income from the investment of any other moneys derived from the ownership or operation of the System; but Revenues shall not include customers’ deposits or any other deposits subject to refund, until such deposits have become the property of the City.

“Sale Agreement” the Sale Agreement dated as of October 15, 1985, as supplemented and amended by a First Supplemental Sale Agreement dated as of March 1, 1987, a Second Supplemental Sale Agreement dated as of May 1, 1988, a Third Supplemental Sale Agreement dated as of April 1, 1994, a Fourth Supplemental Sale Agreement dated as of July 1, 1997, a Fifth Supplemental Sale Agreement dated as of September 1, 2002, a Sixth Supplemental Sale Agreement dated as of June 1, 2007, a Seventh Supplemental Sale Agreement dated as of September 14, 2023, and an Eighth Supplemental Sale Agreement dated as of the date of delivery of the Series 2025 Bonds, all between the Issuer and the City

“Series 2004B Bond” The Issuer’s \$3,830,000 original principal amount Water Facilities Improvement Revenue Bond, Series 2004B

“Series 2007 Bonds” - The Issuer’s \$9,085,000 original principal amount Waterworks and Sewer Facilities Revenue Refunding Bonds, Series 2007, as issued and from time to time Outstanding under the Indenture.

“Series 2023 Bonds” - The Issuer’s \$20,655,000 original principal amount Waterworks and Sewer Facilities Revenue Bonds, Series 2023, as issued and from time to time Outstanding under the Indenture.

“Series 2025 Bonds” - The Issuer’s \$20,230,000 original principal amount Waterworks and Sewer Facilities Revenue Bonds, Series 2025, as issued and from time to time Outstanding under the Indenture.

“Series 2025 Disclosure Agreement” – The Continuing Disclosure Agreement dated as of the date of delivery of the Series 2025 Bonds, executed and delivered by the City.

“Sewer System Project” - Any one or more improvements, betterments, enlargements, reconstructions, extension and repairs of that portion of the System relating to sewer services acquired or constructed by or on behalf of the City and permitted by law, including but not limited to sewers, conduits, pipelines, mains, pumping and ventilating stations, sewage treatment or disposal systems, plants and works, connections, outfalls, compensating reservoirs, and other plants, structures, boats, conveyances and other real and personal property, and rights therein, and appurtenances necessary or useful and convenient for the collection, treatment, purification or disposal in a sanitary manner of any sewage, liquid or solid waste, night soil, or industrial wastes, any additions, repairs, renewals and replacements, improvements, expansions or corrections of any damage or loss to that portion of the System relating to sewer services (or any part thereof) necessary, in the opinion of a Consulting Engineer (as expressed in a certificate delivered to the Trustee), to keep such portion of the System (or any part thereof) in good operating condition or to prevent a loss of revenue therefrom to the extent that the cost thereof cannot reasonably be paid from System reserves or from insurance proceeds or to comply with the requirements of any governmental agency having jurisdiction over such portion of the System (other than the City) and any acquisitions of land or water supplies or rights with respect thereto and preliminary and developmental work in connection with the planning and development of sewerage resources or the determination of the feasibility thereof, including engineering, legal and financial studies and applications for permits, licenses and approvals; or any one or more of the foregoing; in each of the cases mentioned above, together with all rights, interests and facilities of every kind related or incidental thereto or necessary or desirable to carry out such Sewer System Project.

“Sinking Fund Installment” - With respect to (a) Series 2025 Bonds, an amount designated which is established pursuant to Section 301 of the Indenture, and (b) with respect to any Additional Bonds, an amount so designated which is established pursuant to the supplemental indenture securing such Bonds.

“State” - The State of Arkansas.

“Subordinate Bond” The Series 2004B Bond.

“System” - The Existing System, the any Water System Project or Sewer System Project.

“Texas City” – The City of Texarkana, Texas.

“Trust Estate” - “property, herein conveyed” - The property, revenues, rights, and interests of the Issuer which are subject to the lien of the Indenture and the security interests granted by the Indenture as the same may now or thereafter exist or come into being.

“Trustee” - The Trustee for the time being, whether original or successor, with the present Trustee being Regions Bank, Little Rock Arkansas. The Trustee is also the registrar for Series 2025 Bonds and a Paying Agent.

“U.S. Government Obligations” - Direct obligations of (including obligations issued or held in book entry form on) the books of the Department of the Treasury of the United States of America.

“Underwriter” – The underwriter of the Series 2025 Bonds, Stephens Inc., Little Rock, Arkansas.

“Unissued Bonds”- At any date, Bonds not theretofore issued and not then being issued, but which a Consulting Engineer or Independent Accountant estimates will be required to be issued to complete the payment of the known or anticipated costs of construction of the System.

“Unissued Parity Obligations” - At any date, Parity Obligations not theretofore issued and not then being issued, but which a Consulting Engineer or Independent Accountant estimates will be required to be issued to complete the payment of the known or anticipated costs of construction of the System.

“Utility” – Texarkana Water Utilities, a jointly owned department of the City and the Texas City charged with maintaining and operating the Cities’ waterworks and sewer systems.

“Value” – which shall be determined as of the last day of each month, means that value of any Investment Obligation, which shall be calculated as follows:

- (a) For securities:
  - (1) the closing bid price quoted by Interactive Data Systems, Inc.; or
  - (2) a valuation performed by a nationally recognized and accepted pricing service whose valuation method consists of the composite average of various bid price quotes on the valuation date; or
  - (3) the lower of two dealer bids on the valuation date. The dealers or their parent holding companies must be rated at least investment grade by Moody’s and S&P and must be market makers in the securities being valued;
- (b) As to certificates of deposit, repurchase agreements and bankers’ acceptances; the face amount thereof, plus accrued interest; and
- (c) As to any investment not specified above: the value thereof established by prior agreement between the Issuer and the Trustee.

“Water System Agreement” - The Amended and Restated Water System Agreement dated as of October 15, 1985 by and between the City and the Texas City and pertaining to the agreement of the City to supply treated water to the Texas City from the Initial Project, in return for the agreement of the Texas

City to pay for a portion of the treated water derived from the Initial Project, and otherwise to bear a proportionate share of the cost of the portion of the annual principal and interest requirements with respect to the Series 2007 Bonds relating any interest thereon, and other costs associated with acquisition of the Initial Project.

“Water System Project” - Any one or more improvements, betterments, enlargements, reconstructions, extensions and repairs of that portion of the System relating to water services acquired or constructed by or on behalf of the City and permitted by law, including but not limited to water supply systems, water distribution systems, including plants, works, instrumentalities or parts thereof and appurtenances thereto, lands, easements, rights in land, personal properties (including equipment and appliances) and water rights, rights-of-way, contract rights, franchises, approaches, connections, dams, reservoirs, water mains and pipelines, utility installations, pumping stations and equipment, any additions, repairs, renewals and replacements, improvements, expansions or corrections of any damage or loss to that portion of the System relating to water sewers (or any part thereof) necessary, in the opinion of a Consulting Engineer (as expressed in a certificate delivered to the Trustee), to keep such portion of the System (or any part thereof) in good operating condition or to prevent a loss of revenues therefrom to the extent that the cost thereof cannot reasonably be paid from System reserves or from insurance proceeds or to comply with the requirements of any governmental agency having jurisdiction over such portion of the System (other than the City) and preliminary and developmental work in connection with the planning and development of water resources or the determination of the feasibility thereof, including engineering, legal and financial studies and applications for permits, licenses and approvals, or any one or more of the foregoing in each of the cases mentioned above, together with all rights, interests and facilities of every kind related or incidental thereto or necessary or desirable to carry out such Water System Project.

## **APPENDIX B**

### **BOOK ENTRY ONLY SYSTEM**

The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Series 2025 Bonds. The Series 2025 Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2025 Bond certificate for each maturity will be issued in the principal amount of the maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2025 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for Series 2025 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2025 Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2025 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Series 2025 Bonds, except in the event that use of the book-entry system for Series 2025 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2025 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2025 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of Series 2025 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent only to Cede & Co. If fewer than all of Series 2025 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2025 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2025 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on Series 2025 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2025 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2025 Bonds are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2025 Bonds will be printed and delivered.

The information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Underwriters nor the Issuer make any representation or warranty regarding the accuracy or completeness thereof.

So long as the Series 2025 Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of Series 2025 Bonds for all purposes under the authorizing resolution of the Issuer, including receipt of all principal of and interest on the Series 2025 Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the authorizing resolution of the Issuer. The Issuer and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2025 Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the authorizing resolution of the Issuer to be given to owners of Series 2025 Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Series 2025 Bonds.

**BENEFICIAL OWNERS SHOULD CONSULT WITH THE DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS FROM WHOM THEY PURCHASE A BOOK ENTRY INTEREST TO OBTAIN INFORMATION CONCERNING THE SYSTEM MAINTAINED BY SUCH DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS TO RECORD SUCH INTERESTS, TO MAKE PAYMENTS, TO FORWARD NOTICES OF REDEMPTION AND OF OTHER INFORMATION.**

**THE ISSUER AND THE TRUSTEE HAVE NO RESPONSIBILITY OR LIABILITY FOR ANY ASPECTS OF THE RECORDS OR NOTICES RELATING TO, OR PAYMENTS MADE ON ACCOUNT OF, BOOK ENTRY INTEREST OWNERSHIP, OR FOR MAINTAINING, SUPERVISING OR REVIEWING ANY RECORDS RELATING TO THAT OWNERSHIP.** The Trustee and the Issuer, so long as a book entry method of recording and transferring interest in the Series 2025 Bonds is used, will send any notice of redemption or of any Indenture amendment or supplement or other notices to Bondholders under the



Indenture only to DTC (or any successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participants, or of any Direct Participants or Indirect Participants to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2025 Bonds called for redemption, the Indenture amendment or supplement, or any other action premised on notice given under the Indenture.

The Issuer and the Trustee cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Series 2025 Bonds made to DTC or its nominee as the registered owner of the Series 2025 Bonds, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as securities depository with respect to the Series 2025 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

In addition, the Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

**APPENDIX C**

**FORM OF BOND COUNSEL OPINION**

Rose Law Firm, a Professional Association, Bond Counsel, will render an opinion with respect to the Series 2025 Bonds, dated the date of issuance and delivery thereof, in substantially the following form.

January 28, 2025

City of Texarkana, Arkansas  
Public Facilities Board  
Texarkana, Arkansas

Stephens Inc  
Little Rock, Arkansas

Regions Bank, as Trustee  
Little Rock, Arkansas

Assured Guaranty Inc.  
New York, New York

\$23,230,000  
City of Texarkana, Arkansas Public Facilities Board  
Waterworks and Sewer Facilities Revenue Bonds  
Series 2025

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Texarkana, Arkansas Public Facilities Board (the "Issuer") of its \$23,230,000 Waterworks and Sewer Facilities Revenue Bonds, Series 2025 (the "Series 2025 Bonds"), pursuant to the Constitution and laws of the State of Arkansas, including particularly Arkansas Code Annotated §14-137-101 *et seq.* (the "Act"), certain ordinances and resolutions (the "Ordinances") adopted by the Board of Directors of the City of Texarkana, Arkansas (the "City") creating the Issuer and establishing the authority of the Issuer to issue its Bonds (defined below), and a resolution of the Issuer, duly adopted and approved on December 16, 2024 (the "Resolution"), which authorized the issuance of the Series 2025 Bonds.

The Series 2025 Bonds are being issued on a parity of security with the Issuer's Waterworks and Sewer Facilities Revenue Refunding Bonds, Series 2007 (the "Series 2007 Bonds") and the Issuer's Waterworks and Sewer Facilities Revenue Bonds, Series 2023 (the "Series 2023 Bonds"). The Series 2007 Bonds, the Series 2025 Bonds, and any Additional Bonds (defined below) issued under the provisions of the Indenture (defined below) are collectively referred to herein as the "Bonds."

The Bonds are issued under and secured and entitled to the protection given by a Trust Indenture dated as of October 15, 1985, as amended and supplemented from time to time including

an Eighth Supplemental Trust Indenture dated as of the date of delivery of the Series 2025 Bonds (collectively, the "Indenture"), by and between the Issuer and Regions Bank, Little Rock, Arkansas, as trustee (the "Trustee").

Pursuant to a Sale Agreement dated as of October 15, 1985, as amended and supplemented by from time to time including an Eighth Supplemental Sale Agreement dated as of the date of delivery of the Series 2025 Bonds (collectively, the "Sale Agreement"), by and between the Issuer and the City, the Issuer has agreed to sell certain water and sewer supply, transmission, treatment and distribution facilities to the City in return for payments sufficient to pay when due the principal of, premium, if any, and interest on the Bonds.

The Issuer has reserved the right to issue Additional Bonds (as defined in the Indenture) on a parity of security with the Series 2007 Bonds, the Series 2023 Bonds, and the Series 2025 Bonds upon compliance with certain provisions set forth in the Indenture. In addition, the City has reserved the right under the Sale Agreement to issue Parity Obligations (as defined in the Sale Agreement) on a parity of security with the Bonds upon compliance with certain provisions set forth in the Sale Agreement. Reference is hereby made to the Indenture and the Sale Agreement for the provisions, among others, with respect to the conditions for the issuance of Additional Bonds and Parity Obligations by the Issuer and the City, respectively, the nature and extent of the security for the Bonds, the rights, duties and obligations of the City, the Issuer, the Trustee and the holders of the Bonds, and the terms upon which the Bonds are issued and secured.

Reference is made to an opinion of even date herewith of Joshua Potter, City Attorney, a copy of which is on file with the Trustee, with respect, among other matters, to the status and valid existence of the City, the power of the City to adopt the Ordinances and enter into and perform its obligations under the Sale Agreement, the valid adoption of the Ordinances, and the due authorization, execution and delivery of the Sale Agreement by the City, and with respect to the Sale Agreement being enforceable upon the City.

We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied (i) upon the representations of the Issuer contained in the Resolution, the Sale Agreement and the Indenture and in the certifications of officers of the Issuer furnished to us, and (ii) upon the representations of the City contained in the Ordinances and the Sale Agreement and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a public facilities board under the laws of the State of Arkansas with the corporate power to adopt the Resolution, perform the agreements on its part contained therein and, in the Indenture, and Sale Agreement, and to issue the Series 2025 Bonds.
2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer in accordance with its terms.

3. The Series 2025 Bonds have been duly authorized, executed, issued, and delivered by the Issuer and are valid and binding obligations of the Issuer enforceable upon the Issuer in accordance with their terms.

4. The Indenture and the Sale Agreement have been duly authorized, executed, and delivered by the Issuer and are valid and binding obligations of the Issuer enforceable upon the Issuer in accordance with their respective terms.

5. The Series 2025 Bonds are not general obligations of the City or the Issuer, but are special obligations of the Issuer secured by and payable solely from a pledge of and lien on the Trust Estate (as defined in the Indenture), including particularly a first lien on and pledge of the Net Revenues (as defined in the Indenture) derived by the City from the combined water and sewer system shared by the City and the City of Texarkana, Texas, subject to the parity pledge of the Trust Estate securing the Series 2007 Bonds, the Series 2023 Bonds and any Additional Bonds or Parity Obligations hereinafter issued. Neither the general credit nor the taxing power of the City, the State of Arkansas, or any political subdivision thereof is pledged to the payment of the Series 2025 Bonds. The Issuer has no taxing power.

6. Interest on the Series 2025 Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the Issuer and the City with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended, that must be met subsequent to the issuance of the Series 2025 Bonds. Failure to comply with such requirements could cause interest on the Series 2025 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2025 Bonds. The Issuer and the City have covenanted and have the legal power to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Series 2025 Bonds.

7. The interest on the Series 2025 Bonds is exempt from all state, county, and municipal taxes in the State of Arkansas.

It is to be understood that the rights of the registered owners of the Series 2025 Bonds and the enforceability of the Series 2025 Bonds, the Ordinances, the Resolution, the Sale Agreement and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

Rose Law Firm,  
a Professional Association

**APPENDIX D**

**MONTHLY WATER AND WASTEWATER SERVICE CHARGES  
(City of Texarkana, Arkansas Ordinance No. 22-2022)**

**Water Rates for City of Texarkana, Arkansas**

**Inside City Limits  
(Residential and Residential Irrigation)**

	<b>Through September 2022</b>	<b>Beginning October 2022</b>	<b>Beginning October 2024</b>	<b>Beginning October 2024</b>	<b>Beginning October 2025</b>
Minimum charge					
5/8"	\$10.87	\$12.64	\$14.69	\$16.66	\$17.35
3/4"	10.87	12.64	14.69	16.66	17.35
1"	10.87	15.45	21.22	27.77	28.92
1 1/2"	10.87	22.47	37.54	55.53	57.83
2"	10.87	30.90	57.13	88.85	92.53
3"	10.87	50.56	102.83	166.60	173.50
4"	10.87	78.65	168.12	277.67	289.17
6"	10.87	148.87	331.34	555.33	578.33
Volume charge per 1,000 gallons					
0 — 2,000 gallons	\$-	\$-	\$-	\$-	\$-
2,001 — 5,000 gallons	4.03	4.68	5.44	6.17	6.43
5,001 — 10,000 gallons	4.03	4.68	6.12	7.71	8.04
>10,000 gallons	4.03	4.68	6.89	9.64	10.05

**Outside City Limits  
(Residential and Residential Irrigation)**

	<b>Through September 2022</b>	<b>Beginning October 2022</b>	<b>Beginning October 2024</b>	<b>Beginning October 2024</b>	<b>Beginning October 2025</b>
Minimum charge					
5/8"	\$16.31	\$18.96	\$22.04	\$24.99	\$26.03
3/4"	16.31	18.96	22.04	24.99	26.03
1"	16.31	23.18	31.83	41.66	43.38
1 1/2"	16.31	33.71	56.31	83.30	86.75
2"	16.31	46.35	85.70	133.28	138.80
3"	16.31	75.84	154.25	249.90	260.25
4"	16.31	117.98	252.18	416.51	433.76
6"	16.31	223.31	497.01	833.00	867.50
Volume charge per 1,000 gallons					
0 — 2,000 gallons	\$-	\$-	\$-	\$-	\$-
2,001 — 5,000 gallons	6.04	7.02	8.16	9.26	9.65
5,001 — 10,000 gallons	6.04	7.02	9.18	11.57	12.06
>10,000 gallons	6.04	7.02	10.34	14.46	15.08

## Water Rates for Mandeville Water Supply Corporation

### Inside City (Mandeville Water Supply Corporation – Residential and Residential Irrigation)

	Through September 2022	Beginning October 2022	Beginning October 2024	Beginning October 2024	Beginning October 2025
Minimum charge					
5/8"	\$10.00	\$12.64	\$14.69	\$16.66	\$17.35
3/4"	10.00	12.64	14.69	16.66	17.35
1"	10.00	15.45	21.22	27.77	28.92
1 1/2"	10.00	22.47	37.54	55.53	57.83
2"	10.00	30.90	57.13	88.85	92.53
3"	10.00	50.56	102.83	166.60	173.50
4"	10.00	78.65	168.12	277.67	289.17
6"	10.00	148.87	331.34	555.33	578.33
Volume charge per 1,000 gallons					
0 — 1,000 gallons	\$-	\$-	\$-	\$-	\$-
1,000 — 2,000 gallons	3.00	-	-	-	-
2,001 — 5,000 gallons	3.00	4.68	5.44	6.17	6.43
5,001 — 10,000 gallons	2.50	4.68	6.12	7.71	8.04
>10,000 gallons	1.75	4.68	6.89	9.64	10.05

### Outside City (Mandeville Water Supply Corporation – Residential)

	Through September 2022	Beginning October 2022	Beginning October 2024	Beginning October 2024	Beginning October 2025
Minimum charge					
5/8"	\$10.00	\$18.96	\$22.04	\$24.99	\$26.03
3/4"	10.00	18.96	22.04	24.99	26.03
1"	10.00	23.18	31.83	41.66	43.38
1 1/2"	10.00	33.71	56.31	83.30	86.75
2"	10.00	46.35	85.70	133.28	138.80
3"	10.00	75.84	154.25	249.90	260.25
4"	10.00	117.98	252.18	416.51	433.76
6"	10.00	223.31	497.01	833.00	867.50
Volume charge per 1,000 gallons					
0 — 1,000 gallons	\$-	\$-	\$-	\$-	\$-
1,000 — 2,000 gallons	3.00	-	-	-	-
2,001 — 5,000 gallons	3.00	7.02	8.16	9.26	9.65
5,001 — 10,000 gallons	2.50	7.02	9.18	11.57	12.06
>10,000 gallons	1.75	7.02	10.34	14.46	15.08

