

# **City of Texarkana, Arkansas**

## Comprehensive Annual Financial Report

For the Year Ended December 31, 2015



Finance Department

TyRhonda Henderson  
Finance Director

Cheryl Brewer  
Controller

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**City of Texarkana, Arkansas**  
**Year Ended December 31, 2015**

**Contents**

**Introductory Section**

Letter of Transmittal..... i  
Certificate of Achievement..... iv  
Organizational Chart ..... v  
List of Elected and Appointed Officials..... vi

**Financial Section**

**Independent Auditor’s Report..... 1**  
**Management’s Discussion and Analysis ..... 4**

**Basic Financial Statements**

Statement of Net Position..... 12  
Statement of Activities ..... 13  
Balance Sheet – Governmental Funds..... 14  
Statement of Revenues, Expenditures and Changes  
in Fund Balances - Governmental Funds..... 15  
Statement of Revenues, Expenditures and Changes  
in Fund Balances – Budget and Actual – General Fund..... 16  
Statement of Revenues, Expenditures and Changes  
in Fund Balances – Budget and Actual – Public Works Fund..... 17  
Statement of Fund Net Position – Proprietary Funds ..... 18  
Statement of Revenues, Expenses and Changes  
in Fund Net Position – Proprietary Funds ..... 19  
Statement of Cash Flows – Proprietary Funds ..... 20  
Statement of Fiduciary Net Position – Fiduciary Funds..... 21  
Statement of Changes in Fiduciary Net Position ..... 22  
Notes to Financial Statements ..... 23

**City of Texarkana, Arkansas**  
**Year Ended December 31, 2015**

**Contents (Continued)**

**Required Supplementary Information**

Defined Benefit Pension Plan – Schedule of Changes in the City’s Net Pension Liability and Related Ratios – PRPF.....	92
Defined Benefit Pension Plan – Schedule of Contributions – PRPF.....	93
Defined Benefit Pension Plan – Schedule of Investment Returns – PRPF .....	94
Defined Benefit Pension Plan – Schedule of Changes in the City’s Net Pension Liability and Related Ratios – FRPF.....	95
Defined Benefit Pension Plan – Schedule of Contributions – FRPF.....	96
Defined Benefit Pension Plan – Schedule of Investment Returns – FRPF .....	97
Defined Benefit Pension Plan – Schedule of Changes in the City’s Net Pension Liability and Related Ratios – TAPERS .....	98
Defined Benefit Pension Plan – Schedule of Contributions – TAPERS .....	99
Defined Benefit Pension Plan – Schedule of Investment Returns – TAPERS .....	100
Defined Benefit Pension Plan – Schedule of Changes in the City’s Net Pension Liability and Related Ratios – TWUPERS .....	101
Defined Benefit Pension Plan – Schedule of Investment Returns – TWUPERS .....	102
Defined Benefit Pension Plan – Schedule of the City’s Proportionate Share of the Net Pension Liability - APERS .....	103
Defined Benefit Pension Plan – Schedule of City Contributions – APERS.....	104
Defined Benefit Pension Plan – Schedule of the City’s Proportionate Share of the Net Pension Liability - LOPFI .....	105
Defined Benefit Pension Plan – Schedule of City Contributions – LOPFI.....	106
Defined Benefit Pension Plan – Schedule of Changes in the Utility’s Net Pension Liability and Related Ratios – TMRS .....	107
Defined Benefit Pension Plan – Schedule of Contributions – TMRS .....	108
Other Postemployment Benefit Plan – Schedule of Funding Progress .....	109

**City of Texarkana, Arkansas**  
**Year Ended December 31, 2015**

**Other Supplementary Information**

**Nonmajor Governmental Funds**

Combining Balance Sheet .....	112
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	114
Budgetary Comparison Schedule – Community Development Block Grant Fund .....	116
Budgetary Comparison Schedule – Police Fund .....	117
Budgetary Comparison Schedule – Kline Park Monument Fund .....	118
Budgetary Comparison Schedule – Domestic Violence Fund .....	119
Budgetary Comparison Schedule – Front Street Project Fund .....	120
Budgetary Comparison Schedule – Bail Bond Fund .....	121
Budgetary Comparison Schedule – Court Automation Fund .....	122
Budgetary Comparison Schedule – North Texarkana Redevelopment District .....	123
Budgetary Comparison Schedule – Library Fund .....	124
Budgetary Comparison Schedule – Public Safety Fund .....	125

**Fiduciary Funds**

Combining Statement of Fiduciary Net Position – Pension Trust Funds .....	127
Combining Statement of Changes in Fiduciary Net Position – Pension Trust Funds .....	128
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	129

**Statistical Section**

Net Position by Component – Accrual Basis of Accounting .....	131
Change in Net Position – Accrual Basis of Accounting .....	132
Program Revenues by Function/Program – Modified Accrual Basis of Accounting .....	133
Fund Balances of Governmental Funds – Modified Accrual Basis of Accounting .....	134
Changes in Fund Balances, Governmental Funds – Modified Accrual Basis of Accounting .....	135
General Governmental Tax Revenues by Source – Modified Accrual Basis of Accounting .....	136

**City of Texarkana, Arkansas**  
**Year Ended December 31, 2015**

**Contents (Continued)**

**Statistical Section (Continued)**

Assessed and Appraised Value of Taxable Property .....	137
Property Tax Rates and Tax Levies of Direct and Overlapping Governments .....	138
Principal Sales Taxpayers.....	139
Principal Property Taxpayers .....	140
Property Tax Levies and Collections.....	141
Direct and Overlapping Sales Tax Rates .....	142
Ratios of Outstanding Debt by Type .....	143
Ratios of General Bonded Debt Outstanding .....	144
Direct and Overlapping Governmental Activities Debt .....	145
Legal Debt Margin Information .....	146
Pledged Revenue Coverage - Texarkana, Arkansas Water Utilities .....	147
Demographic and Economic Statistics .....	147
Principal Employers, Metropolitan Statistical Area (MSA) - Texarkana, Arkansas and Texarkana, Texas .....	149
Full-time Equivalent City Government Employees by Function .....	150
Operating Indicators by Function/Program .....	151
Capital Asset Statistics by Function .....	152

**Other Required Reports**

Independent Accountants' Report on Compliance With Arkansas State Requirements .....	153
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	154
Schedule of Findings and Responses.....	156

## **Introductory Section**

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**CITY OF TEXARKANA, ARKANSAS**  
DEPARTMENT OF FINANCE  
P.O. Box 2711 - Texarkana, Arkansas 75504  
Phone (870) 779-4989 - Fax (870) 772-8182

Honorable Mayor and Members  
of the Board of Directors  
City of Texarkana, Arkansas

The Comprehensive Annual Financial Report (CAFR) of the City of Texarkana, Arkansas (the City) for the year ended December 31, 2015, is submitted in accordance with State statutes. These statutes require that every general-purpose local government publish at the close of each fiscal year a complete set of audited financial statements.

The report is published to provide the Board of Directors, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

BKD, LLP has issued an unmodified opinion on the City of Texarkana, Arkansas' financial statements for the year ended December 31, 2015. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A compliments this letter of transmittal and should be read in conjunction with it.

### **Profile of the Government**

The City of Texarkana, Arkansas was founded in 1873 and incorporated in 1880 and is located on the Arkansas - Texas state line in the southwest corner of the State of Arkansas. The City is 28 miles south of Oklahoma and 25 miles north of the Louisiana boundary line. The City currently occupies a land area of 42 square miles and serves a population of 30,015. The City of Texarkana, Arkansas is empowered to levy a property tax on real properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the Board of Directors.

The City of Texarkana, Arkansas operates under the city manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The Board of Directors is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City's manager and attorney. The City Manager is responsible for carrying out the policies and ordinances of the Board of Directors, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The Board of Directors is elected on a non-partisan basis. Board directors serve four-year staggered terms with three directors elected every two years. The mayor is elected to serve a four-year term. The six directors are elected by ward. The mayor is elected at large.

The City of Texarkana, Arkansas provides a full range of services, including police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events; education; health and social services; planning and zoning; and general administrative services. Water and sewer distribution and collection activities are provided by Texarkana Water Utilities (TWU). The Arkansas activity of the Texarkana Water Utilities is accounted for as if it were part of the operations of the primary government. Texarkana, Arkansas Water Utilities is not a legally separate entity from the City. The Texarkana, Arkansas Water Utilities is included as an enterprise fund of the City with its fiscal year end of September 30, 2015.

The City of Texarkana, Arkansas is also financially accountable for a legally separate Retired and Senior Volunteer Program and legally separate Advertising and Promotion Commission, both of which are reported separately within the City of Texarkana, Arkansas' financial statements.

### **Local Economy**

Texarkana's economy relies on an industrial base that is strong and broadly diversified. Throughout the history of Texarkana, manufacturing employment has grown steadily with approximately 80% of the new jobs coming from expansions of existing industry and 20% from new plants. Employers such as Red River Army Depot, International Paper, and Domtar, Inc. have plants in the Texarkana area. These employers draw their workers from a population of more than 200,000 within a 30-mile radius of Texarkana. Once Interstate 49 connecting Shreveport, Louisiana, and Kansas City, Missouri, is complete, Texarkana will be a part of interstates connecting Canada, the United States, and Mexico (I-49 and I-69). In addition, Texarkana is served by the Union Pacific and Kansas City Southern railroads and the Texarkana Regional Airport, a full-service commercial facility.

Many new developments have taken place in 2015 and 2016 within the City. Thirty certificates of occupancy were issued in 2015 and twenty-one have been issued in 2016. Texana National Bank has recently opened on Arkansas Boulevard and construction has begun on a new FedEx Distribution Center and a Cajun meat market. As economic development continues to occur within Texarkana, Arkansas, citizens can anticipate a brighter future.

### **Relevant Financial Policies**

The City's financial policies set forth the basic framework for the fiscal management of the City. These include policies for accounting, budgeting, capital improvements, asset management, revenue management, risk management, and fund balance/reserve levels. These policies were developed within the parameters established by applicable provisions of the Arkansas State Statutes and the City of Texarkana, Arkansas City Charter.

The City's accounting records for general government activities are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures are generally recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on an accrual basis.

The annual budget serves as the foundation for the City of Texarkana, Arkansas' financial planning and control. All agencies of the City of Texarkana, Arkansas are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Board of Directors for review prior to December 1. Prior to February 1, the budget is legally enacted through passage of a resolution. The appropriated budget is prepared by fund, function (*e.g.*, public safety), and department, (*e.g.*, police). The City Manager may make transfers of appropriations between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors. The City Charter prohibits budgeting total proposed expenditures in excess of total

anticipated revenues and any unencumbered funds from prior years. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and the Public Works Fund, this comparison is presented as part of the basic financial statements for the governmental funds. For other governmental funds with appropriated annual budgets, this comparison is presented in the supplementary information section of this report.

### **Long Term Financial Plans**

On September 1, 2012, the City issued a \$10,160,000 Capital Improvement and Refunding Limited Tax General Obligation Bonds, Series 2012 that was approved by voters in a special election held June 26, 2012. The Series 2012 Bonds were issued to finance capital improvements consisting generally of street improvements, including street lighting, alleys, sidewalks, roads, bridges, and viaducts; to refund the General Obligation Refunding and Capital Improvement Bonds, Series 2000; and to pay the costs of issuance of the Bonds. Work will continue on these projects in 2016.

The City refunded the Franchise Fee Secured Refunding Revenue Bonds, Series 2010 with the Franchise Fee Secured Refunding Revenue Bonds, Series 2015 on August 1, 2015. This process will save the City approximately \$600,000 in cash flows over the next 25 years, with a net present value benefit of approximately \$400,000.