## Water Rates for Union Water Supply Corporation

### Inside City (Union Water Supply Corporation – Residential and Residential Irrigation)

	Through September 2022	Beginning October 2022	Beginning October 2024	Beginning October 2024	Beginning October 2025
Minimum charge					
5/8"	\$16.80	\$16.80	\$16.80	\$16.80	\$17.35
3/4"	16.80	16.80	16.80	16.80	17.35
1"	16.80	16.80	21.22	27.77	28.92
1 1/2"	16.80	22.47	37.54	55.53	57.83
2"	16.80	30.90	57.13	88.85	92.53
3"	16.80	50.56	102.83	166.60	173.50
4"	16.80	78.65	168.12	277.67	289.17
6"	16.80	148.87	331.34	555.33	578.33
Volume charge per 1,000 gallons					
0 — 2,000 gallons	\$-	\$-	\$-	\$-	\$-
2,001 — 5,000 gallons	4.00	4.68	5.44	6.17	6.43
5,001 — 10,000 gallons	4.00	4.68	6.12	7.71	8.04
>10,000 gallons	4.00	4.68	6.89	9.64	10.05

### Outside City (Union Water Supply Corporation – Residential and Residential Irrigation)

	Through September 2022	Beginning October 2022	Beginning October 2024	Beginning October 2024	Beginning October 2025
Minimum charge					
5/8"	\$16.80	\$18.96	\$22.04	\$24.99	\$26.03
3/4"	16.80	18.96	22.04	24.99	26.03
1"	16.80	23.18	31.83	41.66	43.38
1 1/2"	16.80	33.71	56.31	83.30	86.75
2"	16.80	46.35	85.70	133.28	138.80
3"	16.80	75.84	154.25	249.90	260.25
4"	16.80	117.98	252.18	416.51	433.76
6"	16.80	223.31	497.01	833.00	867.50
Volume charge per 1,000 gallons					
0 — 2,000 gallons	\$-	\$-	\$-	\$-	\$-
2,001 — 5,000 gallons	4.00	7.02	8.16	9.26	9.65
5,001 — 10,000 gallons	4.00	7.02	9.18	11.57	12.06
>10,000 gallons	4.00	7.02	10.34	14.46	15.08

## Water Rates for City of Texarkana, Arkansas Commercial Customers

### Inside City (Commercial and Commercial Irrigation)

	Through September 2022	Beginning October 2022	Beginning October 2024	Beginning October 2024	Beginning October 2025
Minimum charge					
5/8"	\$12.37	\$14.38	\$16.71	\$18.95	\$19.74
3/4"	12.37	14.38	16.71	18.95	19.74
1"	14.12	18.93	24.93	31.58	32.90
1 1/2"	15.91	28.30	44.30	63.17	65.80
2"	17.67	39.26	67.37	101.07	105.28
3"	35.34	75.32	127.31	189.50	197.40
4"	53.00	120.97	209.53	315.83	329.00
6"	88.35	228.25	411.12	631.67	658.00
Volume charge per 1,000 gallons					
0 — 2,000 gallons	\$-	\$-	\$-	\$-	\$-
2,001 — 5,000 gallons	3.01	3.50	4.07	4.62	4.81
5,001 — 10,000 gallons	3.01	3.50	4.07	4.62	4.81
>10,000 gallons	3.01	3.50	4.07	4.62	4.81

### Outside City (Commercial and Commercial Irrigation)

	Through September 2022	Beginning October 2022	Beginning October 2024	Beginning October 2024	Beginning October 2025
Minimum charge					
5/8"	\$18.55	\$21.57	\$25.07	\$28.43	\$29.61
3/4"	18.55	21.57	25.07	28.43	29.61
1"	21.18	28.40	37.40	47.37	49.35
1 1/2"	23.86	42.45	66.45	94.76	98.70
2"	26.50	58.89	101.06	151.61	157.92
3"	53.00	112.98	190.97	284.25	296.10
4"	79.50	181.46	314.30	473.75	493.50
6"	132.52	342.38	616.68	947.51	987.00
Volume charge per 1,000 gallons					
0 — 2,000 gallons	\$-	\$-	\$-	\$-	\$-
2,001 — 5,000 gallons	4.52	5.25	6.11	6.93	7.22
5,001 — 10,000 gallons	4.52	5.25	6.11	6.93	7.22
>10,000 gallons	4.52	5.25	6.11	6.93	7.22



**Water Rates for Mandeville Service Area Commercial Customers**

**Inside City  
(Mandeville Water Supply Corporation – Commercial)**

	<b>Through September 2022</b>	<b>Beginning October 2022</b>	<b>Beginning October 2024</b>	<b>Beginning October 2024</b>	<b>Beginning October 2025</b>
Minimum charge					
5/8"	\$10.00	\$14.38	\$16.71	\$18.95	\$19.74
3/4"	10.00	14.38	16.71	18.95	19.74
1"	10.00	18.93	24.93	31.58	32.90
1 1/2"	10.00	28.30	44.30	63.17	65.80
2"	10.00	39.26	67.37	101.07	105.28
3"	10.00	75.32	127.31	189.50	197.40
4"	10.00	120.97	209.53	315.83	329.00
6"	10.00	228.25	411.12	631.67	658.00
Volume charge per 1,000 gallons					
0 — 1,000 gallons	\$-	\$-	\$-	\$-	\$-
1,000 — 2,000 gallons	3.00	-	-	-	-
2,001 — 5,000 gallons	3.00	3.50	4.07	4.62	4.81
5,001 — 10,000 gallons	2.50	3.50	4.07	4.62	4.81
>10,000 gallons	1.75	3.50	4.07	4.62	4.81

**Outside City  
(Mandeville Water Supply Corporation – Commercial)**

	<b>Through September 2022</b>	<b>Beginning October 2022</b>	<b>Beginning October 2024</b>	<b>Beginning October 2024</b>	<b>Beginning October 2025</b>
Minimum charge					
5/8"	\$10.00	\$21.57	\$25.07	\$28.43	\$29.61
3/4"	10.00	21.57	25.07	28.43	29.61
1"	10.00	28.40	37.40	47.37	49.35
1 1/2"	10.00	42.45	66.45	94.76	98.70
2"	10.00	58.89	101.06	151.61	157.92
3"	10.00	112.98	190.97	284.25	296.10
4"	10.00	181.46	314.30	473.75	493.50
6"	10.00	342.38	616.68	947.51	987.00
Volume charge per 1,000 gallons					
0 — 1,000 gallons	\$-	\$-	\$-	\$-	\$-
1,000 — 2,000 gallons	3.00	-	-	-	-
2,001 — 5,000 gallons	3.00	5.25	6.11	6.93	7.22
5,001 — 10,000 gallons	2.50	5.25	6.11	6.93	7.22
>10,000 gallons	1.75	5.25	6.11	6.93	7.22

## Water Rates for Union Service Area Commercial Customers

### Inside City (Union Water Supply Corporation - Commercial)

	Through September 2022	Beginning October 2022	Beginning October 2024	Beginning October 2024	Beginning October 2025
Minimum charge					
5/8"	\$16.80	\$16.80	\$16.80	\$18.95	\$19.74
3/4"	16.80	16.80	16.80	18.95	19.74
1"	16.80	18.93	24.93	31.58	32.90
1 1/2"	16.80	28.30	44.30	63.17	65.80
2"	16.80	39.26	67.37	101.07	105.28
3"	16.80	75.32	127.31	189.50	197.40
4"	16.80	120.97	209.53	315.83	329.00
6"	16.80	228.25	411.12	631.67	658.00
Volume charge per 1,000 gallons					
0 — 2,000 gallons	\$-	\$-	\$-	\$-	\$-
2,001 — 5,000 gallons	4.00	4.00	4.07	4.62	4.81
5,001 — 10,000 gallons	4.00	4.00	4.07	4.62	4.81
>10,000 gallons	4.00	4.00	4.07	4.62	4.81

### Outside City (Union Water Supply Corporation - Commercial)

	Through September 2022	Beginning October 2022	Beginning October 2024	Beginning October 2024	Beginning October 2025
Minimum charge					
5/8"	\$16.80	\$21.57	\$25.07	\$28.43	\$29.61
3/4"	16.80	21.57	25.07	28.43	29.61
1"	16.80	28.40	37.40	47.37	49.35
1 1/2"	16.80	42.45	66.45	94.76	98.70
2"	16.80	58.89	101.06	151.61	157.92
3"	16.80	112.98	190.97	284.25	296.10
4"	16.80	181.46	314.30	473.75	493.50
6"	16.80	342.38	616.68	947.51	987.00
Volume charge per 1,000 gallons					
0 — 2,000 gallons	\$-	\$-	\$-	\$-	\$-
2,001 — 5,000 gallons	4.00	5.25	6.11	6.93	7.22
5,001 — 10,000 gallons	4.00	5.25	6.11	6.93	7.22
>10,000 gallons	4.00	5.25	6.11	6.93	7.22

## Sewer Rates for City of Texarkana, Arkansas

### Inside City Residential (Excluding Multiple Family Residential)

	Through September 2022	Beginning October 2022	Beginning October 2024	Beginning October 2024	Beginning October 2025
Minimum charge	\$12.79	\$14.87	\$17.28	\$19.60	\$20.41
Volume charge per 1,000 gallons					
0 — 2,000 gallons	\$-	\$-	\$-	\$-	\$-
2,001 — 15,000 gallons	4.60	\$5.34	\$6.21	\$7.04	\$7.33
>15,000 gallons	-	-	-	-	-

### Multiple Family Residential

	Through September 2022	Beginning October 2022	Beginning October 2024	Beginning October 2024	Beginning October 2025
Minimum charge	\$11.79	\$13.70	\$15.93	\$18.06	\$18.81
Volume charge per 1,000 gallons					
0 — 2,000 gallons	\$-	\$-	\$-	\$-	\$-
2,001 — 15,000 gallons	4.24	4.92	5.72	6.49	6.76
>15,000 gallons	-	-	-	-	-

### Inside City Commercial (Excluding Multiple Commercial)

	Through September 2022	Beginning October 2022	Beginning October 2024	Beginning October 2024	Beginning October 2025
Minimum charge	\$12.79	\$14.87	\$17.28	\$19.60	\$20.41
Volume charge per 1,000 gallons					
0 — 2,000 gallons	\$-	\$-	\$-	\$-	\$-
> 2,000 gallons	5.36	\$6.24	\$7.25	\$8.22	\$8.56

### Outside City Commercial (Excluding Multiple Commercial)

	Through September 2022	Beginning October 2022	Beginning October 2024	Beginning October 2024	Beginning October 2025
Minimum charge	\$19.19	\$22.30	\$25.92	\$29.39	\$30.62
Volume charge per 1,000 gallons					
0 — 2,000 gallons	\$-	\$-	\$-	\$-	\$-
> 2,000 gallons	8.05	\$9.35	\$10.87	\$12.33	\$12.84

### Multiple Commercial Customers

	Through September 2022	Beginning October 2022	Beginning October 2024	Beginning October 2024	Beginning October 2025
Minimum charge	\$ 11.79	\$13.70	\$15.93	\$18.06	\$18.81
Volume charge per 1,000 gallons					
0 — 2,000 gallons	\$-	\$-	\$-	\$-	\$-
> 2,000 gallons	4.94	5.75	6.68	7.57	7.89

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE AGREEMENT

#### CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated January 28, 2025 (this "Disclosure Agreement"), is executed and delivered by the City of Texarkana, Arkansas, a city of the first class duly organized and existing under the laws of the State of Arkansas (the "City"), in connection with the issuance of \$23,230,000 City of Texarkana, Arkansas Public Facilities Board Waterworks and Sewer Facilities Revenue Bonds, Series 2025 (the "Bonds") and for the benefit of the Beneficial Owners (as defined below). The Bonds are being issued pursuant to a Trust Indenture dated as of October 1, 1985, as amended (the "Indenture"), between the City of Texarkana, Arkansas Public Facilities Board (the "Board") and the Regions Bank, a duly organized and existing banking association under the laws of the State of Alabama, with corporate trust offices in Little Rock, Arkansas, as trustee (the "Trustee"). Certain capital improvements that will be financed with the proceeds of the Bonds are being sold by the Board to the City pursuant to the terms of a Sale Agreement dated as of October 15, 1985, as amended (the "Sale Agreement"). Pursuant to Section 601 of the Eighth Supplemental Trust Indenture dated as of the date of delivery of the Bonds, Section 5.2 of the Eighth Supplemental Sale Agreement dated as of the date of delivery of the Bonds, and Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule"), the City covenants and agrees as follows:

The Bonds are being issued pursuant to Ordinance No. 32-2024 of the City adopted December 16, 2024, the Resolution of the Issuer, adopted December 16, 2024, and the Indenture (the "Authorizing Documents"). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5). The City acknowledges that the Board has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Beneficial Owner of the Bonds, with respect to any such reports, notices, or disclosures.

SECTION 2. Definitions. In addition to the definitions set forth in the Authorizing Documents, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" of a Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries).

"Dissemination Agent" shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

"EMMA" shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Financial Obligation" shall mean a

- (A) debt obligation;
- (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) guarantee of obligations described in (A) or (B).

The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Insurer" shall mean Assured Guaranty Inc. issuer of a municipal bond insurance policy or policies on the payment of the principal of and interest on the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Utility" shall mean Texarkana Water Utilities, a jointly owned department of the City and the City of Texarkana, Texas, charged with maintaining and operating the water and sewer utility properties of the City and the City of Texarkana, Texas.

### SECTION 3. Provision of Annual Report.

(a) The City shall, or shall cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the Utility's fiscal year (presently September 30), commencing with the report after the end of the 2025 fiscal year, provide to the Insurer and the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org>, or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as

provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Utility may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within thirty (30) days after receipt thereof by the City. If the Utility's fiscal year changes, the City shall give notice of such change in the same manner as for a Listed Event.

(b) Not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if the City is not serving as the Dissemination Agent). If by such date, the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the first sentence of this subsection (b).

(c) If the City is not serving as Dissemination Agent and if the Dissemination Agent is unable to verify that an Annual Report (containing the information required in (1) of Section 4 of this Disclosure Agreement) has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall file a notice with the MSRB and with the Insurer.

SECTION 4. Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the following:

(a) The following financial information and operating data with respect to the Utility for the prior fiscal year as originally set forth in Tables 1 through 5 under the caption "THE UTILITY AND THE SYSTEM" in the Official Statement dated August 7, 2023, relating to the Bonds (the "Official Statement"):

- (1) Table 1: Historical Water Consumption;
- (2) Table 2: Historical Water Consumption for Texarkana, Arkansas;
- (3) Table 3: Ten Largest Texarkana, Arkansas Water Customers;
- (4) Table 4: Historical Wastewater Usage; and
- (5) Table 5: Ten Largest Texarkana, Arkansas Sewer Customers.

The Annual Report shall also state changes or amendments, if any, to the Monthly Water and Wastewater Service Charges as set forth in Appendix C to the Official Statement. Such changes or amendments include any rate adjustments indexed by ordinances adopted by the City.

(b) The annual financial statements of the Utility (which may be included in the annual audit of the City) prepared in accordance with accounting principles generally accepted in the United States and audited in accordance with auditing standards generally accepted in the United States. If there are no accounting principles generally accepted in the United States at the time the annual financial statements are prepared, then the annual financial statements shall be prepared in accordance with Arkansas law. If there are no auditing standards generally

accepted in the United States at the time the annual financial statements are audited, then the annual financial statements shall be audited in accordance with Arkansas law. If the Utility's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a) hereof, the audited combined financial statements shall be filed within 30 days of becoming available.

Any or all of the items above may be incorporated by specific reference from other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's website or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so incorporated by reference.

#### SECTION 5. Reporting of Listed Events.

This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

- a. Principal and interest payment delinquencies.
- b. Non-payment related defaults, if material.
- c. Unscheduled draws on credit enhancements reflecting financial difficulties.
- d. Substitution of credit or liquidity providers, or their failure to perform.
- e. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
- f. Modifications to rights of security holders, if material.
- g. Bond calls (excluding mandatory sinking fund redemptions) if material.
- h. Defeasances and tender offers.
- i. Release, substitution, or sale of property securing repayment of the securities, if material.
- j. Rating changes.
- k. Bankruptcy, insolvency, receivership, or similar event of the obligated person.
- l. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- m. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- n. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.
- o. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) After the occurrence of a Listed Event (excluding an event described in (a)8. above), the City shall promptly notify the Dissemination Agent (if other than the City) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

(c) After the occurrence of a Listed Event (excluding an event described in (a)8. above), the City shall promptly file (or cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org>, or any other similar system that is acceptable to the Securities and Exchange Commission with a copy to the Insurer and the Trustee. Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a listed event described in (a)(8) above, the Trustee shall make the filing in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption, or payment in full of all the Bonds.

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent. The City has designated Hilltop Securities, Inc. as the initial Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, and any provisions of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report, or the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted.

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the affected Bonds in the same manner as provided in the Authorizing Documents for amendments to the Authorizing Documents with the consent of Beneficial Owners, or (ii) does not materially impair the interests of the Beneficial Owners of the Bonds.



In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City or the Dissemination Agent (if the City is not the Dissemination Agent) to comply with any provision of this Disclosure Agreement, the Insurer, the Participating Underwriter or any Beneficial Owner may (and the Trustee, at the request of the Underwriter, the Insurer or the Beneficial Owners of at least 25% of the Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Indenture or the Sale Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties of Trustees and Dissemination Agents and Rights of Indemnity.

(a) The Dissemination Agent (if other than the Trustee) and the Trustee in its capacity as Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement and the City agrees to indemnify and save the Dissemination Agent and the Trustee and their respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the dissemination agent's gross negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and defeasance, redemption, or payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Insurer, the Dissemination Agent, the Participating Underwriter, and the Beneficial Owners and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the undersigned Mayor of the City of Texarkana, Arkansas has set his hand as of the date first above written.

CITY OF TEXARKANA, ARKANSAS

\_\_\_\_\_  
Allen L. Brown, Mayor

**APPENDIX F**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AG may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By \_\_\_\_\_  
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)



**APPENDIX G**

**AUDITED FINANCIAL STATEMENT OF THE TEXARKANA WATER UTILITIES  
(ENTERPRISE FUNDS OF THE CITY OF TEXARKANA, ARKANSAS AND CITY OF  
TEXARKANA, TEXAS) FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**



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# **Texarkana Water Utilities**

**(Enterprise Funds of the City of Texarkana, Arkansas  
and City of Texarkana, Texas)**

## **Independent Auditor's Report and Financial Statements**

**For the Year Ended  
September 30, 2023**

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# Texarkana Water Utilities

September 30, 2023

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## **Financial Section**



809 S. 52nd Street, Suite A / Rogers, AR 72758

P 479.845.0270 / F 479.845.0840

[forvis.com](http://forvis.com)

## Independent Auditor's Report

Members of the City Council and  
Board of Directors of the City  
of Texarkana, Texas and the City of  
Texarkana, Arkansas

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of Texarkana Water Utilities (the Utility), enterprise funds of the City of Texarkana, Arkansas and City of Texarkana, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Utility, as of September 30, 2023, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Utility, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter*

As discussed in *Note 1*, the financial statements present only the Utility and do not purport to, and do not, present fairly the financial position of the City of Texarkana, Arkansas or of the City of Texarkana, Texas, as of September 30, 2023, the changes in their financial position, or, where applicable, their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility's ability to continue as a going concern for 12 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 Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 statements, 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 statements.
- 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 Utility'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 statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility'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 the management's discussion and analysis, pension, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers

it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 statements, and other knowledge we obtained during our audit of the basic financial statements. 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Utility's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, on our consideration of the Utility'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 Utility'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 Utility's internal control over financial reporting and compliance.

**FORVIS,LLP**

# Texarkana Water Utilities

## Management's Discussion and Analysis

### September 30, 2023

As management of the Texarkana Water Utilities (the Utility), we offer readers of the Utility financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2023.