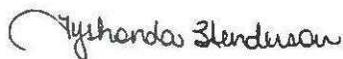
### **Awards and Acknowledgements**

**Awards:** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Texarkana, Arkansas for its comprehensive annual financial reports (CAFR) for the fiscal year ended December 31, 2014. In order to be awarded a Certificate of Achievement, the government has to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

**Acknowledgements:** The preparation of this report would not have been made possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit must also be given to the Board of Directors for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectively submitted,



TyRhonda Henderson  
Finance Director

September 28, 2016



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Texarkana  
Arkansas**

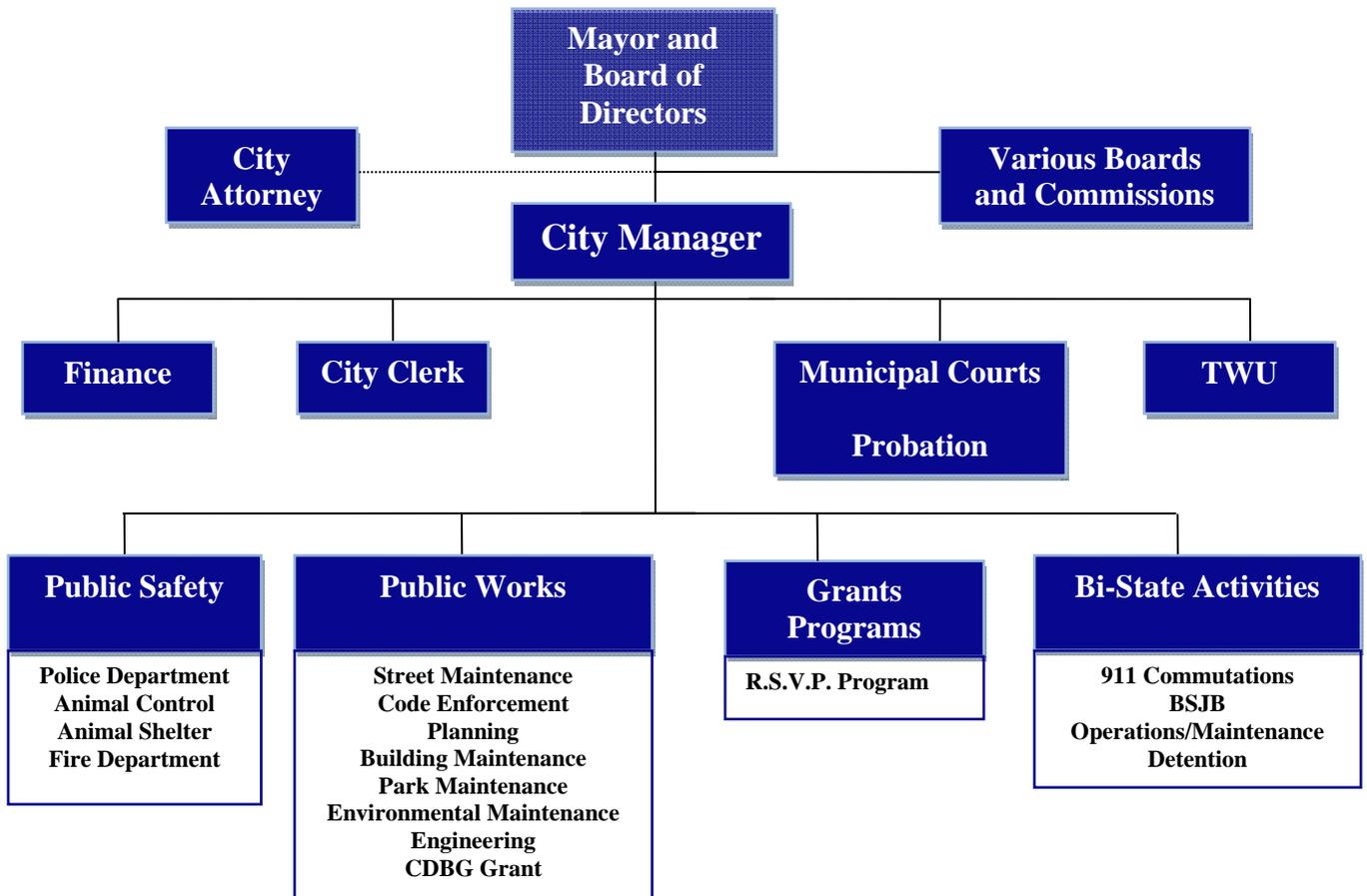
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2014**

Executive Director/CEO



# CITY OF TEXARKANA, ARKANSAS ORGANIZATIONAL CHART



# City of Texarkana, Arkansas

## **Elected Officials:**

Ruth Penney Bell	Mayor
Laney J. Harris	Assistant Mayor, Director – Ward 2
Allan Wren	Director – Ward 1
Tim Johnson	Director – Ward 3
Travis N. Odom	Director – Ward 4
Barbara S. Miner	Director – Ward 5
Sue Johnson	Director – Ward 6
Wren Autrey	District Court Judge

## **Appointed Officials:**

Kenny Haskin	City Manager
George M. Matteson	City Attorney

## **Financial Section**

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## Independent Auditor's Report

Honorable Mayor, City Manager  
and Members of the Board of Directors  
City of Texarkana, Arkansas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Texarkana, Arkansas as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility 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; this includes 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.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Texarkana, Arkansas Water Utilities, enterprise funds of the City, which statements reflect total assets and operating revenues of \$58,423,199 and \$9,413,488, respectively, and represent 100% of the business-type activities' total assets and operating revenues, respectively, at September 30, 2015 and for the year then ended. We did not audit the financial statements of Texarkana Airport Authority, a joint venture of the City. The City's investment in Texarkana Airport Authority reported at December 31, 2015, is \$10,225,873 which includes a current year decrease of \$587,566. We did not audit the financial statements of Texarkana Urban Transit District, a joint venture of the City. The City's investment in Texarkana Urban Transit District reported at December 31, 2015, is \$794,350 which includes a current year decrease of \$82,716. The financial statements of these entities were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Texarkana, Arkansas as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general and public works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in *Notes 1 and 12* to the financial statements, in 2015 the City implemented the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No.27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial 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 opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information including the combining fund statements and various special revenue budgetary comparison schedules, as listed in the table of contents, is presented for purposes of additional analysis and is 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying information in the introductory and statistical sections as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 City's internal control over financial reporting and compliance.

**BKD, LLP**

Little Rock, Arkansas  
September 28, 2016

# City of Texarkana, Arkansas

## Management's Discussion and Analysis

### December 31, 2015

As management of the City of Texarkana, Arkansas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

#### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Texarkana, Arkansas exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$55,150,074 (net position). Of this amount, \$3,585,947 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City also booked a beginning balance adjustment that reduced net position \$10,487,610 that was associated with the City's implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pension Plans, an amendment of Statement No. 27*. Additional detail is provided in *Note 11* and *Note 12*. The 2014 financial information contained in this management's discussion and analysis has not been restated for the adoption of GASB 68.
- The City's total net position (excluding prior period adjustment) increased by \$2,383,050 during fiscal year 2015.
- As of the close of the current fiscal year, the City of Texarkana, Arkansas' governmental funds reported combined ending fund balances of \$7,969,709.
- At the end of the current fiscal year, unassigned fund balance was \$3,397,384.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City'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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (*e.g.*, uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general administration, police department, fire department, protective inspection, public works, public service, health and welfare, and cultural and recreation. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City of Texarkana, Arkansas itself (known as the primary government), but also a legally separate Retired and Senior Volunteer Program and legally separate Advertising and Promotion Commission for which the City of Texarkana, Arkansas is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

**Fund financial statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 18 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Public Works Fund, and the 2012 Franchise Fee Projects Fund, all of which are considered to be major funds. Data from the other 15 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and Public Works Fund. Budgetary comparison statements have been provided for the General Fund and the Public Works Fund to demonstrate compliance with this budget.

**Proprietary Funds** - The City maintains three enterprise proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Texarkana, Arkansas Water Utilities and the Texarkana, Arkansas Union Water Utilities since they are considered to be major funds of the City. Individual fund data for the non-major proprietary fund is provided in the proprietary funds statements. These statements are as of September 30, 2015, which is the year-end for the proprietary funds.

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Texarkana, Arkansas' own programs.

The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains four pension trust funds and three agency funds. Individual fund data for each of these funds is provided in the form of combining statements elsewhere in this report.

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

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits (OPEB) to its employees.

The combining statements referred to earlier in connection with non-major governmental funds and fiduciary funds are presented following the required supplementary information on pensions and OPEB.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Texarkana, Arkansas, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$55,150,074 as of December 31, 2015. The largest portion of the City's net position, 78.2% (\$43,108,152), reflects its investments in capital assets (*e.g.*, land, buildings, improvements other than buildings, machinery and equipment, infrastructure, water rights, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. An additional portion of the City's net position represents resources that are subject to restriction on how they may be used. The remaining balance of unrestricted net position, \$3,585,947, may be used to meet the government's ongoing obligation to citizens and creditors. Although the City'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.

**City of Texarkana, Arkansas**  
**Net Position**

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 25,655,299	\$ 28,000,716	\$ 15,796,340	\$ 11,261,826	\$ 41,451,639	\$ 39,262,542
Capital assets	36,047,436	34,634,669	41,230,571	41,746,060	77,278,007	76,380,729
Other assets	-	10,077	1,389,923	4,369,652	1,389,923	4,379,729
<b>Total assets</b>	<b>61,702,735</b>	<b>62,645,462</b>	<b>58,416,834</b>	<b>57,377,538</b>	<b>120,119,569</b>	<b>120,023,000</b>
Deferred outflows of resources	2,689,699	-	376,212	80,176	3,065,911	80,176
Long-term liabilities	48,686,722	38,906,377	14,220,092	13,411,544	62,906,814	52,317,921
Other liabilities	2,835,828	2,703,028	1,892,238	1,827,593	4,728,066	4,530,621
<b>Total liabilities</b>	<b>51,522,550</b>	<b>41,609,405</b>	<b>16,112,330</b>	<b>15,239,137</b>	<b>67,634,880</b>	<b>56,848,542</b>
Deferred inflows of resources	134,229	-	266,297	-	400,526	-
Net position*:						
Net investment in capital assets	13,418,445	13,177,214	29,689,707	29,067,354	43,108,152	42,244,568
Restricted	1,838,537	2,510,859	6,617,438	5,090,980	8,455,975	7,601,839
Unrestricted	(2,521,327)	5,347,984	6,107,274	8,060,243	3,585,947	13,408,227
<b>Total net position</b>	<b>\$ 12,735,655</b>	<b>\$ 21,036,057</b>	<b>\$ 42,414,419</b>	<b>\$ 42,218,577</b>	<b>\$ 55,150,074</b>	<b>\$ 63,254,634</b>

\*The cumulative effect of applying GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No.27*, resulted in beginning statement of net position for 2015 being restated. Fiscal year 2014 was not restated.

The City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate category of business-type activities.

**Analysis of the City's Operations** - The following table provides a summary of the City's operations for the year ended December 31, 2015. Governmental activities increased the City's net position by \$1,735,556. From 2014 to the 2015 revenues increased by \$253,173 and expenses decreased by \$2,523,678. The increase in net position can primarily be contributed to the decrease in cultural and recreation expenditures primarily related to a decrease in the community development block grant activity as well as an overall decrease in the net pension liabilities of the City of approximately \$200,000 and an increase in deferred outflows of resources related to pension (which decreases expenses) by approximately \$1.45 million. Business-type activities increased the City's net position by \$647,494. For the business type activities, the revenues from 2014 to 2015 increased by \$157,048 due to a better summer season. Metered water usage for Arkansas Utilities increased by approximately 5.3% for 2015. Expenses (excluding transfers out) from 2014 to 2015 decreased by \$55,465 due to an overall decrease in operating expenses.

**City of Texarkana, Arkansas**  
**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Revenues:						
Program revenues:						
Charges for services	\$ 5,338,355	\$ 5,340,907	\$ 9,413,488	\$ 9,247,531	\$ 14,751,843	\$ 14,588,438
Operating grants and contributions	3,153,469	3,293,167	-	-	3,153,469	3,293,167
Capital grants and contributions	1,199,000	1,260,110	27,748	37,484	1,226,748	1,297,594
General revenues:						
Property taxes	3,868,690	3,595,334	-	-	3,868,690	3,595,334
Other taxes	12,685,681	12,615,567	-	-	12,685,681	12,615,567
Other revenue	304,795	191,732	267,423	266,596	572,218	458,328
Total revenues	<u>26,549,990</u>	<u>26,296,817</u>	<u>9,708,659</u>	<u>9,551,611</u>	<u>36,258,649</u>	<u>35,848,428</u>
Expenses:						
General administration	2,489,042	2,444,068	-	-	2,489,042	2,444,068
Police department	6,265,820	7,795,405	-	-	6,265,820	7,795,405
Fire department	3,606,197	4,569,164	-	-	3,606,197	4,569,164
Other public safety	3,205,227	3,053,598	-	-	3,205,227	3,053,598
Protective inspection	474,893	434,499	-	-	474,893	434,499
Public works	5,922,407	5,868,092	-	-	5,922,407	5,868,092
Public services	532,551	565,398	-	-	532,551	565,398
Health and welfare	410,477	426,422	-	-	410,477	426,422
Cultural and recreation	1,157,670	1,469,648	-	-	1,157,670	1,469,648
Interest on long-term debt	933,184	894,852	-	-	933,184	894,852
Water and sewer	-	-	8,827,599	8,883,064	8,827,599	8,883,064
Total expenses	<u>24,997,468</u>	<u>27,521,146</u>	<u>8,827,599</u>	<u>8,883,064</u>	<u>33,825,067</u>	<u>36,404,210</u>
Increase (decrease) in net position before transfers	1,552,522	(1,224,329)	881,060	668,547	2,433,582	(555,782)
Transfers	183,034	237,539	(233,566)	(236,198)	(50,532)	1,341
Increase (decrease) in net position	<u>1,735,556</u>	<u>(986,790)</u>	<u>647,494</u>	<u>432,349</u>	<u>2,383,050</u>	<u>(554,441)</u>
Net position - beginning of year as restated*	21,036,057	22,022,847	42,218,577	42,073,258	63,254,634	64,096,105
Adoption of GASB 68 (Note 12)	(10,035,958)	-	(451,652)	(287,030)	(10,487,610)	(287,030)
Net position - beginning of year as restated	<u>11,000,099</u>	<u>22,022,847</u>	<u>41,766,925</u>	<u>41,786,228</u>	<u>52,767,024</u>	<u>63,809,075</u>
Net position - end of year	<u>\$ 12,735,655</u>	<u>\$ 21,036,057</u>	<u>\$ 42,414,419</u>	<u>\$ 42,218,577</u>	<u>\$ 55,150,074</u>	<u>\$ 63,254,634</u>

\*The cumulative effect of applying GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No.27*, resulted in beginning statement of net position for 2015 being restated. Fiscal year 2014 was not restated.

**FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS**

**Governmental funds** - The focus of the City of Texarkana, Arkansas’ governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Texarkana, Arkansas’ governmental funds reported combined ending fund balances of \$7,969,709.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the General Fund was \$3,397,384. Unassigned fund balance represents approximately 19.80% of the total General Fund expenditures. There are 72 days of expenditures in unassigned fund balance, representing an increase of 9 days from 2014.

For the City's General Fund, from 2014 to 2015, total revenue increased by .61% and total expenditures decreased by 1.46% due to a decrease in transfers to the discretely presented component units. The City's General Fund balance increased by \$437,112 and resulted in an ending fund balance of \$3,658,550.

For the City's Public Works Fund, from 2014 to 2015, total revenue increased by .94%, total expenditures increased by 4.32% due to an increase in operating expenses in the planning department and increase in capital outlay spending for streets. The change in total revenue over total expenditures decreased by 21.81%. Therefore, the Public Works Fund reported a net increase and change in fund balance of \$266,927 which resulted in an ending fund balance of \$1,319,189.

The Franchise Fee Secured Refunding Revenue Bonds, Series 2012 reported capital outlay expenditures of \$2,820,566, which accounted for the majority of the fund's total expenditures. Revenues consisted primarily of investment income of \$1,103. The fund reported an overall decrease in fund balance of \$2,819,058 and resulted in an ending balance of \$76,768.

**Proprietary funds** - The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of Texarkana, Arkansas Water Utilities at the end of the year amounted to \$6,037,030. Unrestricted net position of Texarkana, Arkansas Union Water Utilities at the end of the year amounted to \$57,495. The total growth in net position for Texarkana, Arkansas Water Utilities (excluding prior period adjustment) was \$523,862. The increase in net position for Texarkana, Arkansas Union Water Utilities was \$103,822. The increase in net position is primarily attributable to operating revenues exceeding operating expenses.

### **General Fund Budgetary Highlights**

The City made revisions to the original appropriations approved by the Board of Directors. Overall, actual results reflected a net increase and positive change in fund balance of \$437,112 or ending fund balance of \$3,658,550. Significant variances between the final amended budget and actuals occurred as a result of various factors and reflected a net increase in fund balance of \$441,757. This is mostly a result of expenditures being under budget by \$384,545. The General Government, Police Department, and Fire Department expenditures were under budget by \$342,962. This is primarily due to significant amounts of turnover in the Police Department and vacancies in the Administration Department.

### **Capital Assets**

The City of Texarkana, Arkansas' investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to \$77,278,007 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, water rights, and construction in progress.

**Capital Assets**  
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,563,907	\$ 2,563,907	\$ 853,169	\$ 840,606	\$ 3,417,076	\$ 3,404,513
Buildings	7,633,996	7,837,338	1,886,093	1,968,549	9,520,089	9,805,887
Improvements other than buildings	5,996,838	6,548,406	35,298,238	35,856,165	41,295,076	42,404,571
Machinery and equipment	1,484,025	1,741,894	1,985,150	2,016,283	3,469,175	3,758,177
Infrastructure	15,162,616	15,555,946	-	-	15,162,616	15,555,946
Water rights	-	-	495,679	509,167	495,679	509,167
Construction in progress	3,206,054	387,178	712,242	555,290	3,918,296	942,468
Total	\$ 36,047,436	\$ 34,634,669	\$ 41,230,571	\$ 41,746,060	\$ 77,278,007	\$ 76,380,729

Major capital asset additions during 2015 were approximately \$194 thousand for additions to the recycling facilities and \$3.3 million for ongoing street improvement projects in construction in progress. Additional information on the City of Texarkana, Arkansas' capital assets can be found in *Note 3* of this report.

### DEBT ADMINISTRATION

At the end of the current fiscal year, the governmental activities of the City of Texarkana, Arkansas had total bonded debt of \$22,807,910. Of this amount, \$9,623,528 comprises bonded debt backed by the full faith and credit of the government and \$13,184,382 represents bonds secured solely by franchise fees charged to public utilities for the privilege of using the City's streets and right-of-ways. Business-type activities long-term debt of \$11,490,627, represents bonds secured solely by water and sewer revenues.

The City refunded the Franchise Fee Secured Refunding Revenue Bonds, Series 2010 during August of 2015 to obtain a more favorable interest rate which will save the City approximately \$500,000 in cash flows over the next 25 years, with a net present value benefit of approximately \$400,000. This transaction did not significantly change the outstanding balance of the debt.

**General Obligation and Revenue Bonds**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 9,623,528	\$ 10,066,992	\$ -	\$ -	\$ 9,623,528	\$ 10,066,992
Revenue bonds	13,184,382	13,511,143	11,483,954	12,566,848	24,668,336	26,077,991
Total	\$ 22,807,910	\$ 23,578,135	\$ 11,483,954	\$ 12,566,848	\$ 34,291,864	\$ 36,144,983

The City has a rating Aa3 from Moody's Investors Service for general obligation and revenue bonds.

Additional information of the City of Texarkana, Arkansas' long term obligations can be found in *Note 5* of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

In an effort to preserve the City's resources, the Board of Directors adopted a fiscal policy per Ordinance M-123. Since 1996, the City has maintained civil service "pay parity" with the Texas-side of Texarkana through the collection of a special .25% sales tax for both the Police and Fire departments. However, depending upon the definition of "pay parity" (maintaining salaries equal to counterparts across the state line in order to retain qualified officers), the cost of awarding annual COLAs at rates predetermined by the other city has exceeded the tax revenue collected for that purpose. Because the cost of public service personnel is by far the largest component of the General Fund budget, this matter will continue to be a significant budget issue for 2016 and beyond. In addition, the costs of jointly operating the Bi-State Justice Center with other agencies continue to rise.

## **REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors, and creditors with general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: TyRhonda Henderson, Finance Director, at P.O. Box 2711, Texarkana, Arkansas 75504, call 870.779.4954, or email [tyrhonda.henderson@txkusa.org](mailto:tyrhonda.henderson@txkusa.org).

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## **Basic Financial Statements**

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**City of Texarkana, Arkansas**  
**Statement of Net Position**  
**December 31, 2015**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	RSVP	Texarkana Advertising & Promotion
<b>Assets</b>					
Cash	\$ 1,831,235	\$ 1,769,051	\$ 3,600,286	\$ 13,374	\$ 777,580
Investments	1,434,073	563,369	1,997,442	-	-
Accounts receivable, net of allowance					
Property taxes	4,405,060	-	4,405,060	-	-
Accounts	348,892	1,502,646	1,851,538	-	-
Other government agencies	2,279,828	379,943	2,659,771	-	-
Accrued interest	-	86	86	-	-
Other	7,105	-	7,105	-	119,520
Due from primary government	-	-	-	-	5,049
Due from component units	13,374	-	13,374	-	-
Inventories	-	319,138	319,138	-	-
Prepaid items	215,105	14,743	229,848	-	-
Restricted assets					
Cash	3,824,319	5,201,036	9,025,355	-	-
Investments	-	165,226	165,226	-	-
Accounts receivable	-	15	15	-	-
Prepaid capital improvement deposits	-	1,364,517	1,364,517	-	-
Net investment in direct financing lease:					
Due within one year	-	379,214	379,214	-	-
Due in more than one year	-	4,137,356	4,137,356	-	-
Investment in joint ventures	11,296,308	-	11,296,308	-	-
Capital assets - non-depreciable	5,769,961	1,565,411	7,335,372	-	-
Capital assets - depreciable, net	30,277,475	39,665,160	69,942,635	-	-
Net pension asset	-	1,389,923	1,389,923	-	-
Total assets	<u>61,702,735</u>	<u>58,416,834</u>	<u>120,119,569</u>	<u>13,374</u>	<u>902,149</u>
<b>Deferred Outflows of Resources</b>					
Deferred outflows - pension	1,384,305	101,019	1,485,324	-	-
Deferred outflows - pension contributions	1,305,394	275,193	1,580,587	-	-
Total deferred outflow of resources	<u>2,689,699</u>	<u>376,212</u>	<u>3,065,911</u>	<u>-</u>	<u>-</u>