#### Financial Highlights

- The assets and deferred outflows of resources of the Utility exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$115,235,336 (net position). Of this amount, \$18,334,150 (unrestricted net position) may be used to meet the Utility's ongoing obligations to citizens and creditors in accordance with the Utility's fund designation and fiscal policies.
- The Utility's total net position increased by \$2,230,880 during this fiscal year. Income before contributions and transfers was \$1,073,664, and there were \$292,263 in capital contributions for the year.

#### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Utility's basic financial statements. The Utility's basic financial statements are comprised of two components: 1) the financial statements and 2) notes to the financial statements. This report also contains required supplementary information required by the Governmental Accounting Standards Board, combining schedules, and other supplementary information, as listed in the table of contents.

**Financial Statements** – The financial statements are designed to provide readers with a broad overview of the Utility's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the Utility's assets, deferred outflows of resources, liabilities, and deferred inflows of resources to arrive at the reported net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating. The statement of revenues, expenses and changes in net position presents information showing how the Utility's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The Utility's activities are functions that are intended to recover all or a significant portion of their costs through user fees and charges and are thus, considered as business-type activities. The statement of cash flows presents the sources and uses of cash using the direct method of reporting.

The Utility, like other governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The Utility uses enterprise funds, which are a type of proprietary fund, to account for its water and sewer operations.

The Utility's supplementary information provide separate information for the 1) Texarkana, Arkansas Water Utilities, 2) Texarkana, Texas Water Utilities, 3) Lake Texarkana Water Supply Corporation, 4) Texarkana, Arkansas Union Water Utilities, 5) Texarkana, Arkansas Mandeville Water Utilities and 6) Graphic Packaging International (GPI).

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

### Financial Analysis

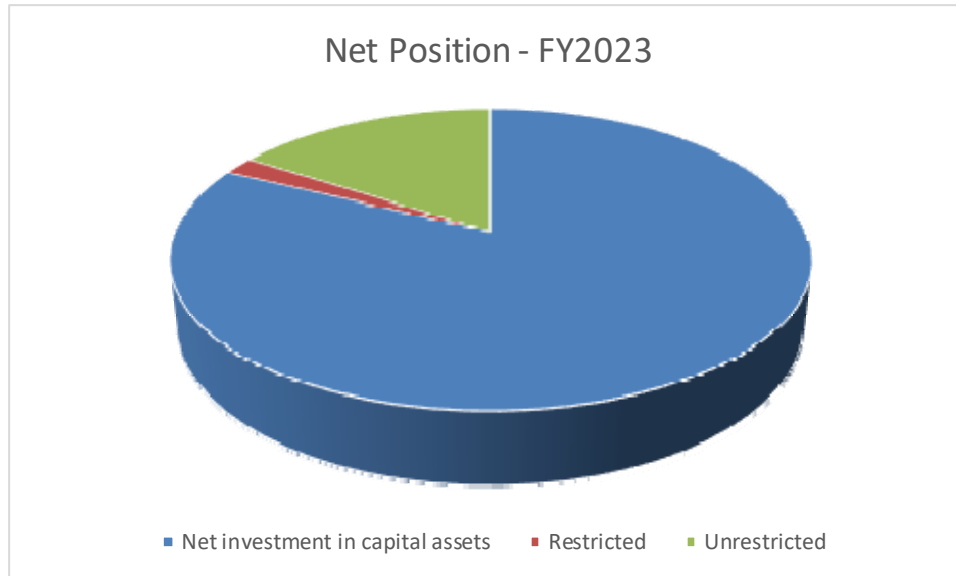
As noted earlier, net position may serve over time as a useful indicator of government's financial position. Although the Utility's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The table below reflects the change in net position from fiscal year 2022 to fiscal year 2023. As indicated by the total net position amount for fiscal year 2023, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$115,235,336 as of September 30, 2023. The largest portion of the Utility's net position of \$94,676,261 accounting for 82% of net position, reflects its investments in capital assets (e.g., land, buildings, improvements other than buildings, machinery and equipment, and construction in progress), less any debt used to acquire those assets that is still outstanding. The Utility uses these capital assets to provide service to customers; consequently, these assets are not available for future spending.

#### Condensed Statement of Net Position

	<b>2023</b>	<b>2022</b>
Current and other assets	\$ 30,472,595	\$ 27,928,005
Noncurrent assets		
Restricted assets	23,906,124	2,570,563
Other noncurrent assets	2,464,698	2,313,665
Capital assets	<u>110,382,318</u>	<u>111,258,630</u>
Total assets	<u>167,225,735</u>	<u>144,070,863</u>
Deferred outflows of resources	<u>4,702,068</u>	<u>1,616,114</u>
Current liabilities	6,077,925	5,241,887
Noncurrent liabilities	<u>49,705,347</u>	<u>23,520,644</u>
Total liabilities	<u>55,783,272</u>	<u>28,762,531</u>
Deferred inflows of resources	<u>909,195</u>	<u>3,919,990</u>
Net position:		
Net investment in capital assets	94,676,261	94,391,786
Restricted	2,224,925	2,088,456
Unrestricted	<u>18,334,150</u>	<u>16,524,214</u>
Total net position	<u>\$ 115,235,336</u>	<u>\$ 113,004,456</u>

An additional \$2,224,925, or 1.93%, of the Utility's net position represents resources that are subject to restriction on how they may be used. The remaining balance of unrestricted net position, \$18,334,150, or 15.91%, may be used to meet the Utility's ongoing obligation to customers and creditors. As of September 30, 2023, the Utility is able to report positive balances in all three categories of net position.



**Analysis of the Utility's Operations** – The following table provides a summary of the Utility's operations for the year ended September 30, 2023. The Utility's net position increased \$2,230,880 from 2022. Operating revenues increased \$4,614,179 or 14.02% and operating expenses increased \$5,241,698 or 16.79%. Utility transfers out to the Texarkana, Arkansas and Texarkana, Texas General Funds increased by \$1,216,268 or 346.20% from fiscal year 2022, with the transfers to the Arkansas General Fund of \$316,750, transfers from the Texas General Fund of \$1,183,310 and transfers to GPI of \$1,607.

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 37,524,109	\$ 32,909,930
Operating expenses	<u>36,453,408</u>	<u>31,211,710</u>
Operating income	1,070,701	1,698,220
Nonoperating revenue (expenses)	<u>2,963</u>	<u>(455,030)</u>
Income before contributions & transfers	1,073,664	1,243,190
Capital contributions	292,263	74,336
Transfers in, net	<u>864,953</u>	<u>(351,315)</u>
Changes in net position	2,230,880	966,211
Net position – beginning of year	<u>113,004,456</u>	<u>112,038,245</u>
Net position – end of year	<u>\$ 115,235,336</u>	<u>\$ 113,004,456</u>



## Capital Assets

The Utility's investment in capital assets as of September 30, 2023, net of accumulated depreciation, was \$110,382,318. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, water rights, and construction in progress. Major capital asset events during the current fiscal year included the following:

- Texas capital improvement expenditures were \$623,962. Expenditures include water and sewer for the 2018 Annexation Areas for \$506,663, and a sewer relocation for Ledwell in the amount of \$94,080.
- Arkansas capital improvement expenditures were \$134,347 for engineering design for Nix Creek project for \$43,012, a 6" water line extension on Hwy 82E for \$29,340 and to replace or upsize water mains for \$37,520.
- TX infrastructure expenditures were \$954,066 primarily to replace a sewer line at I-30 & Cowhorn Creek for \$521,458, sewer relocation near Ledwell for \$199,898, an emergency 21" sewer main replacement for \$125,217 and an 18" sewer main replacement on Findley street for \$103,007.
- South Regional Wastewater depreciation expenditures were \$426,243 with \$160,091 paid by the Arkansas utility and \$266,152 paid by the Texas utility. Expenditures were for gear boxes for the 500 clarifiers for \$87,507, centrifuge rebuilds for \$87,170, a waste pump rebuild for \$44,975, a clarifier drive replacement for \$39,510, an emergency gas leak repair for \$31,724 with the balance expended for recurring maintenance items such as pump/motor/VFD replacements, grit trough repairs, bar screen repairs and a switchgear replacement.
- Compost account expenditures were \$231,447 with \$86,654 paid by the Arkansas utility and \$144,793 by the Texas Utility. CY expenditures were for the purchase of a new dozer, a front-end loader bucket, completion of the Compost operations building and contract grinding services.
- Millwood depreciation account expenditures were \$621,273 with \$225,191 paid by the Arkansas utility and \$396,082 paid by the Texas utility. The largest expenditure being for replacement of valves & filters for the #7 & #8 filter for \$293,657. \$76,721 was spent on upgrading the SCADA system, \$93,304 was spent on an actuator for the #2 high service pump. Other expenditures include routine maintenance such as painting exposed metal, VFD replacement, basin lining repairs, and a pump bowl rebuild for the #2 low service pump.
- Technology account expenditures were \$660,211 with the Arkansas utility amount totaling \$249,219 and Texas Utility amount totaling \$410,792. Expenditures included digital imagery, Microsoft licenses, software, PC replacements, hardware, network improvements and network security enhancements.
- Equipment acquisition account expenditures totaled \$703,356. The Arkansas Utility amount was \$249,382 and the Texas Utility amount was \$453,974. Expenditures included end of life replacement of fleet vehicles, one dump truck, mobile equipment and replacement of contents for the Environmental Services building that was destroyed by fire in a prior year.
- Waggoner Creek capital expenditures were \$427,622. Expenditures include engineering fees for design of the new plant at \$71,230 and \$356,392 was spent on emergency repairs for the west tank, a new pump and contact chamber repairs.

### Capital Assets (Net of Depreciation)

	<u>2023</u>	<u>2022</u>
Land	\$ 2,907,503	\$ 2,907,503
Building	2,774,555	2,910,219
Improvements other than buildings	75,152,882	77,910,123
Machinery and equipment	4,437,289	4,618,614
Water rights	17,784,128	17,784,128
Construction in progress	7,325,961	5,128,043
Total capital assets	<u>\$ 110,382,318</u>	<u>111,258,630</u>

### Debt Administration

At the end of the current fiscal year, the Utility had a total bonded debt of \$25,003,364. All of the Utility's bonds are secured solely by water and sewer revenues. The City of Texarkana, Arkansas issued Series 2023 Waterworks and Sewer Facilities Revenue Bonds, of which, \$20,655,000 was issued for the Utility.

### Water and Sewer Rates

Effective October 1, 2015, the Texas Utility implemented a new five-tiered conservation water rate structure to provide additional revenue equivalent to a 31% increase under the previous rate structure to fund annual contributions to the new Corps of Engineers cost reserve account. Texarkana, Arkansas approved an increase of the water service fee per meter from 25 cents to 30 cents along with a water rate increase of 10% effective June 6, 2016, to provide additional revenue to allow for the purchase of 99.8MGD of additional water rights in Millwood Lake. The previous increase was a 1.1% increase to water and sewer rates for both the Arkansas and Texas Utilities on January 1, 2009, which represented the percent change in the CPI for the previous year. There was water rate increases for Mandeville, Union, Arkansas and Texas for fiscal year 2023.

### Request for Information

The financial report is designed to provide the citizens, customers, investors and creditors with general overview of the Utility's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: Financial Director at P.O. Box 2008, Texarkana, Texas 75504, call (903) 798-3821, or email [eisley@txkusa.org](mailto:eisley@txkusa.org).

## **Basic Financial Statements**

# Texarkana Water Utilities

## Statement of Net Position

### September 30, 2023

#### Assets

Current assets	
Cash and cash equivalents	\$ 24,262,929
Investments – certificates of deposits	1,720,900
Receivables (net of allowance for uncollectible)	
Accounts	2,881,442
Accrued interest	15,919
Due from other governments	251,794
Inventories	1,124,984
Prepaid expenses	198,145
Other	16,482
Total current assets	<u>30,472,595</u>
Noncurrent assets	
Restricted assets	
Cash and cash equivalents	22,336,772
Investments – certificates of deposits	802,665
Receivables	
Accounts	729,383
Accrued interest	37,304
Total restricted assets	<u>23,906,124</u>
Other noncurrent assets	
Net pension asset	2,224,925
Other	239,773
Total other noncurrent assets	<u>2,464,698</u>
Capital assets (net of accumulated depreciation)	
Land	2,907,503
Buildings	2,774,555
Improvements other than buildings	75,152,882
Machinery and equipment	4,437,289
Water rights	17,784,128
Construction in progress	7,325,961
Total capital assets	<u>110,382,318</u>
Total noncurrent assets	<u>136,753,140</u>
Total assets	<u>167,225,735</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows from pensions	4,657,316
Deferred outflows from other post employment benefits	44,752
Total deferred outflows of resources	<u>4,702,068</u>

**Liabilities**

Current liabilities	
Accounts payable	\$ 787,225
Contracts payable	177,197
Accrued liabilities	317,997
Accrued interest payable	283,297
Other payables	3,250,556
Accrued compensated absences – current	103,199
Revenue bonds – current	1,158,454
Total current liabilities	<u>6,077,925</u>

Noncurrent liabilities	
Customer deposits	1,376,974
Capital improvement deposits	497,773
Contracts payable	13,664,933
Accrued compensated absences	557,400
Net pension and other postemployment benefit liabilities	9,763,357
Revenue bonds	23,844,910
Total noncurrent liabilities	<u>49,705,347</u>

Total liabilities	<u>55,783,272</u>
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**Deferred Inflows of Resources**

Deferred inflows from pensions	45,810
Deferred inflows from other postemployment benefits	863,385
Total deferred inflows of resources	<u>909,195</u>

**Net Position**

Net investment in capital assets	94,676,261
Restricted for pensions	2,224,925
Unrestricted	18,334,150
Total net position	<u>\$ 115,235,336</u>

# Texarkana Water Utilities

## Statement of Revenues, Expenses and Changes in Net Position

### Year Ended September 30, 2023

<b>Operating Revenues</b>	
Water sales	\$ 16,197,198
Wholesale water sales	2,740,026
Water connection fees	24,075
Sewer charges	9,928,402
Penalties and service charges	1,178,377
Other income	7,456,031
Total operating revenues	37,524,109
 <b>Operating Expenses</b>	
Administrative	771,335
Finance	570,473
Information technology	1,043,129
Customer service	1,041,034
Water production	6,406,172
Water distribution	1,656,220
Sewer collection	1,495,660
Inflow and infiltration	277,449
Wastewater treatment	2,913,822
Environmental service	434,912
Engineering design	637,129
Geographical information systems	366,888
Composting	386,260
Operations administration	277,150
Service center	708,676
Field service	809,770
Water/sewer construction	2,470,059
Depreciation	6,337,715
Other expenses	5,696,113
Contract water & sewer expense-Graphic Packaging International	2,122,197
Other managed systems	27,501
Legal services	3,744
Total operating expenses	36,453,408
Operating income	1,070,701
 <b>Nonoperating Revenues (Expenses)</b>	
Interest revenue – investments	939,932
Interest expense	(949,928)
Gain on disposal of capital assets	12,959
Total nonoperating revenues (expenses)	2,963
Income before capital contributions and transfers	1,073,664
Capital contributions	292,263
Transfers in, net	864,953
Change in net position	2,230,880
Total net position, beginning of year	113,004,456
Total net position, end of year	\$ 115,235,336

# Texarkana Water Utilities

## Statement of Cash Flows

### Year Ended September 30, 2023

<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 37,489,210
Cash paid to suppliers	(23,741,370)
Cash paid to employees	(5,734,213)
Net cash provided by operating activities	<u>8,013,627</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers received from the general fund of Texarkana, Texas	1,183,310
Transfers to the general fund of Texarkana, Arkansas Texarkana, Texas and Graphic Packaging International	(318,357)
Net cash provided by noncapital financing activities	<u>864,953</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition and construction of capital assets	(5,534,531)
Proceeds from issuance of bonds	21,598,291
Principal paid on bonds	(1,383,705)
Interest paid on bonds	(806,837)
State grants received	241,335
Federal grants received	50,928
Capital improvement deposits received	326,710
Capital improvement deposits returned	(315,505)
Payment on contracts payable	(345,307)
Net cash provided by capital and related financing activities	<u>13,831,379</u>
<b>Cash Flows from Investing Activities</b>	
Proceeds from sale and maturities of investments	1,483,052
Interest received on investments	812,775
Net cash provided by investing activities	<u>2,295,827</u>
Net increase in cash	25,005,786
Cash, beginning of year	<u>21,593,915</u>
Cash, end of year	<u><u>\$ 46,599,701</u></u>
Cash – unrestricted	\$ 24,262,929
Cash – restricted	<u>22,336,772</u>
	<u><u>\$ 46,599,701</u></u>

**Texarkana Water Utilities**  
**Statement of Cash Flows (Continued)**  
**Year Ended September 30, 2023**

**Reconciliation of Operating Income to  
Net Cash Provided by Operating Activities**

<b>Operating Income</b>	<u>\$ 1,070,701</u>
<b>Adjustments to Reconcile Operating Income to  Net Cash Provided by Operating Activities</b>	
Depreciation expense	6,337,715
(Increase) decrease in assets:	
Accounts receivable	(31,143)
Due from other governments	(34,437)
Due from other funds	(259,483)
Inventories	(181,391)
Prepaid expenses	18,138
Net pension asset	(136,469)
Increase in deferred outflows	(3,085,954)
Increase (decrease) in liabilities:	
Accounts payable	113,897
Accrued liabilities	(6,407)
Due to other funds	258,729
Accrued compensated absences	(45,461)
Customer deposits	6,503
Net pension and postemployment liabilities	6,204,471
Other payables	795,013
Decrease in deferred inflows	<u>(3,010,795)</u>
Total adjustments	<u>6,942,926</u>
Net cash provided by operating activities	<u><u>\$ 8,013,627</u></u>



# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

#### **Note 1: Summary of Significant Accounting Policies**

##### ***Reporting Entity***

Since 1948 the City of Texarkana, Texas and the City of Texarkana, Arkansas have operated their separate water and sewer utilities as a combined system via a jointly operated department called Texarkana Water Utilities (Utility). Each City's portion of the Utility maintains separate books and records and is subject to separate audits in connection with or as a part of the audits required of each City under its own state laws. A portion of the Utility facilities and equipment is jointly owned by Texarkana, Texas and Texarkana, Arkansas. Some of the facilities and equipment are owned by one City but subject to capital lease agreements with the other City. Authority for joint operation of the Utility is derived from a 1948 contract entered into between both Cities as subsequently amended in 1962, 1982, and 1985.

The departments of the Texarkana Water Utilities are accounted for as an enterprise fund by each City. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

##### ***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The financial statements of the Utility are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to enterprise funds of governmental entities using the economic resources measurement focus and the accrual basis of accounting. An enterprise fund is a proprietary fund type used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (Statements and Interpretations).

# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

The presentation of the Utility's financial statements follows the requirements of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* – applicable to enterprise funds, as amended (GASB No. 34). In accordance with the requirements of this standard, the Utility's net position is categorized into net investment in capital assets; amounts restricted, yet expendable for pensions; and amounts unrestricted, as applicable. Net investment in capital assets represents the balance of capital assets, net of accumulated depreciation, reduced by outstanding bonds or other debt attributable to the acquisition, construction or improvement of those assets. The restricted component consists of net position, the use of which is restricted to purposes or time periods specified by individuals or entities external to the Utility, such as creditors, grantors, contributors, or by laws or regulations. Unrestricted net position includes all other net position available for operating purposes.

Proprietary activities distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility are charges to customers for sales and services. The Utility also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Texarkana Water Utilities utilizes the accrual method of accounting recognizing revenue when earned and expenses when incurred. Unbilled water and sewer service revenue is accrued at year end.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Utility includes six operating departments as follows: The Texarkana, Arkansas Water Utilities System, the Texarkana, Texas Water Utilities System, the Texarkana, Arkansas Union Water Utilities, the Texarkana, Arkansas Mandeville Water Utilities, Lake Texarkana Water Supply Corporation and the Graphic Packaging International (GPI). These operating departments are combined to report the Texarkana Water Utilities. Upon combination, all significant interfund leases, accounts, and transactions are eliminated.

#### **Assets, Liabilities and Net Position**

##### Deposits and Investments

Texarkana Water Utilities is subject to both Texas and Arkansas state statutes regarding investment of public funds. Texas statutes authorize investments in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, and commercial paper rated A+ by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. Arkansas statutes authorize investments in bonds or other interest-bearing securities of the U.S. or its possessions, bonds or other interest-bearing securities of the State of Arkansas or any political subdivision of the State.

# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

Cash includes amounts in demand deposit accounts. Cash equivalents include all liquid investments with original maturities of three months or less. Investments are reported at fair value. Short-term investments, such as certificates of deposit and debt securities with a maturity date of less than three months, are reported at amortized cost. Securities traded on a national or international exchange are valued at the last reported sales price. At September 30, 2023, cash equivalents consisted primarily of money market accounts and certificates of deposit.

For purposes of the statement of cash flows, cash in bank and savings accounts are considered as cash. All certificates of deposit with original maturities of more than three months and investments in other securities and instruments are considered to be investments.

#### Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (*i.e.*, the current portion of interfund loans) or “advances to/from other funds” (*i.e.*, the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All receivables are shown net of an allowance for uncollectible accounts. The reserve method is used to estimate the allowance for doubtful accounts for water and sewerage service receivables based upon the anticipated collectability, as determined by experience. The reserve balance at September 30, 2023, was \$944,604 (Texas \$500,261, Arkansas \$441,598, Mandeville \$770 and Union \$1,975).

#### Inventories and Prepaid Items

Inventories consist of repair materials and spare parts for water and wastewater treatment and distribution. Inventories are valued at average cost or market whichever is lower. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets.

#### Restricted Assets

Certain proceeds of the Utility’s enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are limited by applicable bond covenants. Each of the Utility funds report proceeds of revenue bond issuances that are designated for use in construction, debt service, and depreciation as restricted assets. In addition, the Utility has internally reserved certain capital improvement funds into separate bank accounts and investments. These funds are used for major capital projects which are beyond routine repairs and maintenance.

#### Capital Assets

Capital assets, which include property, plant, and equipment, are defined by the Utility as assets with an initial, individual cost of more than the following amounts and an estimated life in excess of one year.

# Texarkana Water Utilities

## Notes to Financial Statements

September 30, 2023

Furniture and fixtures	\$	5,000
Motor vehicles		5,000
Mobile equipment		5,000
Machinery and equipment		5,000
Communication equipment		5,000
Pumps and purification equipment		5,000
Building and facilities		5,000
New improvements		5,000

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Furniture and fixtures	5 years
Motor vehicles	5 years
Machinery and equipment	5 to 10 years
Communication equipment	5 years
Pumps and purification equipment	10 years
Buildings	10 to 30 years
Water and sewer systems	12 to 99 years
Improvements other than buildings	10 to 33 years

### Construction in Progress

Expenses on incomplete capital projects have been capitalized as construction in progress. The assets resulting from these projects will be transferred from the construction in progress accounts to the appropriate asset account as the projects are completed.

### Compensated Absences

The Utility allows employees to accumulate earned but unused vacation and sick pay benefits.

Vacation – The Utility’s full-time employees are granted 120 hours of vacation per year of continuous service. A maximum of 200 hours of accrued vacation leave can be vested and carried forward to succeeding calendar years. A maximum of 120 hours accrued vacation is payable to an employee upon termination for any reason. A maximum of 240 hours accrued vacation is due to an employee upon retirement.

# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

Sick -The Utility's full-time employees are granted 120 hours of sick leave per year of continuous service. Employees may accumulate an indefinite amount of sick leave.

Employees who retire according to pension plan guidelines and have at least 10 or more years of continuous service with the Utility are entitled to receive the following benefits: Employees hired before January 1, 2010 will receive a lump sum payment equivalent to their sick leave valued at the employee's current hourly rate not to exceed 720 hours and will also receive an amount equal to the amount which the employee is entitled to receive for their sick leave balance to be deposited into an account for health and/or dental coverage premium payments, unless such employee is eligible for health insurance through Medicare or any other group health insurance plan.

Employees hired on or after January 1, 2010, may choose one of the following two options upon retirement: The employee may receive payment for 25% of their sick leave balance at the employee's current hourly rate and the sick leave balance may not exceed 2,080 hours; or in lieu of the lump sum payment the employee may receive health and/or dental coverage premium payments equal to the amount which the employee is entitled to receive for their sick leave balance.

Vested or accumulated vacation and sick leave is recorded as an expense and a liability, as the benefits accrue to employees.

#### Net Position

Net investment in capital assets consists of the Utility's capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets net of any unspent portions of outstanding debt. Net position reported as restricted are those amounts which have limitations imposed through external restrictions imposed by creditors, grantors or other laws and regulations. Unrestricted net position is the remaining residual net position.

#### Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (expense) until then. The Utility has two items that qualify for reporting in this category, the deferred pension and other post employment benefit outflows. The deferred pension outflows relate to pension items requiring deferral under GASB 68 and the deferred outflows from other postemployment benefits relate to OPEB items requiring deferral under GASB 75.

# Texarkana Water Utilities

## Notes to Financial Statements

September 30, 2023

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. The deferred pension inflows relate to pension items requiring deferral under GASB 68 and the deferred inflows from other postemployment benefits relate to OPEB items requiring deferral under GASB 75.

### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS' fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net pension asset and pension income, information about the fiduciary net position of the Texarkana, Arkansas Water Utilities Employees Retirement System (TAWUERS) and additions to/deductions from TAWUERS' fiduciary net position have been determined on the same basis as they are reported by TAWUERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Postemployment Benefits Other Than Pension (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, of the Utilities' Health Plan have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, and liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Allocation of Water and Sewer Expenses

Because of the shared facilities of the Texarkana, Arkansas and the Texarkana, Texas systems, operating expenses which cannot be specifically identified to one Utility or the other are allocated between the Arkansas Utilities and the Texas Utilities at 37.44% and 62.56%, respectively for fiscal year 2023.

# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

#### ***Adoption of GASB Statements***

GASB Statement No. 96 Subscription-Based Information Technology Arrangements (SBITA), is effective for the Utility beginning in fiscal year 2023. GASB Statement No. 96 provides a new framework for accounting for SBITAs under the principle that SBITAs are a right-to-use subscription asset and a corresponding subscription liability. An exception to the general model is provided for short-term SBITAs that cannot last more than 12 months. Adoption of GASB 96 had no impact on the Utility's financial statements.

#### **Note 2: Water Supply Contract Between Cities of Texarkana, Texas and Texarkana, Arkansas**

Under a contract dated August 5, 1948 as subsequently amended, the Texarkana, Texas System supplies water to the City of Texarkana, Arkansas and disposes of sewage collected by that City. Charges to Texarkana, Arkansas for these services are computed by prorating certain expenses of the System, plus a set monthly fee. A revised agreement was executed between the Cities of Texarkana, Texas and Texarkana, Arkansas on May 20, 1969.

This revised agreement relates to the matter of supplying treated water only and does not amend the prior agreement relating to sewerage service. The terms of the revised contract provide that Texarkana, Arkansas will pay the same amount per one thousand gallons of water supplied to it as shall be computed to be the cost to Texarkana, Texas under its contractual arrangements with other area cities. The Arkansas Utilities made total payments to the Texas Utilities for water purchases of \$1,181,049 for 2023. In addition, the Union Utility made total payments to the Texas Utilities for water purchases of \$68,946 for 2023. The Mandeville Utility made total payments to the Texas Utilities for water purchases of \$18,164 for 2023.

A water system agreement entered into on December 1, 1982 and amended on October 15, 1985 between the two Cities provides for the sale of water taken from the Millwood Reservoir and processed in the Millwood Water Treatment Facilities. The agreement provides that the previous existing contract shall remain in full force as it relates to water taken from the Texarkana Reservoir.

The agreement further provides that the City of Texarkana, Arkansas, will sell treated water to the City of Texarkana, Texas, at the cost per one thousand gallons of water supplied to it as shall be computed to be the cost to Texarkana, Arkansas. The Texas Utilities made total payments to the Arkansas Utilities for water purchases of \$919,779 for 2023. In addition, the Union Utility made total payments to the Arkansas Utilities for water purchases of \$37,443 for 2023. The Mandeville Utility made total payments to the Arkansas Utilities for water purchases of \$9,755 for 2023.

Additionally, when the indebtedness the City of Texarkana, Arkansas incurred in connection with the acquisition and construction of the water treatment and transmission facilities has been discharged, the City of Texarkana, Arkansas will convey to the City of Texarkana, Texas an undivided interest in the facilities used to serve Texas. Texarkana, Texas' undivided interest in the facilities shall be a pro rata portion of the total capital payments made on the system by both Texarkana, Arkansas and Texarkana, Texas. Capital payments are defined as payments made or to be made on the principal for the bond obligations of Texarkana, Arkansas. During 2023, the Texas Utilities made total payments to the Arkansas Utilities for debt service of \$418,112.

# **Texarkana Water Utilities**

## **Notes to Financial Statements**

### **September 30, 2023**

#### **Note 3: Wastewater Agreements Between Cities of Texarkana, Texas and Texarkana, Arkansas**

##### ***South Regional Wastewater Facilities***

A wastewater agreement dated March 1, 1983, was entered into between the City of Texarkana, Arkansas and the City of Texarkana, Texas. The agreement is a supplement to the previous agreement and provides that the City of Texarkana, Texas will process the wastewater from the City of Texarkana, Arkansas and charge the City of Texarkana, Arkansas the same amount per one thousand gallons as computed to be the cost to the City of Texarkana, Texas for wastewater treatment. The calculation of cost for retail customers billed on the City Rate Ordinance is based on the metered retail water sales of each City to the total retail water sales for both Cities. The contract wastewater treatment cost to the Cities is based on metered wastewater treated in combination with the retail customers for each City to the total for both Cities.

##### ***McKinney Bayou Wastewater Facilities***

A wastewater agreement dated December 15, 1997, was entered into between the City of Texarkana, Arkansas and the City of Texarkana, Texas. The agreement relates to the operation and maintenance of a wastewater treatment facility, known as the McKinney Bayou Wastewater Facilities (the facilities), and related transmission lines located within the City of Texarkana, Arkansas to be used for the collection and treatment of a portion of the two cities' wastewater. The agreement provides that the City of Texarkana, Arkansas will process a portion of the wastewater from the City of Texarkana, Texas. The City of Texarkana, Texas will pay the City of Texarkana, Arkansas the same amount per one thousand gallons as computed to be the cost to the City of Texarkana, Arkansas for wastewater treatment. The calculation of cost for retail customers billed is based on the metered retail water sales of each City, whose wastewater is treated in the facilities, to the total retail water sales for both Cities, whose wastewater is being treated in the facilities.

The agreement further provides that, when the indebtedness of the City of Texarkana, Arkansas incurred in connection with the acquisition and construction of the wastewater treatment facilities has been discharged, the City of Texarkana, Arkansas will convey to the City of Texarkana, Texas an undivided interest in the system facilities used to serve Texas. Texarkana, Texas' undivided interest in the facilities shall be a pro rata portion of the total payments on bond obligations made on the system by both Texarkana, Arkansas and Texarkana, Texas. During 2023, Texas Utilities made payments to the Arkansas Utilities for debt service for \$95,689. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease between the Utilities and all transactions between them are eliminated in combination.



# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

#### **Note 4: Water Supply Contracts Between City of Texarkana, Texas and “Member Cities”**

A water supply contract has been entered into between the City of Texarkana, Texas and seven cities in the area which are described as “Member Cities”. Texarkana, Texas has agreed to supply each of these cities with a maximum amount of treated water per year. Each Member City agrees to make minimum monthly payments to the City of Texarkana, Texas, which shall be adequate to discharge its pro rata part of debt service, maintenance and operating, and administrative expenses to Lake Texarkana Water Supply Corporation.

In fiscal year 2013, the Texas Utility issued \$2,200,000 in Waterworks and Sanitary Sewer System Revenue Bonds to finance the moving and replacing of a 16 inch ductile iron water line to a 24 inch water line between Malta, Texas and DeKalb, Texas to accommodate the widening of U.S. Highway 82 between New Boston, Texas and DeKalb Texas, a Bowie County voter approved project. In fiscal year 2023, the Texas Utility received payments of \$27,397 from the “Member Cities” for contributions toward debt service on these bonds based on their ownership ratio in these assets, for which the related transfer is recorded as a direct financing lease by the Texas Utility.

#### **Note 5: Cash and Investments**

*Cash* - At September 30, 2023, the carrying amount of the Utilities cash was \$46,599,701 and the respective bank balances totaled \$47,926,623.

*Investments* - For fiscal year 2023, the Utility invested in non-negotiable certificates of deposits measured at amortized cost. The Utility records all interest revenue related to investment activities in the respective funds. As of September 30, 2023, the carrying amount of the Utility’s certificates of deposits reported as investments totaled \$2,523,565.

*Interest Rate Risk* – As of September 30, 2023, the Utility had no investments in debt security investments.

# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Utility's investment policy limits the investment portfolio as follows:

<b>Investment Type</b>	<b>Not to exceed</b>
U.S. Government agencies	80%
Fully insured or collateralized CD's	100%
Banker's acceptances	15%
Commercial paper	15%
Maximum per commercial paper issuer	5%
Repurchase agreements	50%
Money market funds:	
Operating funds	100%
Bond funds	100%
Local government investment pools	80%
Maximum percent ownership of pool	10%
Maximum percent investment in any one pool	50%

The Utility follows the City of Texarkana, Texas' investment policy. The maximum final stated maturity of any investment shall not exceed ten years. Investments in all funds shall be managed in such a way that the market price losses resulting from interest rate volatility would be offset by coupon income and current income received from the volume of the portfolio during a twelve-month period.

*Custodial Credit Risk* – For a deposit, custodial credit risk is the risk that, in the event of a failure of a depository institution, the Utility will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Utility's investment policy requires that all deposits and investments other than direct purchases of U.S. Treasuries or Agencies shall be secured by pledged securities, with a collateralization rate of 102% of the market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC or FSLIC. Collateral pledged to secure deposits of the Utility shall be held by a safekeeping institution, or Trustee, that is either the Federal Reserve Bank or an institution not affiliated with the firm pledging the collateral. Generally, collateralization is required on certificates of deposit over the FDIC insurance coverage of \$250,000 and repurchase agreements. Of the Utility's \$12,832,592 of categorizable deposits, none were uninsured or uncollateralized at September 30, 2023.

# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

*Credit Risk* – The Utility’s investments in U.S. Treasury money markets at Regions Trust were rated AAAM by Standard & Poor’s and Aaa-mf by Moody’s Investor Services. The Utility’s investment policy requires that money market funds have a rating of AAA by at least one nationally recognized rating firm and are “no-load” funds.

*Foreign Currency* – The Utility’s investment policy does not address foreign currency risk. The Utility did not have any foreign investments at September 30, 2023.

#### Note 6: Capital Assets

	Balance Sept. 30, 2022	Additions	Retirements	Transfers	Balance Sept. 30, 2023
Capital assets, not being depreciated:					
Land	\$ 2,907,503	\$ -	\$ -	\$ -	\$ 2,907,503
Water rights	17,784,128	-	-	-	17,784,128
Construction in progress	5,128,043	5,472,384	-	(3,274,466)	7,325,961
Total capital assets, not being depreciated	<u>25,819,674</u>	<u>5,472,384</u>	<u>-</u>	<u>(3,274,466)</u>	<u>28,017,592</u>
Capital assets, being depreciated:					
Buildings	11,163,637	-	-	79,205	11,242,842
Improvements other than buildings	181,186,659	-	(15,294)	2,083,818	183,255,183
Machinery and equipment	19,552,785	-	(220,979)	1,111,443	20,443,249
Total capital assets, being depreciated	<u>211,903,081</u>	<u>-</u>	<u>(236,273)</u>	<u>3,274,466</u>	<u>214,941,274</u>
Less accumulated depreciation for:					
Buildings	(8,253,418)	(214,869)	-	-	(8,468,287)
Improvements other than buildings	(103,276,536)	(4,830,863)	5,098	-	(108,102,301)
Machinery and equipment	(14,934,171)	(1,291,983)	220,194	-	(16,005,960)
Total accumulated depreciation	<u>(126,464,125)</u>	<u>(6,337,715)</u>	<u>225,292</u>	<u>-</u>	<u>(132,576,548)</u>
Total capital assets, being depreciated, net	<u>85,438,956</u>	<u>(6,337,715)</u>	<u>(10,981)</u>	<u>3,274,466</u>	<u>82,364,726</u>
Total capital assets, net	<u>\$ 111,258,630</u>	<u>\$ (865,331)</u>	<u>\$ (10,981)</u>	<u>\$ -</u>	<u>\$ 110,382,318</u>

# Texarkana Water Utilities

## Notes to Financial Statements

September 30, 2023

### Note 7: Interfund Activity and Transfers Out

The composition of due to/from other funds that are eliminated in consolidation as of September 30, 2023, include:

Receivable Fund	Payable Fund	Amount
Texas Water Utilities	GPI Water Fund	\$ 414,239
Texas Water Utilities	Arkansas Water Utilities	1,021,898
Texas Water Utilities	Mandeville	9,585
Texas Water Utilities	Union	11,337
Arkansas Water Utilities	GPI Water Fund	509
Arkansas Water Utilities	Texas Water Utilities	152,853
Arkansas Water Utilities	Mandeville	2,722
Arkansas Water Utilities	Union	14,773
Lake Texarkana WSC	Texas Water Utilities	2,202
Lake Texarkana WSC	Arkansas Water Utilities	2,240
Mandeville	Texas Water Utilities	80
Mandeville	Lake Texakana WSC	2,093
Mandeville	Union	252
Union	Texas Water Utilities	968
Union	Lake Texarkana WSC	2,350
		<u>\$ 1,638,101</u>

	Transfers In:		
	City of Texarkana, TX General Fund	City of Texarkana, AR General Fund	Total
Transfers out:			
Texas Water Utilities	\$ (1,183,310)	\$ -	\$ (1,183,310)
Arkansas Water Utilities	-	316,750	316,750
Graphic Packaging International	1,607	-	1,607
	<u>\$ (1,181,703)</u>	<u>\$ 316,750</u>	<u>\$ (864,953)</u>

A transfer of \$1,183,310 was made from the City of Texarkana, Texas for the City's administrative fees due under contracts between the City and Graphic Packaging International water service contracts.

# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

The transfers to the City of Texarkana, Arkansas General fund total \$316,750. Of this amount, transfers totaling \$198,372 are pursuant to Arkansas City Ordinance No. L-218, which authorized the City of Texarkana, Arkansas to receive a voluntary payment in lieu of taxes from the City's Water Utilities based on 4% of water sales. The Utility transferred a total of \$88,378 to the City for Infrastructure fees during fiscal year 2023 based upon Arkansas City Ordinance No. L-275, which established Infrastructure fees of \$1.00 per month for each residential water and each residential sewer account and \$2.50 per month for each commercial water and each commercial sewer account. The Utility also transferred \$30,000 during fiscal year 2023 for a portion of the City Manager's salary and benefits for providing oversight of the Utility.