	Primary Government			Component Units	
	Governmental	Business-Type	Total	RSVP	Texarkana Advertising & Promotion
	Activities	Activities			
<b>Liabilities</b>					
Accounts payable	\$ 1,140,408	\$ 465,716	\$ 1,606,124	\$ -	\$ 151,529
Construction contracts payable	-	56,910	56,910	-	-
Accrued liabilities	646,623	231,357	877,980	-	-
Due to other governments	225,075	-	225,075	-	-
Due to fiduciary funds	817,488	-	817,488	-	-
Due to primary government	-	-	-	13,374	-
Due to component units	5,049	-	5,049	-	-
Customer deposits	-	565,956	565,956	-	-
Capital improvement deposits	-	552,874	552,874	-	-
Other liabilities	1,185	19,425	20,610	-	-
Long-term liabilities					
Due within one year:					
Bonds payable	560,000	1,123,842	1,683,842	-	-
Installment loans payable	264,691	-	264,691	-	-
Obligations under capital leases	17,918	-	17,918	-	-
Accrued compensated absences	99,154	23,823	122,977	-	-
Due in more than one year					
Bonds payable	22,247,910	10,360,112	32,608,022	-	-
Installment loans payable	283,763	-	283,763	-	-
Obligations under capital leases	22,044	-	22,044	-	-
Accrued compensated absences	1,982,696	223,167	2,205,863	-	-
Net pension and other postemployment obligations	23,208,546	2,489,148	25,697,694	-	-
Other long-term liabilities	-	-	-	-	-
Total liabilities	<u>51,522,550</u>	<u>16,112,330</u>	<u>67,634,880</u>	<u>13,374</u>	<u>151,529</u>
<b>Deferred Inflows of Resources</b>					
Deferred inflows - pension	<u>134,229</u>	<u>266,297</u>	<u>400,526</u>	<u>-</u>	<u>-</u>
Total deferred inflow of resources	<u>134,229</u>	<u>266,297</u>	<u>400,526</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>					
Net investment in capital assets	13,418,445	29,689,707	43,108,152	-	-
Restricted					
General administration	163,016	-	163,016	-	-
Police department	14,455	-	14,455	-	-
Fire department	29,607	-	29,607	-	-
Pension	-	1,389,923	1,389,923	-	-
Construction	-	748,585	748,585	-	-
Capital maintenance	-	3,293,729	3,293,729	-	-
Cultural and recreation	91,864	-	91,864	-	750,620
Debt service	1,539,595	1,185,201	2,724,796	-	-
Unrestricted	<u>(2,521,327)</u>	<u>6,107,274</u>	<u>3,585,947</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 12,735,655</u>	<u>\$ 42,414,419</u>	<u>\$ 55,150,074</u>	<u>\$ -</u>	<u>\$ 750,620</u>

**City of Texarkana, Arkansas**  
**Statement of Activities**  
**Year Ended December 31, 2015**

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets							Component Units	
	Expenses	Program Revenues			Primary Government			RSVP	Texarkana Advertising & Promotion
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total		
<b>Primary Government</b>									
Governmental Activities									
General administration	\$ 2,489,042	\$ 344,081	\$ 1,126,915	\$ 958,553	\$ (59,493)	\$ -	\$ (59,493)		
Police department	6,265,820	659,456	319,890	-	(5,286,474)	-	(5,286,474)		
Fire department	3,606,197	7,481	-	-	(3,598,716)	-	(3,598,716)		
Other public safety	3,205,227	-	1,501	-	(3,203,726)	-	(3,203,726)		
Protective inspection	474,893	-	-	-	(474,893)	-	(474,893)		
Public works	5,922,407	4,303,915	1,626,363	-	7,871	-	7,871		
Public services	532,551	23,422	-	240,447	(268,682)	-	(268,682)		
Health and welfare	410,477	-	-	-	(410,477)	-	(410,477)		
Cultural and recreation	1,157,670	-	78,800	-	(1,078,870)	-	(1,078,870)		
Interest on long-term debt	933,184	-	-	-	(933,184)	-	(933,184)		
Total governmental activities	<u>24,997,468</u>	<u>5,338,355</u>	<u>3,153,469</u>	<u>1,199,000</u>	<u>(15,306,644)</u>	<u>-</u>	<u>(15,306,644)</u>		
Business-Type Activities									
Water and sewer	8,827,599	9,413,488	-	27,748	-	613,637	613,637		
Total business-type activities	<u>8,827,599</u>	<u>9,413,488</u>	<u>-</u>	<u>27,748</u>	<u>-</u>	<u>613,637</u>	<u>613,637</u>		
Total primary government	<u>\$ 33,825,067</u>	<u>\$ 14,751,843</u>	<u>\$ 3,153,469</u>	<u>\$ 1,226,748</u>	<u>(15,306,644)</u>	<u>613,637</u>	<u>(14,693,007)</u>		

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets								
	Expenses	Program Revenues			Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	RSVP	Texarkana Advertising & Promotion
<b>Primary Government</b>									
<b>Component Units</b>									
RSVP	\$ 108,409	\$ -	\$ 107,873	\$ -			\$ (536)	\$ -	
Arkansas Advertising & Promotion	1,151,774	-	-	-			-	(1,151,774)	
Total component units	<u>\$ 1,260,183</u>	<u>\$ -</u>	<u>\$ 107,873</u>	<u>\$ -</u>			<u>(536)</u>	<u>(1,151,774)</u>	
General revenues									
Property taxes				3,868,690	-	3,868,690	-	-	
Sales taxes				9,758,447	-	9,758,447	-	-	
Franchise taxes				2,859,259	-	2,859,259	-	-	
Other taxes				67,975	-	67,975	-	1,179,250	
Unrestricted investment earnings				15,444	267,423	282,867	-	614	
Miscellaneous				289,351	-	289,351	-	-	
Transfers				183,034	(233,566)	(50,532)	-	-	
Total general revenues and transfers				<u>17,042,200</u>	<u>33,857</u>	<u>17,076,057</u>	<u>-</u>	<u>1,179,864</u>	
Change in Net Position				<u>1,735,556</u>	<u>647,494</u>	<u>2,383,050</u>	<u>(536)</u>	<u>28,090</u>	
Net Position, Beginning of Year				21,036,057	42,218,577	63,254,634	536	722,530	
Adoption of GASB 68 - Note 12				(10,035,958)	(451,652)	(10,487,610)	-	-	
Net Position, Beginning of Year, as restated				<u>11,000,099</u>	<u>41,766,925</u>	<u>52,767,024</u>	<u>536</u>	<u>722,530</u>	
Net Position, End of Year				<u>\$ 12,735,655</u>	<u>\$ 42,414,419</u>	<u>\$ 55,150,074</u>	<u>\$ -</u>	<u>\$ 750,620</u>	

**City of Texarkana, Arkansas**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2015**

	General	Public Works	2012 Franchise Fee Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 1,831,235	\$ 1,125,248	\$ 686,361	\$ 2,012,710	\$ 5,655,554
Investments	586,697	-	-	847,376	1,434,073
Receivables					
Property taxes, net of allowance for uncollectible accounts of \$127,265	2,791,286	107,268	-	1,506,506	4,405,060
Accounts	348,892	-	-	-	348,892
Other government agencies	1,683,884	504,520	-	91,424	2,279,828
Other	-	977	-	6,128	7,105
Due from other funds	164,681	110,209	-	8,042	282,932
Due from component units	13,374	-	-	-	13,374
Prepaid items	180,061	28,628	-	6,416	215,105
	<u>\$ 7,600,110</u>	<u>\$ 1,876,850</u>	<u>\$ 686,361</u>	<u>\$ 4,478,602</u>	<u>\$ 14,641,923</u>
Total assets					
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 91,965	\$ 380,160	\$ 609,593	\$ 58,690	\$ 1,140,408
Accrued liabilities	305,058	35,804	-	1,092	341,954
Due to other governments	225,075	-	-	-	225,075
Due to other funds	860,823	44,409	-	195,188	1,100,420
Due to component units	1,959	3,090	-	-	5,049
Other liabilities	-	1,185	-	-	1,185
	<u>1,484,880</u>	<u>464,648</u>	<u>609,593</u>	<u>254,970</u>	<u>2,814,091</u>
Total liabilities					
<b>Deferred Inflows of Resources</b>					
Unavailable revenue-property taxes	2,456,501	93,013	-	1,304,742	3,854,256
Unavailable revenue-grants	179	-	-	3,688	3,867
	<u>2,456,680</u>	<u>93,013</u>	<u>-</u>	<u>1,308,430</u>	<u>3,858,123</u>
Total deferred inflows of resources					
<b>Fund Balances</b>					
Nonspendable					
Prepaid items	180,061	28,628	-	6,416	215,105
Restricted					
General administration	-	-	-	76,600	76,600
Police department	-	-	-	15,332	15,332
Fire department	-	-	-	29,607	29,607
Public works	-	-	76,768	225,412	302,180
Debt service	-	-	-	1,734,277	1,734,277
Cultural and recreation	-	-	-	91,864	91,864
Committed					
Public works	-	307,575	-	-	307,575
Cultural and recreation	17,723	-	-	-	17,723
Assigned					
Police department	33,090	-	-	321,472	354,562
Public works	30,292	982,986	-	414,222	1,427,500
Unassigned	3,397,384	-	-	-	3,397,384
	<u>3,658,550</u>	<u>1,319,189</u>	<u>76,768</u>	<u>2,915,202</u>	<u>7,969,709</u>
Total fund balances					
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,600,110</u>	<u>\$ 1,876,850</u>	<u>\$ 686,361</u>	<u>\$ 4,478,602</u>	<u>\$ 14,641,923</u>

See Notes to Financial Statements

**City of Texarkana, Arkansas**  
**Balance Sheet (Continued)**  
**Governmental Funds**  
**December 31, 2015**

**Total fund balances - total governmental funds** \$ 7,969,709

**Amounts reported for the governmental activities in the statement of net position are different because:**

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 36,047,436

Deferred inflows and outflows of resources related to pensions are not due and payable in the current period and, therefore, are not reported in the funds. 2,555,470

The City's equity investment in joint ventures is not a financial resource and is, therefore, not reported in the funds. 11,296,308

Other long-term assets, such as property tax and grant receivables, are not available to pay for current-period expenditures and, therefore, are presented as deferred inflows in the funds. 3,858,123

Long-term liabilities are not due and payable in the current period and, therefore, are not report in the funds. Those liabilities are as follows:

Accrued interest payable (304,669)

Accrued compensated absences (2,081,850)

Net pension and other post-employment obligations (23,208,546)

Bonds payable, net of unamortized premiums (22,807,910)

Installment loans payable and obligations under capital lease (588,416)

**Total net position - governmental activities** \$ 12,735,655

**City of Texarkana, Arkansas**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended December 31, 2015**

	General	Public Works	2012 Franchise Fee Projects	Other Governmental Funds	Total
<b>Revenues</b>					
Property taxes	\$ 2,353,532	\$ 96,976	\$ -	\$ 1,309,965	\$ 3,760,473
Sales taxes	9,173,935	584,512	-	-	9,758,447
Other taxes	67,975	-	-	-	67,975
Utility franchise	2,856,455	-	-	-	2,856,455
Licenses and permits	44,520	159,963	-	-	204,483
Fines, forfeitures and penalties	584,579	-	-	35,403	619,982
Charges for services	322,983	4,033,952	-	-	4,356,935
Grants and entitlements	288,986	238,911	-	1,201,701	1,729,598
Intergovernmental	1,261,585	1,387,408	-	68,862	2,717,855
Investment income	2,905	1,141	1,103	10,295	15,444
Miscellaneous	261,949	199,914	425	36,986	499,274
	<u>17,219,404</u>	<u>6,702,777</u>	<u>1,528</u>	<u>2,663,212</u>	<u>26,586,921</u>
<b>Expenditures</b>					
Current:					
General government	1,966,285	-	20	226,818	2,193,123
Police department	6,851,193	-	-	-	6,851,193
Fire department	4,366,156	-	-	-	4,366,156
Other public safety	3,183,126	-	-	5,697	3,188,823
Protective inspection	-	449,576	-	-	449,576
Public works	-	4,756,101	-	43,485	4,799,586
Public services	-	-	-	37,511	37,511
Health and welfare	379,360	-	-	-	379,360
Cultural and recreation	28,566	325,862	-	403,747	758,175
Capital outlay	92,775	499,279	2,820,566	354,769	3,767,389
Debt service:					
Principal retirement	275,324	-	-	4,490,000	4,765,324
Interest and fiscal charges	15,464	-	-	857,675	873,139
Bond issuance costs	-	-	-	75,684	75,684
	<u>17,158,249</u>	<u>6,030,818</u>	<u>2,820,586</u>	<u>6,495,386</u>	<u>32,505,039</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>61,155</u>	<u>671,959</u>	<u>(2,819,058)</u>	<u>(3,832,174)</u>	<u>(5,918,118)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,265,909	87,793	-	4,446,040	5,799,742
Transfers out	(944,412)	(492,825)	-	(4,179,471)	(5,616,708)
Proceeds from issuance of debt	54,460	-	-	-	54,460
Refunding bonds issued	-	-	-	3,770,000	3,770,000
Discount on refunding bonds issued	-	-	-	(40,864)	(40,864)
	<u>375,957</u>	<u>(405,032)</u>	<u>-</u>	<u>3,995,705</u>	<u>3,966,630</u>
<b>Net Change in Fund Balances</b>	437,112	266,927	(2,819,058)	163,531	(1,951,488)
<b>Fund Balances, Beginning of Year</b>	<u>3,221,438</u>	<u>1,052,262</u>	<u>2,895,826</u>	<u>2,751,671</u>	<u>9,921,197</u>
<b>Fund Balances, End of Year</b>	<u>\$ 3,658,550</u>	<u>\$ 1,319,189</u>	<u>\$ 76,768</u>	<u>\$ 2,915,202</u>	<u>\$ 7,969,709</u>

See Notes to Financial Statements

**City of Texarkana, Arkansas**  
**Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Governmental Funds**  
**Year Ended December 31, 2015**

**Net change in fund balances - total governmental funds** \$ (1,951,488)

**Amounts reported for the governmental activities in the statement of activities are different because:**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset purchases	3,767,389
Capital outlay items not capitalized	(120,688)
Loss on disposal of capital assets	(5,714)
Depreciation expense	(2,228,220)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	111,021
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Losses from the change in the equity investment in joint ventures do not use current financial resources are not reported as expenditures in the funds.	(644,028)
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The issuance of long-term debt ( <i>e.g.</i> , bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	991,089
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the net change in these items this year.

Accrued interest	6,278
Accrued compensated absences	271,097
Net pension liability	213,968
Other postemployment obligation	7,964
Net change in deferred inflows/outflows of resources related to pensions	1,316,888

<b>Change in net position of governmental activities</b>	<b>\$ 1,735,556</b>
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**City of Texarkana, Arkansas**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balances – Budget and Actual – General Fund**  
**Year Ended December 31, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 2,173,000	\$ 2,335,000	\$ 2,353,532	\$ 18,532
Sales taxes	9,048,000	9,156,000	9,173,935	17,935
Other taxes	76,000	78,000	67,975	(10,025)
Utility franchise	2,961,500	2,907,500	2,856,455	(51,045)
Licenses and permits	39,050	37,785	44,520	6,735
Fines, forfeitures and penalties	633,914	610,897	584,579	(26,318)
Charges for services	358,800	327,400	322,983	(4,417)
Grants and entitlements	299,528	309,128	288,986	(20,142)
Intergovernmental	1,237,920	1,287,977	1,261,585	(26,392)
Investment income	-	3,100	2,905	(195)
Miscellaneous	134,801	157,573	261,949	104,376
<b>Total revenues</b>	<u>16,962,513</u>	<u>17,210,360</u>	<u>17,219,404</u>	<u>9,044</u>
<b>Expenditures</b>				
Current:				
General government	1,910,105	2,037,742	1,966,285	71,457
Police department	7,130,827	7,047,852	6,851,193	196,659
Fire department	4,455,368	4,441,002	4,366,156	74,846
Other public safety	2,938,536	3,159,889	3,183,126	(23,237)
Health and welfare	385,040	396,931	379,360	17,571
Cultural and recreation	45,471	48,301	28,566	19,735
Capital outlay	52,213	118,667	92,775	25,892
Debt service:				
Principal retirement	272,460	271,655	275,324	(3,669)
Interest and fiscal charges	19,346	20,755	15,464	5,291
<b>Total expenditures</b>	<u>17,209,366</u>	<u>17,542,794</u>	<u>17,158,249</u>	<u>384,545</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(246,853)</u>	<u>(332,434)</u>	<u>61,155</u>	<u>393,589</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of debt	52,213	54,035	54,460	425
Transfers in	1,172,700	1,218,200	1,265,909	47,709
Transfers out	(930,233)	(944,446)	(944,412)	34
<b>Total other financing sources (uses)</b>	<u>294,680</u>	<u>327,789</u>	<u>375,957</u>	<u>47,743</u>
<b>Net Change in Fund Balances</b>	47,827	(4,645)	437,112	441,757
<b>Fund Balances, Beginning of Year</b>	<u>3,221,438</u>	<u>3,221,438</u>	<u>3,221,438</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 3,269,265</u>	<u>\$ 3,216,793</u>	<u>\$ 3,658,550</u>	<u>\$ 441,757</u>

**City of Texarkana, Arkansas**  
**Statement of Revenues, Expenditures and Changes in Fund**  
**Balances – Budget and Actual - Public Works Fund**  
**Year Ended December 31, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 96,000	\$ 98,600	\$ 96,976	\$ (1,624)
Sales taxes	559,980	580,000	584,512	4,512
Licenses and permits	140,798	148,555	159,963	11,408
Charges for services	4,021,086	4,020,000	4,033,952	13,952
Grants and entitlements	335,720	187,375	238,911	51,536
Intergovernmental	1,438,200	1,387,000	1,387,408	408
Investment income	-	1,100	1,141	41
Miscellaneous	156,500	145,774	199,914	54,140
	<u>6,748,284</u>	<u>6,568,404</u>	<u>6,702,777</u>	<u>134,373</u>
<b>Expenditures</b>				
Current:				
Protective inspection	541,351	480,751	449,576	31,175
Public works	5,115,967	4,904,394	4,756,101	148,293
Cultural and recreation	388,452	351,128	325,862	25,266
Capital outlay	684,392	660,114	499,279	160,835
	<u>6,730,162</u>	<u>6,396,387</u>	<u>6,030,818</u>	<u>365,569</u>
<b>Excess of Revenues Over Expenditures</b>				
	<u>18,122</u>	<u>172,017</u>	<u>671,959</u>	<u>499,942</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	135,700	98,500	87,793	(10,707)
Transfers out	(490,000)	(494,000)	(492,825)	1,175
	<u>(354,300)</u>	<u>(395,500)</u>	<u>(405,032)</u>	<u>(9,532)</u>
<b>Net Change in Fund Balances</b>				
	(336,178)	(223,483)	266,927	490,410
<b>Fund Balances, Beginning of Year</b>				
	<u>1,052,262</u>	<u>1,052,262</u>	<u>1,052,262</u>	<u>-</u>
<b>Fund Balances, End of Year</b>				
	<u>\$ 716,084</u>	<u>\$ 828,779</u>	<u>\$ 1,319,189</u>	<u>\$ 490,410</u>

**City of Texarkana, Arkansas**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**September 30, 2015**

	Texarkana Water Utilities			Total Enterprise Funds
	Water Utilities	Union Utilities	Mandeville Utilities (Non Major)	
<b>Assets</b>				
<b>Current assets</b>				
Cash	\$ 1,704,061	\$ 44,162	\$ 20,828	\$ 1,769,051
Investments	521,041	42,328	-	563,369
Receivables:				
Accounts (net of allowance for uncollectible)	1,437,913	52,367	12,366	1,502,646
Accrued interest	83	3	-	86
Due from other funds	6,328	-	37	6,365
Due from other governments	379,943	-	-	379,943
Inventories	319,138	-	-	319,138
Prepaid items	13,795	758	190	14,743
Net investment in direct financing leases - current	379,214	-	-	379,214
	<u>4,761,516</u>	<u>139,618</u>	<u>33,421</u>	<u>4,934,555</u>
Total current assets				
<b>Noncurrent assets</b>				
Restricted assets				
Cash	4,796,506	255,541	148,989	5,201,036
Investments	66,461	98,765	-	165,226
Receivables				
Interest	8	7	-	15
	<u>4,862,975</u>	<u>354,313</u>	<u>148,989</u>	<u>5,366,277</u>
Total restricted assets				
Capital assets (net of accumulated depreciation)				
Land	805,657	13,749	1,697	821,103
Buildings	1,359,741	929	294	1,360,964
Improvements other than buildings	23,074,848	2,182,559	230,708	25,488,115
Machinery and equipment	1,977,005	9,477	3,595	1,990,077
Property under capital leases	10,362,394	-	-	10,362,394
Water rights	495,676	-	-	495,676
Construction in progress	711,679	427	136	712,242
	<u>38,787,000</u>	<u>2,207,141</u>	<u>236,430</u>	<u>41,230,571</u>
Net capital assets				
Other assets				
Prepaid capital improvement deposits	1,363,611	705	201	1,364,517
Net pension asset	1,389,923	-	-	1,389,923
Net investment in direct financing leases - noncurrent	4,137,356	-	-	4,137,356
	<u>6,890,890</u>	<u>705</u>	<u>201</u>	<u>6,891,796</u>
Total other assets				
Total noncurrent assets	<u>50,540,865</u>	<u>2,562,159</u>	<u>385,620</u>	<u>53,488,644</u>
Total assets	<u>55,302,381</u>	<u>2,701,777</u>	<u>419,041</u>	<u>58,423,199</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows - pension	370,371	4,667	1,174	376,212
Total deferred outflow of resources	<u>370,371</u>	<u>4,667</u>	<u>1,174</u>	<u>376,212</u>

See Notes to Financial Statements

	<b>Texarkana Water Utilities</b>			<b>Total Enterprise Funds</b>
	<b>Water Utilities</b>	<b>Union Utilities</b>	<b>Mandeville Utilities (Non Major)</b>	
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 464,236	\$ 1,153	\$ 327	\$ 465,716
Construction contracts payable	56,910	-	-	56,910
Accrued liabilities	117,574	5,402	293	123,269
Accrued interest payable	72,713	31,097	4,278	108,088
Due to other funds	-	5,420	945	6,365
Other payables	1,700	13,632	4,093	19,425
Compensated absences - current portion	23,823	-	-	23,823
Bonds payable - current portion	912,294	186,935	24,613	1,123,842
	<u>1,649,250</u>	<u>243,639</u>	<u>34,549</u>	<u>1,927,438</u>
Total current liabilities				
<b>Noncurrent liabilities</b>				
Customer deposits	524,368	32,673	8,915	565,956
Capital improvement deposits	552,874	-	-	552,874
Contracts payable	-	-	-	-
Compensated absences	223,167	-	-	223,167
Net pension and OPEB obligations	2,456,597	25,920	6,631	2,489,148
Revenue bonds	8,196,852	1,900,713	262,547	10,360,112
	<u>11,953,858</u>	<u>1,959,306</u>	<u>278,093</u>	<u>14,191,257</u>
Total noncurrent liabilities				
Total liabilities	<u>13,603,108</u>	<u>2,202,945</u>	<u>312,642</u>	<u>16,118,695</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows - pension	262,159	3,295	843	266,297
	<u>262,159</u>	<u>3,295</u>	<u>843</u>	<u>266,297</u>
Total deferred inflow of resources				
<b>Net Position</b>				
Net investment in capital assets	29,620,943	119,494	(50,730)	29,689,707
Restricted for construction	748,585	-	-	748,585
Restricted for capital maintenance	3,032,973	128,534	132,222	3,293,729
Restricted for debt service	978,031	194,681	12,489	1,185,201
Restricted for pensions	1,389,923	-	-	1,389,923
Unrestricted	6,037,030	57,495	12,749	6,107,274
	<u>41,807,485</u>	<u>500,204</u>	<u>106,730</u>	<u>42,414,419</u>
Total net position				