#### Note 8: Long-term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended September 30, 2023:

	Beginning Balance September 30, 2022	Additions	Retirements	Ending Balance September 30, 2023	Due Within One Year
Revenue bonds	\$ 4,786,815	\$ 20,655,000	\$ (1,372,894)	\$ 24,068,921	\$ 1,158,454
Less discounts	(10,029)	-	1,181	(8,848)	-
Bond premium	-	943,291	-	943,291	-
Total bonds payable	<u>4,776,786</u>	<u>21,598,291</u>	<u>(1,371,713)</u>	<u>25,003,364</u>	<u>1,158,454</u>
Contract payable	14,014,783	-	(172,653)	13,842,130	177,197
Accrued compensated absences	<u>706,060</u>	<u>579,325</u>	<u>(624,786)</u>	<u>660,599</u>	<u>103,199</u>
Total	<u>\$ 19,497,629</u>	<u>\$ 22,177,616</u>	<u>\$ (2,169,152)</u>	<u>\$ 39,506,093</u>	<u>\$ 1,438,850</u>

The Utility issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Long-term debt at September 30, 2023, is comprised of the following:

	Rate of Interest	Original Issue	Outstanding September 30, 2023
City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Revenue Bonds, Series 2004A -- Due serially in varying amounts from October 15, 2004 through April 15, 2024.	3.25%	2,170,000	144,842
City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Revenue Bonds, Series 2004B -- Due serially in varying amounts from April 15, 2005 through October 15, 2025.	3.25%	3,830,000	624,068
City of Texarkana, Arkansas Public Facilities Board Revenue Bonds, Series 2023 -- Due serially in varying amounts from September 1, 2024 through September 1, 2043	4.00% to 5.00%	20,655,000	20,655,000

# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

	Rate of Interest	Original Issue	Outstanding September 30, 2023
City of Texarkana, Arkansas Public Facilities Board Waterworks and Sewer Facilities Revenue Refunding Bonds, Series 2007 - Due serially in varying amounts from September 1, 2008 through September 1, 2025	4.00% to 4.15%	\$ 9,085,000	\$ 1,356,290
City of Texarkana, Texas Waterworks and Sanitary Sewer System Revenue Bonds, Series 2013 – Due serially in varying amounts from August 1, 2014 through August 1, 2033.	2.00% to 4.875%	2,200,000	1,279,873
Total bonded indebtedness		\$ 37,940,000	24,060,073
Less current maturities			(1,158,454)
Total long-term debt			\$ 22,901,619

Debt service requirements to amortize Texarkana, Arkansas revenue bonds outstanding at September 30, 2023, including interest payments are as follows:

Requirements Year Ending September 30	Texarkana, Arkansas Revenue Bonds		
	Principal	Interest	Total
2024	\$ 779,690	\$ 975,373	\$ 1,755,063
2025	1,033,448	978,302	2,011,750
2026	676,956	934,536	1,611,492
2027	775,000	902,800	1,677,800
2028	815,000	864,050	1,679,050
2029-2033	4,725,000	3,667,000	8,392,000
2034-2038	6,030,000	2,361,750	8,391,750
2039-2043	7,470,000	919,800	8,389,800
	\$ 22,305,094	\$ 11,603,611	\$ 33,908,705

# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

Debt service requirements to amortize City of Texarkana, Arkansas Mandeville and Union revenue bonds outstanding at September 30, 2023, including interest payments are as follows:

<b>Requirements Year Ending September 30</b>	<b>City of Texarkana, Arkansas</b>		
	<b>Mandeville and Union Revenue Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 273,764	\$ 13,234	\$ 286,998
2025	133,147	5,470	138,617
2026	68,195	1,108	69,303
	<u>\$ 475,106</u>	<u>\$ 19,812</u>	<u>\$ 494,918</u>

Debt service requirements to amortize Texarkana, Texas revenue bonds outstanding at September 30, 2023, including interest payments are as follows:

<b>Requirements Year Ending September 30</b>	<b>Texarkana, Texas Revenue Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 105,000	\$ 57,881	\$ 162,881
2025	110,000	53,681	163,681
2026	115,000	49,281	164,281
2027	120,000	44,394	164,394
2028	125,000	39,294	164,294
2029-2034	704,873	105,488	810,361
	<u>\$ 1,279,873</u>	<u>\$ 350,019</u>	<u>\$ 1,629,892</u>

The bond indentures require deposits to be made into certain restricted funds and require certain balances to be maintained in these funds. At September 30, 2023 the Utilities had \$23,139,437 in sinking or reserve funds restricted for debt service of the Utility bond indentures.

The Utility has pledged future water customer revenues, net of specified operating expenses, to repay outstanding water system revenue bonds. 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 7% of net revenues.

# Texarkana Water Utilities

## Notes to Financial Statements

September 30, 2023

The Utility has a contract payable related to the purchase of water rights. The contract is payable annually in the amount of \$541,522 until the year 2066. The stated interest rate per the contract is 2.6%. Annual requirements to amortize the water rights contract payable outstanding at September 30, 2023, including interest payments are as follows:

Requirements Year Ending September 30	City of Texarkana, Arkansas		
	Water Rights Contract Payable		
	Principal	Interest	Total
2024	\$ 177,197	\$ 364,325	\$ 541,522
2025	181,861	359,661	541,522
2026	186,647	354,875	541,522
2027	191,560	349,962	541,522
2028	196,601	344,920	541,521
Thereafter	12,908,264	7,669,556	20,577,820
	<u>\$ 13,842,130</u>	<u>\$ 9,443,299</u>	<u>\$ 23,285,429</u>

### Note 9: Employee Retirement Systems

The Cities have elected to participate in Social Security coverage as well as the following retirement plans for the employees of the Utility: A) Texas Municipal Retirement System Plan No. 3, and B) Texarkana Arkansas Water Utilities Employee Retirement System. The financial statements of the employees' retirement plans are not included in the accompanying financial statements.

#### ***Texas Municipal Retirement System (TMRS)***

##### Plan Description

The City of Texarkana, Texas participates as one of 887 plans in the nontraditional, joint contributory, hybrid agent multiple-employer defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS ACT, Subtitle G, Title 8, Texas Government Code (The TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the Utilities are required to participate in TMRS. The Utility plan is one of the City of Texarkana, Texas' three TMRS plans.



# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

Benefits Provided

TMRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City -finance monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan provisions for the Utility were as follows:

Employee deposit rate	7%
City current matching ratio	2:1
Updated Service Credit:	
Rate	100T
Year effective	1992R
Increased benefits to retirees:	
Rate	70%
Year effective	1992R
Military service credit effective date	Oct. 1988
Vesting	5 years
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	June 1995

At the December 31, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	131
Inactive employees entitled to but not yet receiving benefits	68
Active employees	169
Total	368

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Utility matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Texarkana, Texas was required to contribute 7% of their annual gross earnings during the fiscal year. The Utility's contributions to TMRS for the year ended September 30, 2023 were \$1,272,437 and were equal to the required contributions.

# Texarkana Water Utilities

## Notes to Financial Statements

September 30, 2023

### Net Pension Liability

The Utility's net pension liability (NPL) was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

### Actuarial Assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.65%
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return (Arithmetic)</b>
Global Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
Total	<u>100.00%</u>	

#### Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Changes in Net Pension Liability

	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balance at October 1, 2022	\$ 48,857,905	\$ 46,603,044	\$ 2,254,861
Changes for the year:			
Service cost	1,337,523	-	1,337,523
Interest	3,263,377	-	3,263,377
Difference between expected and actual experience	226,467	-	226,467
Contributions - employer	-	1,272,437	(1,272,437)
Contributions - employee	-	555,648	(555,648)
Net investment income	-	(3,400,162)	3,400,162
Benefit payments, including refunds of employee contributions	(2,360,683)	(2,360,683)	-
Administrative expense	-	(29,438)	29,438
Other changes	-	35,128	(35,128)
Net changes	<u>2,466,684</u>	<u>(3,927,070)</u>	<u>6,393,754</u>
Balance at September 30, 2023	<u>\$ 51,324,589</u>	<u>\$ 42,675,974</u>	<u>\$ 8,648,615</u>

# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Utility calculated using the discount rate of 6.75%, as well as what the Utility's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
\$ 15,409,739	\$ 8,648,615	\$ 3,069,239

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2023, the Utility recognized pension expense of \$1,906,703.

At September 30, 2023, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 614,568	\$ 45,810
Difference in assumption changes	6,446	-
Difference between projected and actual investment earnings	2,933,524	-
Contributions subsequent to the measurement date	1,102,778	-
Total	\$ 4,657,316	\$ 45,810

# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, \$1,102,778, will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended September 30</b>	<b>Amount</b>
2023	\$ 337,005
2024	965,884
2025	886,916
2026	1,318,923
Total	\$ 3,508,728

#### ***Texarkana Arkansas Water Utilities Employee Retirement System (TAWUERS)***

##### *Plan Description*

Employees of the Texarkana, Arkansas Water Utilities are covered by the TAWUERS, a single employer defined benefit pension plan, after completion of one year of service. However, there are no new participants on or after November 15, 2000. TAWUERS is a single-employer, defined benefit plan administered by a committee appointed by the Texarkana, Arkansas Board of Directors. The financial statements are included in the Annual Comprehensive Financial Report of the City of Texarkana, Arkansas. The plan funds are held by an independent trustee.

##### *Benefits Provided*

TAWUERS provides retirement benefits as well as death and disability benefits. A participant is eligible for normal retirement benefits upon attainment of age 65. The annual normal retirement benefit, payable monthly, is equal to 1.8% of average annual earnings for each year of service credited. Average annual earnings are the average of the earnings received by the participant during the five consecutive years of highest earnings. Reduced early retirement benefit is available to participants who are at least age 55 and have 10 years of participation. The reduction is 1/360<sup>th</sup> for each month or part thereof by which the payment commencement date precedes the normal retirement date. Participants who are 60 years of age and have completed 20 years of vesting service or who are 55 years of age and have completed 30 years of vesting service, have no reduction of their accrued benefit. The benefit is paid as a monthly life annuity. Other options may be elected. Late retirement, pre-retirement death benefits and disability benefits are also available in an amount actuarially equivalent to the present value of accrued benefits. There are no automatic Cost of Living Adjustments (COLAs) in this plan. No ad hoc COLAs have been given in the past. An amendment froze the plan as of November 15, 2000 and made all active participants 100% vested. Due to the plan freeze, no employee will become a participant after November 15, 2000.

# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

Number of Participants

Membership in the TAWUERS at July 1, 2023, latest report available, is comprised of the following:

Group	Number
Active participants	8
Participants receiving benefits	8
Deferred vested participants	21
Total participants	37

Contributions

Since the plan was frozen in November 2000, there has been no required contribution, and none has been made since 2000.

Net Pension Asset

The City's net pension asset was measured as of July 1, 2023, and the total pension liability (TPL) used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension asset in July 1, 2023 actuarial valuation was determined using the following actuarial assumptions:

Long-term rate of return	3.50% per annum, net of investment expenses
Discount rate	3.50% per annum, net of investment expenses
Salary increases	N/A - Plan is frozen
Total payroll growth	N/A - Plan is frozen
 Mortality	 2023 Funding Target - Combined - IRC 430(h)(3)(A)
Retirement rates	Age 61 with 20 years of service but not later than age 65. Those eligible for immediate benefits including early retirement (age 55 & 10 years of service) are assumed to retire on the valuation date. If applicable, the benefit is reduced for early commencement.
 Termination rates	 None
Changes in assumptions	None

# Texarkana Water Utilities

## Notes to Financial Statements

September 30, 2023

The mortality rates were based on the 2020 Internal Revenue Code Section 417(e)(3)(B) Mortality Table. The equivalent rate for 2021 was 2.90%. The segment rates for 2022 were years 0-5, .3.23%, years 6-20, 4.59%, and years over 20, 4.69%. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

<u>Market Value of Assets</u>	<u>Long-term Expected Real Rate of Return</u>
Equities	6.20%
Fixed income	3.30%
Cash equivalents	0.30%
	<u>9.80%</u>

### Discount Rate

The discount rate used to measure the total pension asset was 3.50%. The projection of cash flows used to determine the discount rate assumed that there would be no more employer or employee contributions. The current assets are more than sufficient to cover all plan benefits. Since assets are sufficient, no payout projection is needed to calculate the expected discount rate. Instead, the discount rate (the single rate that reflects the long-term expected rate of return on pension plan investments) is calculated by an economic model. It is assumed that the current investment mix is indicative of the investment strategy in the future. In the table that follows estimate expected real and nominal returns on asset class components are estimated based on various indicators including Municipal and Corporate Bond Yields, various mandated segment rates and other indexes. Expected results are calculated. The rate used, 3.50%, is equal to the calculated rate (3.53% rounded). The expected return is estimated based on various indexes including IRS & PBGC segment rates and Corporate and Municipal Bond Yields.

### **Change in Net Pension Asset**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance at October 1, 2022	\$ 738,000	\$ 2,826,456	\$ (2,088,456)
Changes for the year:			
Service cost	-	-	-
Interest	54,555	-	54,555
Difference between expected and actual experience	(52,951)	-	(52,951)
Changes of assumptions	-	-	-
Net investment income	-	147,497	(147,497)
Benefit payments, including refunds of employee contributions	(68,131)	(68,131)	-
Administrative expense	-	(9,424)	9,424
Other	-	-	-
Net changes	<u>(66,527)</u>	<u>69,942</u>	<u>(136,469)</u>
Balance at September 30, 2023	<u>\$ 671,473</u>	<u>\$ 2,896,398</u>	<u>\$ (2,224,925)</u>

# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

The following presents the net pension asset of the Utility, calculated using the discount rate of 3.50%, as well as what the Utility's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease in Discount Rate (2.50%)	Discount Rate (3.50%)	1% Increase in Discount Rate (4.50%)
Net pension asset	\$ (2,152,543)	\$ (2,224,925)	\$ (2,285,719)

#### Pension Expense (Income)

For the year ended September 30, 2023, the City recognized pension expense of \$136,469. There were no deferred outflows of resources and deferred inflows of resources related to the TAWUERS pension plan since the plan is closed and is fully funded.

## Note 10: Postemployment Health Care Benefits

### **Benefits Provided**

Eligible employees hired before January 1, 2010 receive upon retirement 1) a lump sum payment of their sick leave balance at retirement which is equal to their sick leave hours (limited to 720 hours for non-Civil Service) valued at the employee's current hourly pay rate, and 2) an additional amount equal to their sick leave balance used to pay future monthly healthcare contributions. Since the sick leave balance in item 2 can only be used for healthcare it is required to be included as an other postemployment benefit (OPEB).

Upon retirement, eligible employees hired after January 1, 2010 may choose either a lump sum payment of up to 720 hours of sick leave at their current rate of pay or an equivalent amount to be used to pay future monthly healthcare contributions, but they cannot get both. Once retirees participating in postemployment health care benefits reach sufficient age to become Medicare eligible, they can no longer remain on the insurance, but if they enroll in Medicare, their Medicare supplement premiums can then be paid from any remaining sick leave buyout balance. Eligible employees who retire at Medicare eligible age cannot remain on the employer insurance, but their Medicare supplement premiums can be paid from their sick leave buyout balance.

Eligible employees who choose to remain on the employer insurance are allowed to continue any coverage they may have at retirement, which includes self, spouse, children, and family coverage options, but those coverage options cannot be added post retirement.

For the plan, no assets are accumulated in a trust that meet the criteria of GASB Statement No. 75.



# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

At the October 1, 2022, valuation date, the following employees were covered by the benefit terms:

Actives	178
Retirees	13
Total	191

#### Contributions

The Utility does not make advance funding contributions, but instead operates under a pay-as-you-go method. An irrevocable trust has not been established that meets the criteria established under GASB Statement Nos. 74 and 75. Therefore, the plan is not accounted for as a trust fund and does not issue a separate financial report.

#### Actuarial methods and assumptions

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. Under this method, a projected retirement benefit at assumed retirement age is computed for each participant using anticipated future pay increases. The normal cost for each participant is computed as the level percentage of pay which, if paid from each participant's date of employment by the employer or any predecessor employer (thus, entry age) to his assumed retirement date, would accumulate with interest at the rate assumed in the valuation to an amount sufficient to fund his projected retirement benefit. The normal cost for the plan is the total of the individually computed normal costs for all participants including the costs for any death or disability benefits under the plan.

The accrued liability at any point in time for an active participant is the theoretical fund that would have been accumulated on his behalf from his normal cost payments and the earnings thereon for all prior years if the plan had always been in effect. For persons receiving benefits or entitled to a deferred vested retirement income, the accrued liability cost is equal to the present value of their future benefit payments. The accrued liability for the plan is the total of the individually computed accrued liability for all participants. The unfunded accrued liability for the plan is the excess of the accrued liability over the assets which have been accumulated for the plan.

It should be noted that the accrued liability as of any date is not the actuarially computed present value of accrued or accumulated benefits as of that date. The accrued liability is the portion of the ultimate cost assigned to prior years by the cost method being used.

# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

Valuation Date	October 1, 2023
Measurement Date	September 30, 2023
Discount Rate for Valuing Liabilities	4.87% per annum, as of September 30, 2023
Rate of Inflation	2.25%, per annum
Mortality rates	<p>Non-Annuitants: Sex distinct headcount weighted 2010 PUB mortality table for general employees with mortality improvement scale MP-2021</p> <p>Annuitants: Sex distinct headcount weighted 2010 PUB mortality table for general retirees with mortality improvement scale MP-2021</p>
Assumed Sick Leave Balance	Active participants assumed to have the maximum sick leave balance accrued at time of retirement. Retirees use actual sick leave balance.
Disability rates	None
Payroll Increase	2.75%
Participation Assumption	100% of those with an accrued balance at retirement are assumed to elect medical coverage and 25% of retirees are assumed to cover their spouse.

#### ***Changes in Total OPEB Liability***

	<b>Total</b>	<b>Texarkana, Arkansas Water Utilities</b>	<b>Texarkana, Texas Water Utilities</b>
Balance as of September 30, 2022	\$ 1,304,025	\$ 482,226	\$ 821,799
Changes for the year:			
Service cost	105,266	39,412	65,854
Interest on total OPEB liability	64,376	24,102	40,274
Difference between expected and actual experience	(5,142)	(1,925)	(3,217)
Effect of assumptions changes or inputs	(262,800)	(98,392)	(164,408)
Benefit payments	(109,098)	(40,846)	(68,252)
Balance as of September 30, 2023	<u>\$ 1,096,627</u>	<u>\$ 404,577</u>	<u>\$ 692,050</u>

# Texarkana Water Utilities

## Notes to Financial Statements

September 30, 2023

### ***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the Utility calculated using the discount rate of 4.87%, as well as what the Utility's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.87%) or 1% higher (5.87%) than the current rate. This is also calculated using healthcare cost trend rates.

<b>Discount Rate Sensitivity</b>			<b>Healthcare Cost Trend Rate</b>		
<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
<b>3.87%</b>	<b>4.87%</b>	<b>5.87%</b>	<b>5.80% / 4.00%</b>	<b>6.80% / 5.00%</b>	<b>7.80% / 6.00%</b>
<u>\$ 1,159,909</u>	<u>\$ 1,096,627</u>	<u>\$ 1,038,655</u>	<u>\$ 1,082,062</u>	<u>\$ 1,096,627</u>	<u>\$ 1,114,348</u>

### ***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended September 30, 2023, the Utility recognized an OPEB expense of \$692,050.

At September 30, 2023, the Utility had deferred outflows and inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 13,252
Changes of assumptions	44,752	850,133
<b>Total</b>	<b>\$ 44,752</b>	<b>\$ 863,385</b>

The amounts reported as deferred inflows of resources related to OPEB will be recognized as a reduction in OPEB expense as follows:

<b>Measurement Year</b>	<b>Amount</b>
<b>September 30</b>	
2024	\$ (454,647)
2025	(72,259)
2026	(94,631)
2027	(93,458)
2028	(65,364)
2029	(38,274)
	<u>\$ (818,633)</u>

# Texarkana Water Utilities

## Notes to Financial Statements

### September 30, 2023

#### Note 11: Risk Management

The Utility's workers' compensation insurance coverage is obtained through the Texas Municipal League Intergovernmental Risk Pool (TML Pool). The TML Pool was established by the various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. Losses under a stated amount for workers' compensation that are incurred by TML members are paid with TML Pool funds. Claims in excess of this limit are paid under terms of insurance policies obtained by the TML Pool. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board or by the State Board of Insurance of Texas. Such rates are estimated to include all claims expected to occur during the policy period, including claims incurred but not reported. The TML has established claims reserves for each of the types of insurance offered. Thus, although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contributed rate for subsequent years. Members are also entitled to returns of contributions if actual results are more favorable than estimated. For the year ended September 30, 2023, the Utility contributed \$111,837 for workers' compensation coverage. The Utility also paid \$40,006 to Arkansas Municipal League - Workers' Compensation Trust during fiscal year 2023.

Through an amendment, in 1978, of the Texas Unemployment Compensation Act, the Utility elected the Reimbursing Employer Option for providing unemployment insurance benefits for eligible former Utility employees.

The Utility has outside property insurance coverage totaling \$158,159,297 for water and sewer infrastructure including water and wastewater plants, water and sewer lines, and for mobile equipment. The Utility maintains liability insurance coverage of \$1,000,000 for all its vehicles, general liability coverage of \$4,000,000, and errors and omission liability of \$2,000,000 for each wrongful act with a \$4,000,000 annual aggregate. There were no claims exceeding coverage over the last three years.

#### Note 12: Subsequent Pronouncements

The Governmental Accounting Standards Board recently issued the following statements not yet implemented by the Texarkana Water Utilities. The statements which might impact the Utility are as follows:

##### ***GASB Statement No. 101 – Compensated Absences***

GASB Statement No. 101, Compensated Absences is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard amends the existing requirements to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability.

GASB 101 is effective for the Utility's fiscal year 2025. Earlier application is encouraged.

## **Required Supplementary Information**

**Texarkana Water Utilities**  
**Required Supplementary Information**  
**Texas Municipal Retirement System (TMRS)**

**Schedule of Changes in the Utilities' Net Pension Liability and Related Ratios**

	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Pension Liability</b>									
Service cost	\$ 983,866	\$ 1,013,038	\$ 1,034,167	\$ 1,067,428	\$ 1,104,510	\$ 1,168,345	\$ 1,261,412	\$ 1,261,883	\$ 1,337,523
Interest (on the total pension liability)	2,444,173	2,511,013	2,506,357	2,618,747	2,694,047	2,818,507	2,940,225	3,072,149	3,263,377
Difference between expected and actual experience	(974,324)	(760,056)	-	(615,322)	67,670	(311,632)	(38,632)	835,418	226,467
Change in assumptions	-	153,851	(65,776)	-	-	59,054	-	-	-
Benefit payments, including refunds of employee contributions	(1,577,470)	(1,449,397)	(1,888,233)	(1,764,452)	(2,183,218)	(1,925,367)	(2,029,801)	(2,387,830)	(2,360,683)
Net change in pension liability	876,245	1,468,449	1,586,515	1,306,401	1,683,009	1,808,907	2,133,204	2,781,620	2,466,684
Total pension liability, beginning	35,213,555	36,089,800	37,558,249	39,144,764	40,451,165	42,134,174	43,943,081	46,076,285	48,857,905
Total pension liability, ending	<u>\$ 36,089,800</u>	<u>\$ 37,558,249</u>	<u>\$ 39,144,764</u>	<u>\$ 40,451,165</u>	<u>\$ 42,134,174</u>	<u>\$ 43,943,081</u>	<u>\$ 46,076,285</u>	<u>\$ 48,857,905</u>	<u>\$ 51,324,589</u>
<b>Fiduciary Net Position</b>									
Contributions - Employer	\$ 1,175,941	\$ 1,090,013	\$ 1,000,051	\$ 1,055,050	\$ 1,117,919	\$ 1,145,532	\$ 1,222,725	\$ 1,216,653	\$ 1,272,437
Contributions - Employee	465,062	456,617	442,222	455,887	469,433	498,988	531,546	527,669	555,648
Net investment income	1,627,249	44,359	2,039,323	4,400,054	(1,074,429)	5,282,946	2,970,346	5,450,807	(3,400,162)
Benefit payments	(1,577,470)	(1,449,397)	(1,888,233)	(1,764,452)	(2,183,218)	(1,925,367)	(2,029,801)	(2,387,830)	(2,360,683)
Administrative expenses	(16,958)	(27,019)	(23,031)	(22,801)	(20,764)	(29,853)	(19,227)	(25,226)	(29,438)
Other	(1,394)	(1,334)	(1,241)	(1,155)	(1,086)	(897)	(750)	173	35,128
Net change in net position	1,672,430	113,239	1,569,091	4,122,583	(1,692,145)	4,971,349	2,674,839	4,782,246	(3,927,070)
Fiduciary net position, beginning	28,392,412	30,061,842	30,175,081	31,744,172	35,866,755	34,174,611	39,145,960	41,820,799	46,603,044
Fiduciary net position, ending	<u>\$ 30,064,842</u>	<u>\$ 30,175,081</u>	<u>\$ 31,744,172</u>	<u>\$ 35,866,755</u>	<u>\$ 34,174,610</u>	<u>\$ 39,145,960</u>	<u>\$ 41,820,799</u>	<u>\$ 46,603,044</u>	<u>\$ 42,675,974</u>
Utilities' net pension liability	6,027,958	7,383,168	7,400,592	4,584,410	7,959,564	4,797,121	4,255,486	2,254,861	8,648,615
Utility fiduciary net position as percentage of total pension liability	83.30%	80.34%	81.09%	88.67%	81.11%	89.08%	90.76%	95.38%	83.15%
Covered payroll	6,643,748	6,523,106	6,317,454	6,512,675	6,706,191	7,128,403	7,585,158	7,538,129	7,937,824
Net pension liability as a percentage of covered payroll	90.73%	113.18%	117.15%	70.39%	118.69%	67.30%	56.10%	29.91%	108.95%

**Note:** The Utility began to report the above information when it implemented GASB Statement 68 in fiscal year 2015. This pension schedule is intended to present information for ten years. Additional information will be displayed as it becomes available.

**Texarkana Water Utilities**  
**Required Supplementary Information**  
**Texas Municipal Retirement System (TMRS)**  
**Schedule of Contributions**  
**Last Ten Fiscal Years**

	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Actuarially Determined Contribution	\$ 1,113,475	\$ 1,016,325	\$ 1,042,687	\$ 1,104,619	\$ 1,120,697	\$ 1,222,519	\$ 1,222,725	\$ 1,216,653	\$ 1,272,437
Contributions in relation to the actuarially determined contribution	<u>(1,113,475)</u>	<u>(1,016,325)</u>	<u>(1,042,687)</u>	<u>(1,104,619)</u>	<u>(1,120,697)</u>	<u>(1,222,519)</u>	<u>(1,222,725)</u>	<u>(1,216,653)</u>	<u>(1,272,437)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	6,555,893	6,321,076	6,477,002	6,677,594	6,904,979	7,128,403	7,333,937	7,538,129	7,937,824
Contributions as a percentage of covered payroll	16.98%	16.08%	16.10%	16.54%	16.23%	17.15%	16.67%	16.14%	16.03%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

Notes

There were no benefit changes during the year.

This pension schedule is intended to present information for ten years. Additional information will be displayed as it becomes available.

# Texarkana Water Utilities

## Required Supplementary Information

### Texarkana, Arkansas Water Utilities Employees Retirement System

### Schedule of Changes in the Plan's Net Pension Liability and Related Ratios

	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Pension Liability</b>									
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	49,766	48,315	42,503	38,053	37,367	35,681	32,087	29,123	54,555
Difference between expected and actual experience	(17,519)	(113,096)	(14,237)	10,643	(29,670)	(8,635)	(38,646)	(55,282)	(52,951)
Change in assumptions	3,000	3,000	3,000	41,000	(5,000)	(95,000)	9,000	1,000	-
Benefit payments	(66,247)	(87,219)	(121,266)	(172,696)	(68,697)	(35,046)	(36,441)	(137,841)	(68,131)
Net change in pension liability	(31,000)	(149,000)	(90,000)	(83,000)	(66,000)	(101,000)	(34,000)	(163,000)	(66,527)
Total pension liability, beginning	1,455,000	1,424,000	1,275,000	1,185,000	1,102,000	1,036,000	935,000	901,000	738,000
Total pension liability, ending	1,424,000	1,275,000	1,185,000	1,102,000	1,036,000	935,000	901,000	738,000	671,473
<b>Fiduciary Net Position</b>									
Net investment income	87,229	30,417	228,082	134,374	207,360	187,877	571,559	(491,781)	147,497
Benefit payments	(66,247)	(87,219)	(121,266)	(172,696)	(68,697)	(33,046)	(36,441)	(137,841)	(68,131)
Administrative expenses	(18,663)	(44,408)	(18,875)	(16,053)	(15,718)	(17,156)	(19,902)	(20,391)	(9,424)
Other	-	-	-	(19,742)	(7,560)	(9,039)	(8,964)	(341)	-
Net change in net position	2,319	(101,210)	87,941	(74,117)	115,385	128,636	506,252	(650,354)	69,942
Fiduciary net position, beginning	2,811,604	2,813,923	2,712,713	2,800,654	2,726,537	2,841,922	2,970,558	3,476,810	2,826,456
Fiduciary net position, ending	<u>\$ 2,813,923</u>	<u>\$ 2,712,713</u>	<u>\$ 2,800,654</u>	<u>\$ 2,726,537</u>	<u>\$ 2,841,922</u>	<u>\$ 2,970,558</u>	<u>\$ 3,476,810</u>	<u>\$ 2,826,456</u>	<u>\$ 2,896,398</u>
Utilities' net pension liability (asset)	(1,389,923)	(1,437,713)	(1,615,654)	(1,624,537)	(1,805,922)	(2,035,558)	(2,575,810)	(2,088,456)	(2,224,925)
Net pension liability as % of total pension liability	-97.61%	-112.76%	-136.34%	-147.42%	-174.32%	-217.71%	-285.88%	-282.99%	-331.35%
Net position as % of total pension liability	197.61%	212.76%	236.34%	247.42%	274.32%	317.71%	385.88%	382.99%	431.35%

Notes: The most recent actuarial valuation available for this plan is dated 7/1/2022.

The discount rate changed from 4.5% to 3.5% on 7/1/14 and that is still in effect on 7/1/21.

Covered payroll - The plan is frozen, thus no contribution is required and no compensation data is available.

Net pension liability as % of covered payroll - The plan is frozen, thus no contribution is required and no compensation data is available.

There is no Schedule of Plan Contributions since there has been no required contribution and none has been made for the past 10 years.



**Texarkana Water Utilities**  
**Required Supplementary Information**  
**Texarkana Water Utilities Retiree Medical Plan**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total OPEB Liability - beginning of year	\$ 3,551,855	\$ 1,530,723	\$ 1,702,012	\$ 1,522,119	\$ 1,304,025
Changes for the year:					
Service cost	162,853	67,256	70,829	65,836	105,266
Interest on total OPEB liability	154,355	55,670	36,890	36,992	64,376
Difference between expected and actual experience	(31,879)	-	(7,065)	-	(5,142)
Effect of assumptions changes or inputs	(2,262,451)	134,260	(196,653)	(189,596)	(262,800)
Benefit payments	<u>(44,010)</u>	<u>(85,897)</u>	<u>(83,894)</u>	<u>(131,326)</u>	<u>(109,098)</u>
Total OPEB Liability - end of year	<u>\$ 1,530,723</u>	<u>\$ 1,702,012</u>	<u>\$ 1,522,119</u>	<u>\$ 1,304,025</u>	<u>\$ 1,096,627</u>
Covered -employee payroll	\$ 5,421,058	\$ 6,459,418	\$ 6,293,848	\$ 7,056,030	\$ 7,437,839
Total OPEB liability as a percentage of covered-employee payroll	28.24%	26.35%	24.18%	18.48%	14.74%

**Note:** The Utility began to report the above information when it implemented GASB Statement 75 in fiscal year 2020. This OPEB schedule is intended to present information for ten years. Additional information will be displayed as it becomes available.

No amounts are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

**Assumption changes were as follows:** The discount rate changed from 2.14% to 2.43% for 2021. The discount rate changed from 2.43% to 4.77% for 2022. The discount rate changed from 4.77% to 4.87% for 2023.

## **Supplementary Information**

# Texarkana Water Utilities

## Combining Schedule of Net Position

### September 30, 2023

	Texarkana, Arkansas Water Utilities	Texarkana, Arkansas Union Water Utilities	Texarkana, Arkansas Mandeville Water Utilities	Texarkana, Texas Water Utilities
<b>Assets</b>				
<b>Current assets</b>				
Cash	\$ 2,035,562	\$ 417,414	\$ 161,655	\$ 20,582,027
Investments – certificates of deposits	699,985	44,000	-	976,915
Receivables (net of allowance for uncollectible)				
Accounts	1,167,987	71,440	29,163	1,557,876
Accrued interest	154	-	-	15,765
Due from other funds	170,348	3,318	2,425	1,457,568
Due from other governments	67,421	-	-	184,373
Inventories	418,961	-	-	706,023
Prepaid expenses	96,755	1,103	276	100,011
Other	397,189	-	-	16,482
Total current assets	<u>5,054,362</u>	<u>537,275</u>	<u>193,519</u>	<u>25,597,040</u>
<b>Noncurrent assets</b>				
<b>Restricted assets</b>				
Cash	22,140,169	128,336	17,098	51,169
Investments – certificates of deposits	-	102,665	-	700,000
Receivables				
Accounts	-	-	-	-
Accrued interest	6,601	1	-	30,702
Total restricted assets	<u>22,146,770</u>	<u>231,002</u>	<u>17,098</u>	<u>781,871</u>
<b>Other noncurrent assets</b>				
Prepaid capital improvement deposits	634,979	6,171	5,355	1,177,144
Net pension asset	2,224,925	-	-	-
Other	1,179,128	-	-	239,773
Total other noncurrent assets	<u>4,039,032</u>	<u>6,171</u>	<u>5,355</u>	<u>1,416,917</u>
<b>Capital assets (net of accumulated depreciation)</b>				
Land	817,397	13,750	1,697	1,444,866
Buildings	688,946	619	196	678,497
Improvements other than buildings	19,624,200	1,467,376	158,676	43,323,262
Machinery and equipment	1,710,892	17,724	5,113	2,380,254
Intersystem shared assets	6,954,727	-	-	5,983,237
Water rights	17,784,128	-	-	-
Construction in progress	802,814	54,623	7,835	6,460,689
Total capital assets	<u>48,383,104</u>	<u>1,554,092</u>	<u>173,517</u>	<u>60,270,805</u>
Total noncurrent assets	<u>74,568,906</u>	<u>1,791,265</u>	<u>195,970</u>	<u>62,469,593</u>
<b>Total assets</b>	<u>79,623,268</u>	<u>2,328,540</u>	<u>389,489</u>	<u>88,066,633</u>

## Exhibit 1

Lake Texarkana Water Supply Corporation	Graphic Packaging International	Eliminations	Total 2023
\$ 1,060,217	\$ 6,054	\$ -	\$ 24,262,929
-	-	-	1,720,900
-	54,976	-	2,881,442
-	-	-	15,919
4,442	-	(1,638,101)	-
-	-	-	251,794
-	-	-	1,124,984
-	-	-	198,145
-	-	(397,189)	16,482
<u>1,064,659</u>	<u>61,030</u>	<u>(2,035,290)</u>	<u>30,472,595</u>
-	-	-	22,336,772
-	-	-	802,665
-	729,383	-	729,383
-	-	-	37,304
<u>-</u>	<u>729,383</u>	<u>-</u>	<u>23,906,124</u>
-	-	(1,823,649)	-
-	-	-	2,224,925
-	-	(1,179,128)	239,773
<u>-</u>	<u>-</u>	<u>(3,002,777)</u>	<u>2,464,698</u>
-	800	628,993	2,907,503
-	-	1,406,297	2,774,555
-	-	10,579,368	75,152,882
-	-	323,306	4,437,289
-	-	(12,937,964)	-
-	-	-	17,784,128
-	-	-	7,325,961
<u>-</u>	<u>800</u>	<u>-</u>	<u>110,382,318</u>
<u>-</u>	<u>730,183</u>	<u>(3,002,777)</u>	<u>136,753,140</u>
<u>1,064,659</u>	<u>791,213</u>	<u>(5,038,067)</u>	<u>167,225,735</u>

**Texarkana Water Utilities**  
**Combining Schedule of Net Position (Continued)**  
**September 30, 2023**

	Texarkana, Arkansas Water Utilities	Texarkana, Arkansas Union Water Utilities	Texarkana, Arkansas Mandeville Water Utilities	Texarkana, Texas Water Utilities
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 320,790	\$ 1,313	\$ 379	\$ 347,771
Contracts payable	177,197	-	-	-
Accrued liabilities	114,560	48,428	205	152,457
Accrued interest payable	266,572	6,092	986	9,647
Due to other funds	1,024,138	26,362	12,307	156,103
Other payables	535,072	14,373	5,546	2,693,958
Accrued compensated absences – current	39,166	-	-	64,033
Revenue bonds – current	779,690	241,911	31,853	105,000
Notes payable – current	-	-	-	397,189
Total current liabilities	<u>3,257,185</u>	<u>338,479</u>	<u>51,276</u>	<u>3,926,158</u>
Noncurrent liabilities				
Customer deposits	558,238	28,967	7,752	782,017
Capital improvement deposits	511,976	-	-	503,050
Contracts payable	13,664,933	-	-	-
Accrued compensated absences	190,033	-	-	367,367
Net pension and other postemployment liabilities	3,365,909	38,016	18,084	6,341,348
Revenue bonds	22,468,695	167,060	34,282	1,174,873
Notes payable	-	-	-	1,179,128
Total noncurrent liabilities	<u>40,759,784</u>	<u>234,043</u>	<u>60,118</u>	<u>10,347,783</u>
Total liabilities	<u>44,016,969</u>	<u>572,522</u>	<u>111,394</u>	<u>14,273,941</u>
<b>Deferred Inflows of Deferred Resources</b>				
Deferred inflows from pensions	15,567	225	54	29,964
Deferred inflows from other post employment benefits	324,114	-	-	539,271
Total deferred inflows of resources	<u>339,681</u>	<u>225</u>	<u>54</u>	<u>569,235</u>
<b>Net Position</b>				
Net investment in capital assets	33,432,758	1,376,122	124,480	58,165,784
Restricted for pensions	2,224,925	-	-	-
Unrestricted	1,232,802	404,592	161,689	18,102,825
Total net position	<u>\$ 36,890,485</u>	<u>\$ 1,780,714</u>	<u>\$ 286,169</u>	<u>\$ 76,268,609</u>

## Exhibit 1

Lake Texarkana Water Supply Corporation	Graphic Packaging International	Eliminations	<u>Total 2023</u>
\$ -	\$ 116,972	\$ -	\$ 787,225
-	-	-	177,197
-	2,347	-	317,997
-	-	-	283,297
4,443	414,748	(1,638,101)	-
-	1,607	-	3,250,556
-	-	-	103,199
-	-	-	1,158,454
-	-	(397,189)	-
<u>4,443</u>	<u>535,674</u>	<u>(2,035,290)</u>	<u>6,077,925</u>
-	-	-	1,376,974
1,060,216	246,180	(1,823,649)	497,773
-	-	-	13,664,933
-	-	-	557,400
-	-	-	9,763,357
-	-	-	23,844,910
-	-	(1,179,128)	-
<u>1,060,216</u>	<u>246,180</u>	<u>(3,002,777)</u>	<u>49,705,347</u>
<u>1,064,659</u>	<u>781,854</u>	<u>(5,038,067)</u>	<u>55,783,272</u>
-	-	-	45,810
-	-	-	863,385
-	-	-	909,195
-	800	1,576,317	94,676,261
-	-	-	2,224,925
-	8,559	(1,576,317)	18,334,150
<u>\$ -</u>	<u>\$ 9,359</u>	<u>\$ -</u>	<u>\$ 115,235,336</u>

# Texarkana Water Utilities

## Combining Schedule of Revenues, Expenses and Changes in Fund Net Position

### For the Year Ended September 30, 2023

	Texarkana, Arkansas Water Utilities	Texarkana, Arkansas Union Water Utilities	Texarkana, Arkansas Mandeville Water Utilities	Texarkana, Texas Water Utilities
<b>Operating Revenues</b>				
Water sales	\$ 5,010,236	\$ 587,535	\$ 147,702	\$ 8,327,903
Wholesale water sales	79,180	-	-	2,660,846
Water connection fees	5,775	900	225	17,175
Sewer charges	4,779,152	-	-	7,481,926
Penalties and service charges	430,608	22,694	5,643	719,432
Other income	1,311,272	14,439	-	6,130,320
Total operating revenues	<u>11,616,223</u>	<u>625,568</u>	<u>153,570</u>	<u>25,337,602</u>
<b>Operating Expenses</b>				
Administrative	272,112	-	-	499,223
Finance	205,996	9,090	2,273	353,114
Information technology	319,832	-	-	723,297
Customer service	369,872	41,755	10,434	618,973
Water production	2,099,326	119,313	31,394	4,156,139
Water distribution	652,971	11,363	9,168	982,718
Sewer collection	533,106	1,485	1,656	959,413
Inflow and infiltration	104,770	-	-	172,679
Wastewater treatment	1,907,274	-	-	3,339,224
Environmental service	163,361	-	-	271,551
Engineering design	238,075	252	-	398,802
Geographical information systems	137,503	-	-	229,385
Composting	144,458	-	-	241,802
Operations administration	104,045	-	-	173,105
Service center	459,244	-	-	249,432
Field service	286,095	32,965	8,213	482,497
Water/sewer construction	789,434	12,943	2,581	1,665,101
Depreciation	2,356,355	110,630	32,173	3,838,557
Other expenses	789,403	18,343	6,672	4,881,695
Contract water & sewer expense-Graphic Packaging International	-	-	-	-
Other managed systems	27,501	-	-	-
Legal services	3,744	-	-	-
Total operating expenses	<u>11,964,477</u>	<u>358,139</u>	<u>104,564</u>	<u>24,236,707</u>
Operating income	<u>(348,254)</u>	<u>267,429</u>	<u>49,006</u>	<u>1,100,895</u>
<b>Nonoperating Revenues (Expense)</b>				
Interest revenue - investments	88,988	2,908	516	845,029
Interest revenue - notes payable	2,225	-	-	-
Interest expense and paying agent fees	(869,690)	(15,522)	(2,449)	(62,267)
Interest expense - notes payable	-	-	-	(2,225)
Gain (loss) on disposal of capital assets	(158)	-	-	13,117
Total nonoperating revenues (expenses)	<u>(778,635)</u>	<u>(12,614)</u>	<u>(1,933)</u>	<u>793,654</u>
Income (loss) before contributions and transfers	<u>(1,126,889)</u>	<u>254,815</u>	<u>47,073</u>	<u>1,894,549</u>
Capital contributions	241,335	-	-	50,928
Transfers in	-	-	-	1,183,310
Transfers out	<u>(316,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(1,202,304)</u>	<u>254,815</u>	<u>47,073</u>	<u>3,128,787</u>
Total net position, beginning of year	<u>38,092,789</u>	<u>1,525,899</u>	<u>239,096</u>	<u>73,139,822</u>
Total net position, end of year	<u>\$ 36,890,485</u>	<u>\$ 1,780,714</u>	<u>\$ 286,169</u>	<u>\$ 76,268,609</u>