**City of Texarkana, Arkansas**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended September 30, 2015**

	Texarkana Water Utilities			Total Enterprise Funds
	Water Utilities	Union Utilities	Mandeville Utilities (Non Major)	
<b>Operating Revenues</b>				
Water sales	\$ 3,632,738	\$ 427,547	\$ 86,045	\$ 4,146,330
Wholesale water sales	19,870	-	-	19,870
Water connection fees	1,425	500	75	2,000
Sewer charges	4,029,212	-	-	4,029,212
Penalties and service charges	406,707	25,565	5,562	437,834
Other income	770,219	7,127	896	778,242
	<u>8,860,171</u>	<u>460,739</u>	<u>92,578</u>	<u>9,413,488</u>
Total operating revenues				
	8,860,171	460,739	92,578	9,413,488
<b>Operating Expenses</b>				
Administrative	143,961	-	-	143,961
Finance	489,519	8,553	2,518	500,590
Customer service	305,133	32,941	8,235	346,309
Water production	1,121,303	66,638	21,031	1,208,972
Waster distribution	450,853	13,511	3,154	467,518
Sewer collection	386,121	-	-	386,121
Wastewater treatment	1,490,483	-	-	1,490,483
Environmental service	94,809	-	-	94,809
Engineer design	215,678	-	-	215,678
Geographical information systems	128,743	-	-	128,743
Composting	92,477	-	-	92,477
Operations administration	91,295	-	-	91,295
Service center	325,098	-	-	325,098
Safety/security	34,007	-	-	34,007
Field service	193,752	22,005	5,511	221,268
Construction oversight	372,009	949	296	373,254
Depreciation	1,924,389	139,573	21,029	2,084,991
Other expenses	89,763	3,276	1,448	94,487
	<u>7,949,393</u>	<u>287,446</u>	<u>63,222</u>	<u>8,300,061</u>
Total operating expenses				
	7,949,393	287,446	63,222	8,300,061
<b>Operating Income</b>	<u>910,778</u>	<u>173,293</u>	<u>29,356</u>	<u>1,113,427</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest income - investments	8,560	106	15	8,681
Interest income - capital leases	258,742	-	-	258,742
Interest expense and paying agent fees	(459,582)	(69,577)	(9,561)	(538,720)
Gain on disposal of capital assets	11,182	-	-	11,182
	<u>(181,098)</u>	<u>(69,471)</u>	<u>(9,546)</u>	<u>(260,115)</u>
Total nonoperating revenues (expenses)				
	(181,098)	(69,471)	(9,546)	(260,115)
<b>Income Before Capital Contributions and Transfers</b>	729,680	103,822	19,810	853,312
<b>Capital contributions</b>	27,748	-	-	27,748
<b>Transfers Out</b>	<u>(233,566)</u>	<u>-</u>	<u>-</u>	<u>(233,566)</u>
<b>Changes in Net Position</b>	523,862	103,822	19,810	647,494
<b>Net Position, Beginning of Year</b>	41,707,634	418,365	92,578	42,218,577
<b>Adoption of GASB 68 - Note 12</b>	<u>(424,011)</u>	<u>(21,983)</u>	<u>(5,658)</u>	<u>(451,652)</u>
<b>Net Position, Beginning of Year, as Restated</b>	41,283,623	396,382	86,920	41,766,925
<b>Net Position, End of Year</b>	<u>\$ 41,807,485</u>	<u>\$ 500,204</u>	<u>\$ 106,730</u>	<u>\$ 42,414,419</u>

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**City of Texarkana, Arkansas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended September 30, 2015**

	<u>Texarkana Water Utilities</u>			<u>Total Enterprise Funds</u>
	<u>Water Utilities</u>	<u>Union Utilities</u>	<u>Mandeville Utilities (Non Major)</u>	
<b>Operating Activities</b>				
Cash received from customers	\$ 8,591,875	\$ 464,021	\$ 91,133	\$ 9,147,029
Cash paid to suppliers	(3,676,344)	(169,837)	(42,117)	(3,888,298)
Cash paid to employees	(2,287,907)	(14,506)	(3,135)	(2,305,548)
Net cash provided by operating activities	<u>2,627,624</u>	<u>279,678</u>	<u>45,881</u>	<u>2,953,183</u>
<b>Noncapital Financing Activities</b>				
Transfers to City general fund	(233,566)	-	-	(233,566)
Net cash used for noncapital financing activities	<u>(233,566)</u>	<u>-</u>	<u>-</u>	<u>(233,566)</u>
<b>Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(1,174,227)	(12,373)	(3,864)	(1,190,464)
Principal paid on bonds	(877,385)	(181,004)	(23,832)	(1,082,221)
Interest paid on bonds	(388,695)	(72,273)	(9,915)	(470,883)
Principal received on direct financing leases	315,867	-	-	315,867
Interest received on direct financing leases	210,508	-	-	210,508
Capital improvement deposits paid	(901,440)	(11,573)	(3,906)	(916,919)
Capital improvement deposits received	303,962	13,322	4,160	321,444
Proceeds from sale of capital assets	33,277	-	-	33,277
Net cash used for capital and related financing activities	<u>(2,478,133)</u>	<u>(263,901)</u>	<u>(37,357)</u>	<u>(2,779,391)</u>
<b>Investing Activities</b>				
Purchase of investments	(943,894)	(141,169)	-	(1,085,063)
Proceeds from sale and maturities of investments	943,246	141,092	-	1,084,338
Interest received on investments	4,114	85	7	4,206
Net cash provided by investing activities	<u>3,466</u>	<u>8</u>	<u>7</u>	<u>3,481</u>
<b>Increase (Decrease) in Cash</b>	(80,609)	15,785	8,531	(56,293)
<b>Cash, Beginning of Year</b>	<u>6,581,176</u>	<u>283,918</u>	<u>161,286</u>	<u>7,026,380</u>
<b>Cash, End of Year</b>	<u>\$ 6,500,567</u>	<u>\$ 299,703</u>	<u>\$ 169,817</u>	<u>\$ 6,970,087</u>
<b>Cash of Proprietary Funds, as Presented, on the "Statement of Net Position - Proprietary Funds" is as follows:</b>				
Cash	\$ 1,704,061	\$ 44,162	\$ 20,828	\$ 1,769,051
Restricted cash	<u>4,796,506</u>	<u>255,541</u>	<u>148,989</u>	<u>5,201,036</u>
	<u>\$ 6,500,567</u>	<u>\$ 299,703</u>	<u>\$ 169,817</u>	<u>\$ 6,970,087</u>

See Notes to Financial Statements

	<b>Texarkana Water Utilities</b>			<b>Total Enterprise Funds</b>
	<b>Water Utilities</b>	<b>Union Utilities</b>	<b>Mandeville Utilities (Non Major)</b>	
<b>Reconciliation of Operating Income to Cash Flows from Operating Activities</b>				
Operating income	\$ 910,778	\$ 173,293	\$ 29,356	\$ 1,113,427
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	1,924,389	139,573	21,029	2,084,991
(Increase) decrease in assets:				-
Accounts receivable	(75,549)	5,910	458	(69,181)
Due from other governments	(35,760)	-	-	(35,760)
Allowance for doubtful accounts	6,145	-	-	6,145
Due from other funds	(105,627)	-	(37)	(105,664)
Inventories	2,449	-	-	2,449
Prepaid expenses	(264)	(127)	(32)	(423)
Net pension asset	(33,319)	-	-	(33,319)
(Increase) decrease in deferred outflows	(370,371)	(4,667)	(1,174)	(376,212)
Increase (decrease) in liabilities:				
Accounts payable	28,989	178	45	29,212
Accrued liabilities	11,693	238	60	11,991
Due to other funds	(2,449)	(40,724)	(4,736)	(47,909)
Accrued compensated absences	13,250	-	-	13,250
Customer deposits	17,183	1,758	(155)	18,786
Net pension and postemployment liabilities	126,517	263	67	126,847
Other payables	(52,589)	688	157	(51,744)
Increase (decrease) in deferred inflows:	262,159	3,295	843	266,297
Net cash provided by operating activities	<u>\$ 2,627,624</u>	<u>\$ 279,678</u>	<u>\$ 45,881</u>	<u>\$ 2,953,183</u>
Noncash from capital and related financing activities:				
Capital Contributions	\$ 27,748	\$ -	\$ -	\$ 27,748

**City of Texarkana, Arkansas**  
**Statement of Fiduciary Net Position – Fiduciary Funds**  
**December 31, 2015**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 823,007	\$ 202,266
Investments		
Equities	9,539,254	-
U. S. government obligations	669,858	-
Corporate bonds and notes	683,293	-
Mutual funds and other investments	5,800,650	-
Interest receivable	31,181	3,556
Due from other funds	817,488	-
Total assets	18,364,731	205,822
<b>Liabilities</b>		
Accounts payable	24,003	8,227
Escrow deposits	-	197,595
Total liabilities	24,003	205,822
<b>Net Position</b>		
Net position restricted for pensions	\$ 18,340,728	\$ -

**City of Texarkana, Arkansas**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended December 31, 2015**

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions	
Employer	\$ 1,025,672
Employee	25,987
Intergovernmental	288,477
Other	65,783
	1,405,919
Investment income (loss)	
Net decrease in fair value of investments	(691,259)
Interest and dividends	444,244
	(247,015)
Less investment expense	78,846
	(325,861)
Total additions	1,080,058
<b>Deductions</b>	
Benefits paid directly to participants	2,422,488
Administrative expenses	90,979
	2,513,467
<b>Transfers In</b>	6,250
<b>Net Decrease in Net Position</b>	(1,427,159)
<b>Net Position Restricted for Pensions, Beginning of Year</b>	19,767,887
<b>Net Position Restricted for Pensions, End of Year</b>	\$ 18,340,728

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2015

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

The City of Texarkana, Arkansas (the City), is a municipal corporation operating under the authority of Arkansas state statute. The City operates under a city manager form of government. Six elected directors and the Mayor set policy and employ the City Manager. The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for state and local governments as defined by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting and reporting policies of the City.

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

The accompanying government-wide financial statements present the financial statements of the City of Texarkana and its component units. The component units are legally separate entities for which the City is considered to be financially accountable. Accountability is defined as the City's substantive appointment of the majority of the component unit's governing board. Furthermore, to be financially accountable, the City must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to or impose specific financial burdens on the City. These component units are further distinguished between *Blended Component Units*, presented as part of the primary government, and *Discretely Presented Component Units*, presented separately.

The City's defined benefit and other employee benefit plans, being fiduciary in nature, were not evaluated as potential component units but instead are reported as fiduciary funds.

The City's primary government consists of those funds or organizations that make up the legal entity for which it is financially responsible. Under these criteria, the following are included in the primary government reporting entity:

#### **Discretely Presented Component Units**

***Texarkana Advertising and Promotion Commission (Commission)*** – The Commission is governed by a seven member board appointed by the City Board of Directors. The Commission is comprised of four owners or managers of businesses in the tourism industry, two members of the City Board of Directors, and one member not associated with the tourism industry or the City Board of Directors. The Commission is primarily funded by a City tax imposed on gross receipts from hotel/motel and restaurant sales. Arkansas state statutes require this to be collected by the City. The proceeds of the tax are used for advertising and promoting the City. The City performs all accounting functions for the Commission. The City tax provided to the Commission during the year ended December 31, 2015 totaled \$1,179,250. The Commission does not have separately issued financial statements.

# **City of Texarkana, Arkansas**

## **Notes to Financial Statements**

### **December 31, 2015**

***Greater Texarkana Retired and Senior Volunteer Program (RSVP)*** – RSVP is governed by the RSVP Advisory Council comprised of twenty-one members. RSVP serves a nine county area. The Texas counties represented are Bowie and Cass. The Arkansas counties represented are Miller, Little River, Lafayette, Howard, Nevada, Sevier and Hempstead. The purpose of RSVP is to provide a recognized role in the community and a meaningful life in retirement for older people through significant volunteer service. RSVP places volunteer retirees in nonprofit agencies throughout the community and aids in recognizing the services provided by the volunteers. RSVP is largely funded with federal and state grants that are obtained through the City. The City provides the office facilities and performs all accounting functions of RSVP. RSVP is fiscally dependent on the City of Texarkana, Arkansas and, as a result, is reported as a component unit of the City. RSVP cannot levy taxes or set rates without approval by the City, nor can RSVP issue bonded debt without approval by the City. RSVP does not have separately issued financial statements.

#### ***Joint Ventures***

##### ***Texarkana Airport Authority***

The City is a participant with Texarkana, Texas in a joint venture to operate Texarkana Regional Airport. The Texarkana Airport Authority was created in 1956 by ordinance enacted by the two cities. The governing body of Texarkana Airport Authority consists of eight members, four of whom are residents of Texarkana, Arkansas and four of whom are residents of Texarkana, Texas. Arkansas members are appointed by the City of Texarkana, Arkansas Board of Directors. Texas members are appointed by the mayor of the City of Texarkana, Texas. The Airport Authority Board has governance responsibilities over all activities relating to operating and maintaining the Texarkana Regional Airport. The Board receives funding from airport operations and from various local, state and federal agencies and must comply with any requirements of these funding sources.

Assets contributed to the Airport Authority as of December 31, 2014, consisted of \$1,463,671 by Texarkana, Arkansas and \$1,406,655 by Texarkana, Texas. The City of Texarkana, Arkansas' net investment and its share of operating results of the Airport Authority are reported in the City's financial statements with governmental activities capital assets. The City's equity interest in the Airport Authority was \$10,225,873 at December 31, 2014, which is the latest information available. Complete financial statements for the Authority can be obtained from the Texarkana Airport Authority's administrative office.

# **City of Texarkana, Arkansas**

## **Notes to Financial Statements**

### **December 31, 2015**

#### ***Bi-State Justice Center***

The City is also a participant in a joint venture in the Bi-State Justice Center with the City of Texarkana, Texas and Bowie County. The Bi-State Justice Center is jointly occupied by the law enforcement and criminal justice agencies of the City of Texarkana, Arkansas, the City of Texarkana, Texas, and Bowie County, Texas. The facility is located on the state line, half in Texarkana, Arkansas and half in Texarkana, Texas. The Intergovernmental Advisory Committee is responsible for the operations of the Center. This seven member committee is comprised two members from the City of Texarkana, Texas City Council, two members from the Texarkana, Arkansas Board of Directors, the Bowie County Judge, one Bowie County Commissioner, and one independent member. The original contract only names the two City Managers and the Judge. The Center accounts only for the operations of its own law enforcement and criminal justice agencies. The annual budget is underwritten by the participating entities based on a formula which uses floor space occupied, the number of records processed by Central Records and Communications and the number of prisoners in the detention facility for each entity.

The City of Texarkana, Arkansas' net investment in the Bi-State Justice Center is reported in the City's governmental activities as a joint venture. The City's equity interest at December 31, 2015, was \$276,085. Complete financial statements for the Bi-State Justice Center can be obtained from the City of Texarkana, Arkansas Finance Department.

#### ***Texarkana Urban Transportation Study (TUTS)***

The City of Texarkana, Arkansas is a participant with seven other entities in the TUTS Policy Committee, which is the designated metropolitan planning organization (MPO) for the Texarkana urbanized area. The MPO develops transportation plans and programs in cooperation with the participating entities and transit agencies. The governing body of the TUTS consists of fourteen members, three of whom are representatives of the City of Texarkana, Arkansas; three of whom are representatives of the City of Texarkana, Texas; the Bowie County Judge; the Miller County Judge; the Mayor of Wake Village, Texas; the Mayor of Nash, Texas; two representatives for the Arkansas State Highway and Transportation Department; and two representatives for the Texas Department of Transportation. The TUTS may receive federal, state, and local funding for metropolitan transportation planning for the integrated network of federal, state, and local roads and highways. The City has an ongoing financial responsibility of the TUTS since its continued existence depends on continued funding by the City. The City's equity interest at December 31, 2015, was \$0.

# **City of Texarkana, Arkansas**

## **Notes to Financial Statements**

### **December 31, 2015**

#### ***Texarkana Urban Transit District (TUTD)***

The City of Texarkana, Arkansas is a participant with three other cities in the TUTD. The purpose of the TUTD is to provide public transportation services within the Texarkana urban area. The TUTD is a political subdivision district under the laws of the State of Texas as defined by Chapter 458 of the Texas Transportation code and Chapter 791 of the Texas Government Code.

Composition of the Transit District Board is as follows; the City of Texarkana, Arkansas – three members, one of whom is an elected official; the City of Texarkana, Texas – three members, one of whom is an elected official; the City of Wake Village, Texas – two members, one of whom is an elected official; and the City of Nash, Texas – two members, one of whom is an elected official. The TUTD receives federal, state, and local funding, as well as user charges generated by the public transportation system. The City has an ongoing financial responsibility for the TUTD since the TUTD’s continued existence depends on continued funding by the City.

The City of Texarkana, Arkansas’ net investment in the TUTD is reported in the City’s governmental activities as a joint venture. The City’s interest at September 30, 2014, which is the latest information available, was \$794,350.

#### ***Jointly Governed Organizations***

The City’s officials are responsible for appointing a portion of the members of the boards of other organizations, but the City’s accountability for these organizations does not extend beyond making the appointments. The City Board of Directors or specific committees of the City Board appoint board members to the following organizations: Historic District Commission, Housing Authority, Texarkana Public Library Board, Public Facilities Board, Council of Governments Board, City Beautiful Commission and Solid Waste Management Committee. Positions on these boards are appointed in certain instances in entirety, partially, or with City Board members.

#### ***Government-wide and Fund Financial Statements***

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements as follows:

##### **Government-wide Financial Statements**

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. Fiduciary activities are excluded from the government-wide statements because they cannot be used to support the City’s own programs. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2015

revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Expenses that cannot be specifically identified to a particular function are charged to funds based on time spent for that function and are included in the functional categories. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity.

#### **Fund Financial Statements**

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund type-governmental, proprietary and fiduciary-are presented. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services and interest income.

The *Public Works Fund* accounts for the receipts and disbursements of state turnback funds, property taxes, licenses and permits, refuse collections and other revenues legally designated for street and refuse projects.

The 2012 *Franchise Fee Projects Fund* accounts for the receipts and disbursements of the proceeds of the 2012 Capital Improvement and Refunding Limited Tax General Obligations Bonds. These funds are used to finance capital improvements.

The City reports the following major enterprise funds:

The Cities of Texarkana, Arkansas and Texarkana, Texas both have an undivided interest in the Texarkana Water Utilities (TWU). The following funds are reported in the audited financial statements for TWU and have a September 30 fiscal year end. Transfers between Texarkana, Arkansas Water Utilities Fund and the City's governmental activities do not balance because TWU has a different year end than the City.

The *Texarkana, Arkansas Water Utilities Fund* accounts for the water and sewer services provided to the general public, industry and other municipalities on the Arkansas side of the City of Texarkana.

The *Texarkana, Arkansas Union Water Utilities Fund* accounts for the water and sewer services provided by the Union Water Utilities.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2015

Non-major funds of the City are comprised of the following:

*Special Revenue Funds* – The special revenue funds, which include federal grants, are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, which are legally restricted to expenditures for specified purposes.

*Debt Service Funds* – The debt service funds are used to account for financial resources that are restricted, committed or assigned to the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

*Capital Projects Funds* – The capital projects funds are used to account for financial resources that are restricted, committed or assigned to be used for the acquisition or construction of major capital facilities, other than those financed by enterprise funds.

*Enterprise Fund* – The enterprise fund is used to account for activities for which a fee is charged to external user for goods or services.

*Trust Funds* – Accounts for assets held in trust for the Texarkana, Arkansas Public Employee Retirement System, the Texarkana, Arkansas Water Utilities Employee Retirement System, the Police Relief and Pension Fund, and the Firefighter’s Relief and Pension Fund. Plan trustees must act in accordance with the specific purposes and terms of these retirement plans.

*Agency Funds* – Accounts for monies collected and held by the courts until they are disbursed to various governmental agencies.

### ***Measurement Focus and Basis of Accounting***

#### **Government-wide, Proprietary and Fiduciary Funds**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

In proprietary funds, operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the fund. All revenues and expenses not meeting this definition are reported as nonoperating items.

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include taxes; fines and forfeitures; grants, entitlements and similar items; and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period in which the taxes are levied. City and county sales taxes, franchise taxes, licenses and permits, and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Grants, entitlements and donations are recognized as revenues, net of

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as unearned revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

**Governmental Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and deferred outflows and liabilities and deferred inflows are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in available spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The City considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, federal funds, local funds and investment earnings. Other revenues are considered to be measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences and obligations for worker's compensation and other post-employment benefits, which are recognized as expenditures when payment is due. Pension expenditures are recognized when contributed to a plan or when expected to be liquidated with expendable available financial resources.

***Use of Estimates***

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

***Cash and Cash Equivalents***

Cash and cash equivalents include demand deposits, cash on hand and short-term instruments with original maturities at purchase of 90 days or less. At December 31, 2015, cash equivalents consisted primarily of money market accounts with brokers.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

***Investments and Investment Income***

All investments in the City's Pension Trust Funds are carried at fair value. For all other funds, investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices for all investments.

Investment income includes dividend and interest income and the net change for the year in the fair value of investments. Investment income is credited to the fund from which the investments were made, except where required otherwise by bond indentures or City policy.

***Inventories***

Inventories of the enterprise funds consist of repair materials and spare parts for water and wastewater treatment and distribution valued at the lower of average cost or market value. The costs of governmental fund type inventories are recorded as expenditures when purchased/constructed.

***Prepaid Items***

Prepaid items in governmental funds are accounted for under the consumption method.

***Restricted Assets***

Certain proceeds of governmental and enterprise fund 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 maintained in separate bank accounts and their use is limited by applicable bond covenants.

***Capital Assets***

Capital assets, which include infrastructure, are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

*Governmental activities and component units:*

Capital assets are defined as assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of greater than two years. Capital assets are depreciated using the straight-line method over their estimated useful lives ranging from 10 – 30 years for infrastructure, 40 years for buildings, 20 years for improvements other than buildings and 5 – 20 years for machinery and equipment.

Depreciation expense is charged directly to the department/function based on the department that utilizes the related asset.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

*Business-type activities:*

Capital assets are defined by business type activities as assets with an initial, individual cost of more than the following amounts and an estimated life in excess of one year.