## Exhibit 2

Lake Texarkana Water Supply Corporation	Graphic Packaging International	Eliminations	Total 2023
\$ -	\$ 2,123,822	\$ -	\$ 16,197,198
-	-	-	2,740,026
-	-	-	24,075
-	-	2,332,676	9,928,402
-	-	-	1,178,377
-	-	-	7,456,031
-	2,123,822	2,332,676	37,524,109
-	-	-	771,335
-	-	-	570,473
-	-	-	1,043,129
-	-	-	1,041,034
-	-	-	6,406,172
-	-	-	1,656,220
-	-	-	1,495,660
-	-	-	277,449
-	-	(2,332,676)	2,913,822
-	-	-	434,912
-	-	-	637,129
-	-	-	366,888
-	-	-	386,260
-	-	-	277,150
-	-	-	708,676
-	-	-	809,770
-	-	-	2,470,059
-	-	-	6,337,715
-	-	-	5,696,113
-	2,122,197	-	2,122,197
-	-	-	27,501
-	-	-	3,744
-	2,122,197	(2,332,676)	36,453,408
-	1,625	-	1,070,701
-	2,491	-	939,932
-	-	(2,225)	-
-	-	-	(949,928)
-	-	2,225	-
-	-	-	12,959
-	2,491	-	2,963
-	4,116	-	1,073,664
-	-	-	292,263
-	-	-	1,183,310
-	(1,607)	-	(318,357)
-	2,509	-	2,230,880
-	6,850	-	113,004,456
\$ -	\$ 9,359	\$ -	\$ 115,235,336



# Texarkana Water Utilities

## Combining Schedule of Cash Flows

### For the Year Ended September 30, 2023

	Texarkana, Arkansas Water Utilities	Texarkana, Arkansas Union Water Utilities	Texarkana, Arkansas Mandeville Water Utilities	Texarkana, Texas Water Utilities
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 11,676,276	\$ 597,485	\$ 135,839	\$ 25,502,139
Cash paid to suppliers	(6,686,081)	(170,770)	(60,929)	(17,271,168)
Cash paid to employees	(3,035,853)	(48,078)	(5,338)	(2,644,944)
Net cash provided from operating activities	<u>1,954,342</u>	<u>378,637</u>	<u>69,572</u>	<u>5,586,027</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from City general fund	-	-	-	1,183,310
Transfers paid to City general fund	(316,750)	-	-	-
Net cash provided from (used by) non-capital financing activities	<u>(316,750)</u>	<u>-</u>	<u>-</u>	<u>1,183,310</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(1,499,223)	(55,170)	(25,918)	(3,954,220)
Proceeds from issuance of bonds	21,598,291	-	-	-
Principal paid on bonds	(818,475)	(234,259)	(30,844)	(300,127)
Interest paid on bonds	(720,929)	(19,012)	(2,907)	(63,989)
Principal paid on notes payable	-	-	-	(355,439)
Interest paid on notes payable	-	-	-	(2,225)
Principal received on notes payable	355,439	-	-	-
Interest received on notes payable	2,225	-	-	-
Capital improvement deposits received	-	-	-	-
Capital improvement deposits returned	(196,595)	(3,968)	(1,039)	(39,352)
Payment on contracts payable	(345,307)	-	-	-
Federal grants received	-	-	-	50,928
State grants received	241,335	-	-	-
Net cash provided from (used by) capital and related financing activities	<u>18,616,761</u>	<u>(312,409)</u>	<u>(60,708)</u>	<u>(4,664,424)</u>
<b>Cash Flows from Investing Activities</b>				
Proceeds from sale and maturities of investments	500,552	-	-	982,500
Interest received on investments	83,743	2,893	516	723,132
Net cash provided from investing activities	<u>584,295</u>	<u>2,893</u>	<u>516</u>	<u>1,705,632</u>
Net increase (decrease) in cash	20,838,648	69,121	9,380	3,810,545
Cash, beginning of year	<u>3,337,083</u>	<u>476,629</u>	<u>169,373</u>	<u>16,822,651</u>
Cash, end of year	<u>\$ 24,175,731</u>	<u>\$ 545,750</u>	<u>\$ 178,753</u>	<u>\$ 20,633,196</u>
Cash – unrestricted	\$ 2,035,562	\$ 417,414	\$ 161,655	\$ 20,582,027
Cash – restricted	<u>22,140,169</u>	<u>128,336</u>	<u>17,098</u>	<u>51,169</u>
	<u>\$ 24,175,731</u>	<u>\$ 545,750</u>	<u>\$ 178,753</u>	<u>\$ 20,633,196</u>

### Exhibit 3

Lake Texarkana Water Supply Corporation	Graphic Packaging International	Eliminations	Total 2023
\$ 24,104	\$ 1,886,043	\$ (2,332,676)	\$ 37,489,210
-	(1,885,098)	2,332,676	(23,741,370)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,734,213)</u>
24,104	945	-	8,013,627
-	-	-	1,183,310
-	(1,607)	-	(318,357)
<u>-</u>	<u>(1,607)</u>	<u>-</u>	<u>864,953</u>
-	-	-	(5,534,531)
-	-	-	21,598,291
-	-	-	(1,383,705)
-	-	-	(806,837)
-	-	355,439	-
-	-	2,225	-
-	-	(355,439)	-
-	-	(2,225)	-
252,159	-	74,551	326,710
-	-	(74,551)	(315,505)
-	-	-	(345,307)
-	-	-	50,928
<u>-</u>	<u>-</u>	<u>-</u>	<u>241,335</u>
252,159	-	-	13,831,379
-	-	-	1,483,052
-	2,491	-	812,775
<u>-</u>	<u>2,491</u>	<u>-</u>	<u>2,295,827</u>
276,263	1,829	-	25,005,786
783,954	4,225	-	21,593,915
<u>\$ 1,060,217</u>	<u>\$ 6,054</u>	<u>\$ -</u>	<u>\$ 46,599,701</u>
\$ 1,060,217	\$ 6,054	\$ -	\$ 24,262,929
-	-	-	22,336,772
<u>\$ 1,060,217</u>	<u>\$ 6,054</u>	<u>\$ -</u>	<u>\$ 46,599,701</u>

# Texarkana Water Utilities

## Combining Schedule of Cash Flows (Continued)

### For the Year Ended September 30, 2023

	Texarkana, Arkansas Water Utilities	Texarkana, Arkansas Union Water Utilities	Texarkana, Arkansas Mandeville Water Utilities	Texarkana, Texas Water Utilities
<b><u>Reconciliation of Operating Income to Net Cash Provided From Operating Activities</u></b>				
<b>Operating Income (Loss)</b>	<b>\$ (348,254)</b>	<b>\$ 267,429</b>	<b>\$ 49,006</b>	<b>\$ 1,100,895</b>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided From Operating Activities</b>				
Depreciation expense	2,356,355	110,630	32,173	3,838,557
(Increase) decrease in assets				
Accounts receivable	83,049	(25,729)	(16,856)	166,926
Due from other governments	(13,982)	-	-	(21,209)
Due from other funds	18,506	2,497	461	(313,864)
Inventories	(53,602)	-	-	(127,789)
Prepaid expenses	37,452	(165)	(41)	(19,108)
Net pension asset	(136,469)	-	-	-
(Increase) decrease in deferred outflows	(1,066,004)	(15,999)	(5,126)	(1,998,825)
Increase (decrease) in liabilities				
Accounts payable	129,531	207	379	15,468
Accrued liabilities	(64,633)	42,567	(423)	16,245
Due to other funds	59,838	(19,260)	(2,360)	(39,671)
Accrued compensated absences	(28,058)	-	-	(17,403)
Customer deposits	(9,014)	(2,354)	(875)	18,746
Net pension and postemployment liabilities	2,096,866	34,526	17,263	4,055,816
Other payables	(11,681)	48	739	805,952
Increase (decrease) in deferred inflows	(1,095,558)	(15,760)	(4,768)	(1,894,709)
Total adjustments	<u>2,302,596</u>	<u>111,208</u>	<u>20,566</u>	<u>4,485,132</u>
Net cash provided from from operating activities	<u>\$ 1,954,342</u>	<u>\$ 378,637</u>	<u>\$ 69,572</u>	<u>\$ 5,586,027</u>

### Exhibit 3

Lake Texarkana Water Supply Corporation	Graphic Packaging International	Eliminations	<u>Total</u> <u>2023</u>
\$ -	\$ 1,625	\$ -	\$ 1,070,701
-	-	-	6,337,715
-	(238,533)	-	(31,143)
-	754	-	(34,437)
32,917	-	-	(259,483)
-	-	-	(181,391)
-	-	-	18,138
-	-	-	(136,469)
-	-	-	(3,085,954)
-	(31,688)	-	113,897
-	(163)	-	(6,407)
(7,445)	267,627	-	258,729
-	-	-	(45,461)
-	-	-	6,503
-	-	-	6,204,471
(1,368)	1,323	-	795,013
-	-	-	(3,010,795)
<u>24,104</u>	<u>(680)</u>	<u>-</u>	<u>6,942,926</u>
<u>\$ 24,104</u>	<u>\$ 945</u>	<u>\$ -</u>	<u>\$ 8,013,627</u>

## **Supplementary Information – Unaudited**

**Texarkana Water Utilities**  
**Supplementary Information (Unaudited)**  
**Revenue Bond Coverage – Texarkana, Arkansas Water Utilities**  
**Last Ten Fiscal Years**

Fiscal Year	Total Revenues (1) (2)	Operating Expenses (3)	Net Revenue Available for Debt Service	Debt Service Requirements (4)	Coverage
2014	\$ 9,782,848	6,297,034	3,485,814	1,543,099	2.26
2015	\$ 9,948,542	6,215,071	3,733,471	1,542,258	2.42
2016	\$ 10,127,143	6,174,635	3,952,508	1,546,698	2.56
2017	\$ 10,118,750	6,285,420	3,833,330	1,498,806	2.56
2018	\$ 10,196,477	6,423,193	3,773,284	1,505,272	2.51
2019	\$ 9,904,342	6,788,047	3,116,295	1,467,442	2.12
2020	\$ 10,167,404	7,315,297	2,852,107	1,373,310	2.08
2021	\$ 10,161,962	7,209,252	2,952,710	1,201,015	2.46
2022	\$ 10,885,705	8,446,231	2,439,474	1,131,378	2.16
2023	\$ 12,670,572	9,928,022	2,742,550	2,150,367	1.28

Notes:

- (1) Includes Texarkana, Arkansas, Union Water Utilities and Texarkana, Arkansas Mandeville Water Utilities
- (2) Total revenue includes interest income on investments and payments received from Texarkana, Texas Utilities for debt service on revenue bonds issued for construction of Millwood Water Treatment Transmission Facilities and McKinney Bayou Wastewater Facilities.
- (3) Operating expenses exclude depreciation and amortization.
- (4) Principal and interest on revenue bonds only. Amounts do not include payments of obligations under capital leases.

**Texarkana Water Utilities**  
**Supplementary Information (Unaudited)**  
**Revenue Bond Coverage – Texarkana, Texas Water Utilities**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Total Revenues (1) (2)</b>	<b>Operating Expenses (3)</b>	<b>Net Revenue Available for Debt Service</b>	<b>Debt Service Requirements (4)</b>	<b>Coverage</b>
2014	\$ 15,269,056	11,064,894	4,204,162	559,088	7.52
2015	\$ 15,767,506	11,261,328	4,506,178	562,188	8.02
2016	\$ 16,864,947	11,262,109	5,602,838	560,647	9.99
2017	\$ 17,313,475	11,650,159	5,663,316	566,159	10.00
2018	\$ 17,930,971	11,279,978	6,650,993	360,819	18.43
2019	\$ 17,174,995	12,434,904	4,740,091	357,663	13.25
2020	\$ 19,342,744	14,363,353	4,979,391	353,634	14.08
2021	\$ 19,675,217	14,452,254	5,222,963	348,356	14.99
2022	\$ 22,458,272	16,329,506	6,128,766	325,666	18.82
2023	\$ 26,182,631	20,398,150	5,784,481	162,881	35.51

Notes:

- (1) Exclusive of Lake Texarkana Water Supply Corporation and Graphic Packaging International utility operations and obligations.
- (2) Total revenue includes interest income on investments and payments received from Texarkana, Arkansas Utilities and Member Cities for debt service on revenue bonds issued for construction on direct financing lease facilities.
- (3) Operating expenses exclude depreciation and amortization.
- (4) Principal and interest on revenue bonds only. Amounts do not include payments on obligations under capital leases.

# Texarkana Water Utilities

## Supplementary Information (Unaudited)

### Water and Sewer Rates – Texarkana, Arkansas Water Utilities

#### September 30, 2023

**WATER RATES (Effective October 1, 2022)**

**SERVICE AVAILABILITY FEE**

<b>Residential Inside (AR)</b>	
5/8"	12.64
3/4"	12.64
1"	15.45
1 1/2"	22.47
2"	30.90
3"	50.56
4"	78.65
6"	148.87
<b>Residential Outside (AR)</b>	
5/8"	18.96
3/4"	18.96
1"	23.18
1 1/2"	33.71
2"	46.35
3"	75.84
4"	117.98
6"	223.31
<b>Commercial Inside (AR)</b>	
5/8"	14.38
3/4"	14.38
1"	18.93
1 1/2"	28.30
2"	39.26
3"	75.32
4"	120.97
6"	228.25
<b>Commercial Outside (AR)</b>	
5/8"	21.57
3/4"	21.57
1"	28.40
1 1/2"	42.45
2"	58.89
3"	112.98
4"	181.46
6"	342.38

**VOLUMETRIC RATES**

<b>Residential Inside (AR)</b>	
0-2,000	-
2,001 - 5,000	4.68
5,001 - 10,000	4.68
10,000+	4.68
<b>Residential Outside (AR)</b>	
0-2,000	-
2,001 - 5,000	7.02
5,001 - 10,000	7.02
10,000+	7.02
<b>Commercial Inside (AR)</b>	
0-2,000	-
2,001 - 5,000	3.50
5,001 - 10,000	3.50
10,000+	3.50
<b>Commercial Outside (AR)</b>	
0-2,000	-
2,001 - 5,000	5.25
5,001 - 10,000	5.25
10,000+	5.25
<b>Residential Irrigation Inside (AR)</b>	
0-2,000	-
2,001 - 5,000	4.68
5,001 - 10,000	4.68
10,000+	4.68
<b>Residential Irrigation Outside (AR)</b>	
0-2,000	-
2,001 - 5,000	7.02
5,001 - 10,000	7.02
10,000+	7.02



**Texarkana Water Utilities**  
**Supplementary Information (Unaudited)**  
**Water and Sewer Rates – Texarkana, Arkansas Water Utilities**  
**(Continued)**  
**September 30, 2023**

<b>Residential Irrigation Inside (AR)</b>		<b>Commercial Irrigation Inside (AR)</b>	
5/8"	12.64	0-2,000	-
3/4"	12.64	2,001 - 5,000	3.50
1"	15.45	5,001 - 10,000	3.50
1 1/2"	22.47	10,000+	3.50
2"	30.90		
3"	50.56	<b>Commercial Irrigation Outside (AR)</b>	
4"	78.65	0-2,000	-
6"	148.87	2,001 - 5,000	5.25
		5,001 - 10,000	5.25
		10,000+	5.25
<b>Residential Irrigation Outside (AR)</b>			
5/8"	18.96		
3/4"	18.96		
1"	23.18		
1 1/2"	33.71		
2"	46.35		
3"	75.84		
4"	117.98		
6"	223.31		
<b>Commercial Irrigation Inside (AR)</b>		<b>Infrastructure Fee</b>	
5/8"	14.38	<b>Residential Inside (AR)</b>	1.00
3/4"	14.38	<b>Residential Outside (AR)</b>	1.00
1"	18.93	<b>Commercial Inside (AR)</b>	2.50
1 1/2"	28.30	<b>Commercial Outside (AR)</b>	2.50
2"	39.26	<b>Residential Irrigation Inside (AR)</b>	1.00
3"	75.32	<b>Residential Irrigation Outside (AR)</b>	1.00
4"	120.97	<b>Commercial Irrigation Inside (AR)</b>	2.50
6"	228.25	<b>Commercial Irrigation Outside (AR)</b>	2.50
<b>Commercial Irrigation Outside (AR)</b>			
5/8"	21.57		
3/4"	21.57		
1"	28.40		
1 1/2"	42.45		
2"	58.89		
3"	112.98		
4"	181.46		
6"	342.38		

**Texarkana Water Utilities**  
**Supplementary Information (Unaudited)**  
**Water and Sewer Rates – Texarkana, Arkansas Water Utilities**  
**(Continued)**  
**September 30, 2023**

**WASTEWATER RATES (Effective October 1, 2022)**

**SERVICE AVAILABILITY FEE**

Residential Inside (AR)	14.87
Residential Outside (AR)	22.31
Commercial Inside (AR)	14.87
Commercial Outside (AR)	22.30
Multi-Residential Inside (AR)	13.70
Multi-Residential Outside (AR)	20.55
Muti-Commercial Inside (AR)	13.70
 <b><u>Infrastructure Fee</u></b>	
Residential Inside (AR)	1.50
Residential Outside (AR)	1.50
Commercial Inside (AR)	3.75
Commercial Outside (AR)	3.75
Multi-Residential Inside (AR)	1.50
Multi-Residential Outside (AR)	1.50
Muti-Commercial Inside (AR)	3.75

**VOLUMETRIC RATES**

<b>Residential Inside (AR)</b>	
0-2,000	-
2,001 - 15,000	5.34
15,000+	-
 <b>Residential Outside (AR)</b>	
0-2,000	-
2,001 - 15,000	8.01
15,000+	-
 <b>Commercial Inside (AR)</b>	
0-2,000	-
2,000+	6.24
 <b>Commercial Outside (AR)</b>	
0-2,000	-
2,000+	9.35
 <b>Multi Residential Inside (AR)</b>	
0-2,000	-
2,001 - 15,000	4.92
15,000+	-
 <b>Multi Residential Outside (AR)</b>	
0-2,000	-
2,000+	7.38
 <b>Multi Commercial Inside (AR)</b>	
0-2,000	-
2,000+	5.75

# Texarkana Water Utilities

## Supplementary Information (Unaudited)

### Water Rates – Texarkana, Arkansas Union Water Utilities

#### September 30, 2023

WATER RATES (Effective October 1, 2022)

**SERVICE AVAILABILITY FEE**

<b>Residential Inside (UN)</b>	
5/8"	16.80
3/4"	16.80
1"	16.80
1 1/2"	22.47
2"	30.90
3"	50.56
4"	78.65
6"	148.87
<b>Residential Outside (UN)</b>	
5/8"	25.20
3/4"	25.20
1"	25.20
1 1/2"	33.71
2"	46.35
3"	75.84
4"	117.98
6"	223.31
<b>Commercial Inside (UN)</b>	
5/8"	14.38
3/4"	14.38
1"	18.93
1 1/2"	28.30
2"	39.26
3"	75.32
4"	120.97
6"	228.25
<b>Commercial Outside (UN)</b>	
5/8"	21.57
3/4"	21.57
1"	28.40
1 1/2"	42.45
2"	58.89
3"	112.98
4"	181.46
6"	342.38

**VOLUMETRIC RATES**

<b>Residential Inside (UN)</b>	
0-2,000	-
2,001 - 5,000	4.68
5,001 - 10,000	4.68
10,000+	4.68
<b>Residential Outside (UN)</b>	
0-2,000	-
2,001 - 5,000	7.02
5,001 - 10,000	7.02
10,000+	7.02
<b>Commercial Inside (UN)</b>	
0-2,000	-
2,001 - 5,000	3.50
5,001 - 10,000	3.50
10,000+	3.50
<b>Commercial Outside (UN)</b>	
0-2,000	-
2,001 - 5,000	5.25
5,001 - 10,000	5.25
10,000+	5.25
<b>Residential Irrigation Inside (UN)</b>	
0-2,000	-
2,001 - 5,000	4.68
5,001 - 10,000	4.68
10,000+	4.68
<b>Residential Irrigation Outside (UN)</b>	
0-2,000	-
2,001 - 5,000	7.02
5,001 - 10,000	7.02
10,000+	7.02

**Texarkana Water Utilities**  
**Supplementary Information (Unaudited)**  
**Water Rates – Texarkana, Arkansas Union Water Utilities**  
**(Continued)**  
**September 30, 2023**

<b>Residential Irrigation Inside (UN)</b>		<b>Commercial Irrigation Inside (UN)</b>	
5/8"	16.80	0-2,000	-
3/4"	16.80	2,001 - 5,000	3.50
1"	15.45	5,001 - 10,000	3.50
1 1/2"	22.47	10,000+	3.50
2"	30.90		
3"	50.56	<b>Commercial Irrigation Outside (UN)</b>	
4"	78.65	0-2,000	-
6"	148.87	2,001 - 5,000	5.25
		5,001 - 10,000	5.25
		10,000+	5.25
<b>Residential Irrigation Outside (UN)</b>			
5/8"	25.20	<b>Infrastructure Fee</b>	
3/4"	25.20	<b>Residential Inside (UN)</b>	1.00
1"	23.18	<b>Residential Outside (UN)</b>	1.00
1 1/2"	33.71	<b>Commercial Inside (UN)</b>	2.50
2"	46.35	<b>Commercial Outside (UN)</b>	2.50
3"	75.84	<b>Residential Irrigation Inside (UN)</b>	1.00
4"	117.98	<b>Residential Irrigation Outside (UN)</b>	1.00
6"	223.31	<b>Commercial Irrigation Inside (UN)</b>	2.50
		<b>Commercial Irrigation Outside (UN)</b>	2.50
<b>Commercial Irrigation Inside (UN)</b>			
5/8"	14.38		
3/4"	14.38		
1"	18.93		
1 1/2"	28.30		
2"	39.26		
3"	75.32		
4"	120.97		
6"	228.25		
<b>Commercial Irrigation Outside (UN)</b>			
5/8"	21.57		
3/4"	21.57		
1"	28.40		
1 1/2"	42.45		
2"	58.89		
3"	112.98		
4"	181.46		
6"	342.38		

**Texarkana Water Utilities**  
**Supplementary Information (Unaudited)**  
**Water Rates – Texarkana, Arkansas Union Water Utilities**  
**(Continued)**  
**September 30, 2023**

**WASTEWATER RATES (Effective October 1, 2022)**

<b><u>SERVICE AVAILABILITY FEE</u></b>			<b><u>VOLUMETRIC RATES</u></b>	
Residential Inside (AR)	14.87		Residential Inside (AR)	
			0-2,000	-
Residential Outside (AR)	22.31		2,001 - 15,000	5.34
			15,000+	-
Commercial Inside (AR)	14.87			
Commercial Outside (AR)	22.30		<b>Residential Outside (AR)</b>	
Multi-Residential Inside (AR)	13.70		0-2,000	-
Multi-Residential Outside (AR)	20.55		2,001 - 15,000	8.01
Muti-Commercial Inside (AR)	13.70		15,000+	-
			<b>Commercial Inside (AR)</b>	
<b><u>Infrastructure Fee</u></b>			0-2,000	-
Residential Inside (AR)	1.50		2,000+	6.24
Residential Outside (AR)	1.50			
Commercial Inside (AR)	3.75		<b>Commercial Outside (AR)</b>	
Commercial Outside (AR)	3.75		0-2,000	-
Multi-Residential Inside (AR)	1.50		2,000+	9.35
Multi-Residential Outside (AR)	1.50			
Muti-Commercial Inside (AR)	3.75		<b>Multi Residential Inside (AR)</b>	
			0-2,000	-
			2,001 - 15,000	4.92
			15,000+	-
			<b>Multi Residential Outside (AR)</b>	
			0-2,000	-
			2,000+	7.38
			<b>Multi Commercial Inside (AR)</b>	
			0-2,000	-
			2,000+	5.75

# Texarkana Water Utilities

## Supplementary Information (Unaudited)

### Water Rates – Texarkana, Arkansas Mandeville Water Utilities

#### September 30, 2023

**WATER RATES (Effective October 1, 2022)**

<u>SERVICE AVAILABILITY FEE</u>		<u>VOLUMETRIC RATES</u>	
<b>Residential Inside (MN)</b>		<b>Residential Inside (MN)</b>	
5/8"	12.64	0-2,000	-
3/4"	12.64	2,001 - 5,000	4.68
1"	15.45	5,001 - 10,000	4.68
1 1/2"	22.47	10,000+	4.68
2"	30.90		
3"	50.56	<b>Residential Outside (MN)</b>	
4"	78.65	0-2,000	-
6"	148.87	2,001 - 5,000	7.02
		5,001 - 10,000	7.02
		10,000+	7.02
<b>Residential Outside (MN)</b>		<b>Commercial Inside (MN)</b>	
5/8"	18.96	0-2,000	-
3/4"	18.96	2,001 - 5,000	3.50
1"	23.18	5,001 - 10,000	3.50
1 1/2"	33.71	10,000+	3.50
2"	46.35		
3"	75.84	<b>Commercial Outside (MN)</b>	
4"	117.98	0-2,000	-
6"	223.31	2,001 - 5,000	5.25
		5,001 - 10,000	5.25
		10,000+	5.25
<b>Commercial Inside (MN)</b>		<b>Residential Irrigation Inside (MN)</b>	
5/8"	14.38	0-2,000	-
3/4"	14.38	2,001 - 5,000	4.68
1"	18.93	5,001 - 10,000	4.68
1 1/2"	28.30	10,000+	4.68
2"	39.26		
3"	75.32	<b>Residential Irrigation Outside (MN)</b>	
4"	120.97	0-2,000	-
6"	228.25	2,001 - 5,000	7.02
		5,001 - 10,000	7.02
		10,000+	7.02
<b>Commercial Outside (MN)</b>			
5/8"	21.57		
3/4"	21.57		
1"	28.40		
1 1/2"	42.45		
2"	58.89		
3"	112.98		
4"	181.46		
6"	342.38		

**Texarkana Water Utilities**  
**Supplementary Information (Unaudited)**  
**Water Rates – Texarkana, Arkansas Mandeville Water Utilities**  
**(Continued)**  
**September 30, 2023**

<b>Residential Irrigation Inside (MN)</b>		<b>Commercial Irrigation Inside (MN)</b>	
5/8"	12.64	0-2,000	-
3/4"	12.64	2,001 - 5,000	3.50
1"	15.45	5,001 - 10,000	3.50
1 1/2"	22.47	10,000+	3.50
2"	30.90		
3"	50.56	<b>Commercial Irrigation Outside (MN)</b>	
4"	78.65	0-2,000	-
6"	148.87	2,001 - 5,000	5.25
		5,001 - 10,000	5.25
		10,000+	5.25
<b>Residential Irrigation Outside (MN)</b>			
5/8"	18.96		
3/4"	18.96		
1"	23.18		
1 1/2"	33.71	<b>Infrastructure Fee</b>	
2"	46.35	<b>Residential Inside (MN)</b>	1.00
3"	75.84	<b>Residential Outside (MN)</b>	1.00
4"	117.98	<b>Commercial Inside (MN)</b>	2.50
6"	223.31	<b>Commercial Outside (MN)</b>	2.50
		<b>Residential Irrigation Inside (MN)</b>	1.00
		<b>Residential Irrigation Outside (MN)</b>	1.00
		<b>Commercial Irrigation Inside (MN)</b>	2.50
		<b>Commercial Irrigation Outside (MN)</b>	2.50
<b>Commercial Irrigation Inside (MN)</b>			
5/8"	14.38		
3/4"	14.38		
1"	18.93		
1 1/2"	28.30		
2"	39.26		
3"	75.32		
4"	120.97		
6"	228.25		
<b>Commercial Irrigation Outside (MN)</b>			
5/8"	21.57		
3/4"	21.57		
1"	28.40		
1 1/2"	42.45		
2"	58.89		
3"	112.98		
4"	181.46		
6"	342.38		

**Texarkana Water Utilities**  
**Supplementary Information (Unaudited)**  
**Water Rates – Texarkana, Arkansas Mandeville Water Utilities**  
**(Continued)**  
**September 30, 2023**

**WASTEWATER RATES (Effective October 1, 2022)**

<u>SERVICE AVAILABILITY FEE</u>		<u>VOLUMETRIC RATES</u>	
Residential Inside (AR)	14.87	Residential Inside (AR)	
		0-2,000	-
Residential Outside (AR)	22.31	2,001 - 15,000	5.34
		15,000+	-
Commercial Inside (AR)	14.87		
Commercial Outside (AR)	22.30	Residential Outside (AR)	
Multi-Residential Inside (AR)	13.70	0-2,000	-
Multi-Residential Outside (AR)	20.55	2,001 - 15,000	8.01
Muti-Commercial Inside (AR)	13.70	15,000+	-
		Commercial Inside (AR)	
<u>Infrastructure Fee</u>		0-2,000	-
Residential Inside (AR)	1.50	2,000+	6.24
Residential Outside (AR)	1.50		
Commercial Inside (AR)	3.75	Commercial Outside (AR)	
Commercial Outside (AR)	3.75	0-2,000	-
Multi-Residential Inside (AR)	1.50	2,000+	9.35
Multi-Residential Outside (AR)	1.50	Multi Residential Inside (AR)	
Muti-Commercial Inside (AR)	3.75	0-2,000	-
		2,001 - 15,000	4.92
		15,000+	-
		Multi Residential Outside (AR)	
		0-2,000	-
		2,000+	7.38
		Multi Commercial Inside (AR)	
		0-2,000	-
		2,000+	5.75



**Texarkana Water Utilities**  
**Supplementary Information (Unaudited)**  
**Water and Sewer Rates – Texarkana, Texas Water Utilities**  
**September 30, 2023**

**SERVICE AVAILABILITY FEE**

<b>Residential Inside (TX)</b>	
5/8"	9.50
3/4"	9.50
1"	10.14
1 1/2"	11.71
2"	13.61
3"	18.05
4"	24.39
6"	40.21
8"	59.21
<b>Residential Outside (TX)</b>	
5/8"	14.25
3/4"	14.25
1"	15.20
1 1/2"	17.57
2"	20.42
3"	27.08
4"	36.58
6"	60.32
8"	88.82
<b>Commercial Inside (TX)</b>	
5/8"	11.00
3/4"	11.00
1"	13.16
1 1/2"	16.39
2"	19.99
3"	39.27
4"	60.74
6"	107.34
8"	129.34
<b>Commercial Outside (TX)</b>	
5/8"	16.50
3/4"	16.50
1"	19.73
1 1/2"	24.59
2"	29.98
3"	58.91
4"	91.11
6"	161.01
8"	194.01

**VOLUMETRIC RATES**

<b>Residential Inside (TX)</b>	
0-2,000	1.80
2,001 - 5,000	2.10
5,001 - 7,000	3.34
7,001 - 10,000	3.92
10,001+	4.32
<b>Residential Outside (TX)</b>	
0-2,000	2.70
2,001 - 5,000	3.14
5,001 - 7,000	5.02
7,001 - 10,000	5.88
10,001+	6.49
<b>Commercial Inside (TX)</b>	
0-2,000	3.34
2,001 - 5,000	3.68
5,001 - 7,000	4.05
7,001 - 10,000	4.45
10,001+	4.90
<b>Commercial Outside (TX)</b>	
0-2,000	5.02
2,001 - 5,000	5.52
5,001 - 7,000	6.07
7,001 - 10,000	6.68
10,001+	7.34
<b>Residential Irrigation Inside (TX)</b>	
0-2,000	2.11
2,001 - 5,000	2.43
5,001 - 7,000	3.86
7,001 - 10,000	4.49
10,001+	4.87
<b>Residential Irrigation Outside (TX)</b>	
0-2,000	3.16
2,001 - 5,000	3.65
5,001 - 7,000	5.79
7,001 - 10,000	6.74
10,001+	7.31

**Texarkana Water Utilities**  
**Supplementary Information (Unaudited)**  
**Water and Sewer Rates – Texarkana, Texas Water Utilities (Continued)**  
**September 30, 2023**

<b>Residential Irrigation Inside (TX)</b>		<b>Commercial Irrigation Inside (TX)</b>	
5/8"	9.50	0-2,000	3.34
3/4"	9.50	2,001 - 5,000	3.47
1"	10.14	5,001 - 7,000	3.86
1 1/2"	11.71	7,001 - 10,000	4.49
2"	13.61	10,001+	4.87
3"	18.05		
4"	24.39	<b>Commercial Irrigation Outside (TX)</b>	
6"	40.21	0-2,000	5.02
8"	59.21	2,001 - 5,000	5.21
		5,001 - 7,000	5.79
		7,001 - 10,000	6.74
		10,001+	7.31
<b>Residential Irrigation Outside (TX)</b>		<b>Infrastructure Fee</b>	
5/8"	14.25	<b>Residential Inside (TX)</b>	1.50
3/4"	14.25	<b>Residential Outside (TX)</b>	1.50
1"	15.20	<b>Commercial Inside (TX)</b>	3.75
1 1/2"	17.57	<b>Commercial Outside (TX)</b>	3.75
2"	20.42	<b>Residential Irrigation Inside (TX)</b>	1.50
3"	27.08	<b>Residential Irrigation Outside (TX)</b>	1.50
4"	36.58	<b>Commercial Irrigation Inside (TX)</b>	3.75
6"	60.32	<b>Commercial Irrigation Outside (TX)</b>	3.75
8"	88.82		
<b>Commercial Irrigation Inside (TX)</b>			
5/8"	11.00		
3/4"	11.00		
1"	13.16		
1 1/2"	16.39		
2"	19.99		
3"	39.27		
4"	60.74		
6"	107.34		
8"	129.34		
<b>Commercial Irrigation Outside (TX)</b>			
5/8"	16.50		
3/4"	16.50		
1"	19.73		
1 1/2"	24.59		
2"	29.98		
3"	58.91		
4"	91.11		
6"	161.01		
8"	194.01		

**Texarkana Water Utilities**  
**Supplementary Information (Unaudited)**  
**Water and Sewer Rates – Texarkana, Texas Water Utilities (Continued)**  
**September 30, 2023**

**WASTEWATER RATES (Effective October 1, 2022)**

<u>SERVICE AVAILABILITY FEE</u>		<u>VOLUMETRIC RATES</u>	
Residential Inside (TX)	12.00	<b>Residential Inside (TX)</b>	
		0-2,000	-
Residential Outside (TX)	18.00	2,001 - 15,000	4.35
		15,000+	-
Commercial Inside (TX)	12.00	<b>Residential Outside (TX)</b>	
Commercial Outside (TX)	18.00	0-2,000	-
Multi-Residential Inside (TX)	12.00	2,001 - 15,000	6.53
		15,000+	-
Multi-Residential Outside (TX)	18.00	<b>Commercial Inside (TX)</b>	
Multi-Commercial Inside (TX)	12.00	0-2,000	-
		2,000+	5.09
<u>Infrastructure Fee</u>		<b>Commercial Outside (TX)</b>	
Residential Inside (TX)	1.50	0-2,000	-
Residential Outside (TX)	1.50	2,000+	7.63
Commercial Inside (TX)	3.75	<b>Multi Residential Inside (TX)</b>	
Commercial Outside (TX)	3.75	0-2,000	-
Multi-Residential Inside (TX)	1.50	2,001 - 15,000	4.35
Multi-Residential Outside (TX)	1.50	15,000+	-
Muti-Commercial Inside (TX)	3.75	<b>Multi Residential Outside (TX)</b>	
		0-2,000	-
		2,000+	6.53
		<b>Multi Commercial Inside (TX)</b>	
		0-2,000	-
		2,000+	5.09

**Texarkana Water Utilities**  
**Supplementary Information (Unaudited)**  
**Number of Customers – Texarkana Water Utilities**  
**September 30, 2023**

**RESIDENTIAL WATER CUSTOMERS**

	Inside	Outside	Total
Arkansas	8,331	173	8,504
Union	488	748	1,236
Mandeville	93	186	279
Texas	10,137	727	10,864

**COMMERCIAL WATER CUSTOMERS**

	Inside	Outside	Total
Arkansas	885	22	907
Union	14	15	29
Mandeville	8	12	20
Texas	1,768	41	1,809

**RESIDENTIAL SEWER CUSTOMERS**

	Inside	Outside	Total
Arkansas	7,474	1	7,475
Texas	10,001	283	10,284

**COMMERCIAL SEWER CUSTOMERS**

	Inside	Outside	Total
Arkansas	817	11	828
Texas	1,733	13	1,746

**Texarkana Water Utilities**  
**Supplementary Information (Unaudited)**  
**Water Sales (Gallons) – Texarkana Water Utilities**  
**September 30, 2023**

**TEXARKANA, ARKANSAS WATER UTILITIES**

Texarkana Residential	1,129,647,379
Texarkana Commercial	<u>396,903,133</u>
Total Texarkana	<u>1,526,550,512</u>
Union Residential	81,868,574
Union Commercial	<u>20,467,144</u>
Total Union	<u>102,335,718</u>
Mandeville Residential	26,968,367
Mandeville Commercial	<u>1,721,385</u>
Total Mandeville	<u>28,689,752</u>
Miller County Public Water Authority	<u>79,180,000</u>
Total Texarkana, Arkansas Water Utilities	<u>1,736,755,982</u>

**TEXARKANA, TEXAS WATER UTILITIES**

Texarkana Residential	1,254,005,341
Texarkana Commercial	<u>836,003,560</u>
Total Texarkana	<u>2,090,008,901</u>
Leary	25,310,380
Oak Grove	20,738,770
Redwater	120,427,150
Central Bowie	238,917,424
Nash	96,880,000
Macedonia-Eylau	231,150,711
Red River County	2,212,830
Day & Zimmerman	12,690,000
Riverbend WRD - TAC East Campus	<u>26,207,000</u>
Total Wholesale	<u>774,534,265</u>
Total Texarkana, Texas Water Utilities	<u>2,864,543,166</u>

**MEMBER CITIES/RIVERBEND**

New Boston	312,604,580
Hooks	168,342,000
DeKalb	70,009,000
Wake Village	154,500,000
Maud	47,805,000
Avery	17,951,200
Annona	16,241,954
Riverbend WRD	<u>193,968,194</u>
Total Member Cities/Riverbend	<u>981,421,928</u>

**TOTAL TEXARKANA WATER UTILITIES** 5,582,721,076

## **Overall Internal Controls and Compliance Section**

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

### **Independent Auditor's Report**

Members of the City Council and  
Board of Directors of the City  
of Texarkana, Texas and the City of  
Texarkana, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Texarkana Water Utilities (the Utility), enterprise funds of the City of Texarkana, Arkansas and City of Texarkana, Texas, which comprise the statement of net position as of September 30, 2023, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2024, which contains an emphasis of matter paragraph related to the presentation of Utility only financial statements.

#### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the basic financial statements, we considered the Utility's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Utility's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utility's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FORVIS,LLP**

Rogers, Arkansas  
March 29, 2024