Furniture and fixtures	\$ 100
Motor vehicles	1,000
Mobil equipment	1,000
Machinery and equipment	500
Communication equipment	500
Pumps and purification equipment	1,000
Buildings and facilities new improvements	1,000
New improvements	1,000

Property, plant and equipment is 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 - 10 years
Communication equipment	5 years
Pumps and purification equipment	10 years
Buildings and facilities new improvements	10 - 50 years
Water and sewer systems	12 - 99 years

***Pensions***

For the purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by Plan. 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.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position and statement of fund net position includes a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has two items that qualify for reporting in this category. These two items are both related to pensions, with one being the amount of contributions made to the pension plans after the measurement date, and the other the difference in investment experience between actual earnings and projected earnings on pension plan investments and the difference in assumption changes. Deferred outflows related to contributions made after the measurement date will be recognized as a reduction of net pension liability in the following year ended December 31, 2016. The remaining amounts will be amortized over future periods as shown within *Note 11*.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2015

In addition to liabilities, the statement of net position, statement of fund net position and the balance sheet reports a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, unavailable revenue and deferred inflows-pensions. Unavailable revenue arises under the modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, this item is only reported in the governmental funds balance sheet. Governmental funds report unavailable revenue from property taxes and grant receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item, deferred inflows - pensions, consists of the difference between the expected and actual experience related to the pension plans as well as the difference in the assumption changes. These amounts are amortized over future periods as shown within *Note 11*.

#### ***Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the columns for governmental activities and business-type activities. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. Debt premiums, discounts and deferred losses on refundings are generally deferred and amortized using the effective interest rate method. Long-term debt is reported net of unamortized premiums or discounts.

In the fund financial statements, governmental fund types recognize debt premiums, as well as debt issuance costs, during the current period. The face amount of the debt issued and premiums received are reported as other financing sources. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

#### ***Compensated Absences***

City employees earn sick pay and vacation leave benefits on the basis of length of service time. Subject to certain restrictions, City employees are compensated (historically from the fund which the employee is assigned) for unused sick and vacation time upon leaving the City's employment. All sick leave is accrued when earned in the government-wide and proprietary fund financial statements. In governmental funds, a liability for these amounts is reported only as payments come due each period upon the occurrence of relevant events such as employee resignations and retirements. General revenues are used to liquidate the liability for compensated absences from the fund in which the employee retired. The liability for compensated absences has typically been liquidated by the General Fund, Public Works Fund and Water Utilities Fund.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2015

#### ***Net Position***

Net position of the City is classified in three components. Net investment in capital assets, consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the City, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is remaining assets and deferred outflows less remaining liabilities and deferred inflows that do not meet the definition of net investment in capital assets, restricted expendable, or restricted nonexpendable.

#### ***Fund Balance - Governmental Funds***

The fund balances for the City's governmental funds are displayed in five components:

*Nonspendable* - Nonspendable fund balances are not in a spendable form or are required to be maintained intact.

*Restricted* - Restricted fund balances may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Committed* - Committed fund balances may be used only for the specific purposes determined by resolution of the Board of Directors. Commitments may be changed or lifted only by issuance of a resolution by the City Board of Directors.

*Assigned* - Assigned fund balances are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the City Manager to assign fund balance. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The City applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are used first.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2015

#### ***Restricted by Enabling Legislation***

The government-wide Statement of Net Position reports \$750,620 of restricted net position for Texarkana Advertising and Promotion which is restricted by enabling legislation. This amount consists of unspent hotel/motel taxes.

#### ***Budgetary Information***

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, Public Works Fund and the following nonmajor special revenue funds: Community Development Block Grant, Police Fund, Kline Park Monument, Domestic Violence, Front Street Project, Bail Bond, Court Automation, North Texarkana Redevelopment District, Library and Public Safety. All annual appropriations lapse at year end and are re-established in the succeeding year.

The appropriated budget is prepared by fund, function and activity. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors. The Board of Directors may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by an affirmative vote of a majority of the Board of Directors. City policy prohibits budgeting total proposed expenditures in excess of total anticipated revenues and unencumbered funds from prior years; therefore, expenditures may not legally exceed revenues and unencumbered fund balances from prior years. The legal level of budgetary control (*i.e.*, the lowest level at which expenditures may not legally exceed appropriation) is the fund level. The Board of Directors made several supplemental budgetary appropriations throughout the year.

#### ***Adoption of Accounting Principles***

##### ***GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27***

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pension Plans, an amendment of GASB Statement No. 27*, for 2015. The statement includes guidance for accounting for participating employers in single employer and multiple-employer defined benefit pension plans, cost-sharing plans, defined contribution plans and plans with insured benefits. The note disclosure and required supplementary information requirements for employers whose employees are provided with defined benefit pensions through qualified trusts also are addressed. Finally, the statement includes guidance on accounting for special funding situations where an entity other than the employer government is legally responsible for plan contributions.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

The Statement also requires employers participating in cost-sharing multiple-employer plans to recognize their proportional share of the plan's collective net pension liability, pension expense and deferred outflows of resources and deferred inflows of resources in the employer's financial statements. The pension expense is no longer based on the contractually required contribution or contributions actually made, but is actuarially determined. This results in the pension expense and liability being recognized as benefits are earned by employees, and increases current pension expense along with the recognition of the proportional share of the net pension liability. The fiscal year 2015 beginning net position has been restated to reflect the implementation of the new accounting standard (See *Note 12*). This information has been added to *Note 11* and to the required supplementary information, as required.

***GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68***

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, for 2015. The statement includes guidance for accounting for contributions made to defined benefit pension plans after the measurement date of the net pension liability but prior to the government's fiscal year end. See *Note 11* for a detail of these amounts as they relate to the specific pensions of the City.

***New Governmental Accounting Standards Board (GASB) Pronouncements***

The GASB has issued the following statements which the City has not yet adopted and which require adoption subsequent to December 31, 2015:

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72): GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB 72 will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB 72 is effective for financial statements for fiscal years beginning after June 15, 2015.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans* (GASB 74): GASB 74 addresses the reporting requirements for Other Postemployment Benefit (OPEB) plans that administer benefits on behalf of government. GASB 74 replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and addresses the financial reporting of OPEB plans that are administered through trusts that meet certain criteria. GASB 74 requires the inclusion of a statement of fiduciary net position and a statement of changes in fiduciary net position in the financial reporting for the plan. GASB 74 also requires more extensive note disclosures and required supplementary information (RSI) related to the measurement of the OPEB liabilities and sets forth note disclosure requirements for defined contribution OPEB plans. GASB 74 is effective for financial statements for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* (GASB 75): GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 75 requires governments to report a liability on the face of the financial statements, in accordance with the following:

Employers that are responsible only for OPEB liabilities for their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability (the difference between the total OPEB liability and the assets accumulated in trust to make the benefit payments)

Employers that participate in a cost-sharing OPEB plan that is administered through a trust that meets specified criteria will report a liability equal to the employer's proportionate share for the collective OPEB liability for all employers participating in the plan

Employers that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability for their own employees

GASB 75 requires more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. GASB 75 is effective for fiscal years beginning after June 15, 2017. Therefore, the statement will be effective for the City's year ending December 31, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures*. According to this soon-to-be-released standard, a tax abatement is defined as "a reduction in taxes that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they otherwise are entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments."

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2015

GASB 77 requires disclosures about a government's tax abatement agreements, as well as those of other governments (including discretely-presented component units of the reporting government) that reduce the reporting government's tax revenues. Disclosures for the former should be organized by each major tax abatement program, while disclosures for the latter should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. If deemed preferable, information may be disclosed by individual tax abatement agreement, but may be limited to those above quantitative thresholds to be established by the reporting government. All such disclosures should commence in the period in which the tax abatement agreement is entered into and generally continue until the tax abatement agreement expires. If information regarding individual tax abatement programs, whether they are those of the reporting government or those of other governments that reduce the reporting government's tax revenues, are legally prohibited from being disclosed, a description of the general nature of the tax abatement information omitted and the specific source of the legal prohibition is to be disclosed.

This statement will be effective for periods beginning after December 15, 2015, or the City's year ending December 31, 2016.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses the presentation of payroll-related measures in RSI, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The pronouncement is effective for reporting periods beginning after June 15, 2016 except for certain requirements, which are effective for reporting periods on or after June 15, 2017.

The effect of these statements on the City has not been determined, but could have a significant impact on the City's overall net position.

## **Note 2: Deposits and Investments**

### ***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires that deposits in financial institutions be collateralized with federal depository insurance and other acceptable collateral in specific amounts. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

At December 31, 2015 and September 30, 2015, none of the City's or Utilities bank balances were exposed to custodial credit risk, respectively.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Investments**

Arkansas statutes authorize the City to invest in direct obligations of the U.S. government; obligations on which the principal and interest are fully guaranteed, or are fully secured, insured, or covered by commitments or agreements to purchase by the U.S. government; obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposits.

Arkansas statutes also authorize the City to invest in no more than 20% of its capital base in corporate debt obligations; revenue bond issues of any state, municipality, or political subdivision; industrial development bonds for corporate obligors issued through any state or political subdivision; securities or interest in an open-end or close-end management type investment company or trust registered under the Investment Company Act of 1940 with certain limitations; securities or interest issued, assumed, or guaranteed by certain international banks; and uninsured demand, savings, or time deposits or accounts of any depository institution chartered by the United States, any U.S. state, or District of Columbia. The pension trust funds are authorized to also invest in common stocks, investment grade corporate bonds, and other appropriate securities.

At December 31, 2015, the City had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. Treasury obligations	\$ 62,655	\$ -	\$ -	\$ 62,655	\$ -
U.S. government obligations	607,203	144,410	111,044	75,849	275,900
Corporate bonds	683,293	95,903	436,990	72,133	78,267
Money market mutual funds	2,446,467	2,446,467	-	-	-
Bond mutual funds	5,800,650	-	2,422,400	229,763	3,148,487
		<u>\$ 2,686,780</u>	<u>\$ 2,970,434</u>	<u>\$ 440,400</u>	<u>\$ 3,502,654</u>
Equity mutual funds	<u>9,534,855</u>				
	<u>\$ 19,135,123</u>				

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2015

Interest Rate Risk – Statutes authorize the City along with its component units, the Greater Texarkana Retired and Senior Volunteer Program and the Texarkana Advertising and Promotion Commission, to invest in certificates of deposits, obligations of the U.S. Treasury and U.S. agencies, and obligations of the State of Arkansas and any political subdivision of the state. The City’s policy seeks to minimize the risk that the market value of securities will fall due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter-term securities, money market mutual funds or similar investment pools. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s pension fund policies limit the percentages of each type of portfolio asset.

Credit Risk – Credit risk is the risk that the issuer or other counterparty will not fulfill its obligations. It is the City’s policy, excluding fiduciary funds, to limit investments to the safest types of securities and to pre-qualify the financial institutions, broker/dealers, intermediaries and advisers with which the City will do business. At December 31, 2015, the City’s and its component units’ investments not directly guaranteed by the U.S. government were rated as follows:

<b>Investment Type</b>	<b>Rating Agency</b>	<b>Rating</b>
Money Market Mutual Funds	S&P/Moody’s	AAA/Aaa
U.S. Agency Obligations	S&P/Moody’s	AAA/Aaa
Corporate Bonds	S&P/Moody’s	BB to AAA/Ba2 to Aaa

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Excluding fiduciary funds, at December 31, 2015, the City’s investments are fully collateralized or are fully guaranteed by the full faith and credit of the U.S. government. The City’s collateral is held in an account with the Federal Reserve. Monthly “Collateral Reports” are sent to the City’s accounting department.

Concentration of Credit Risk – The City’s policy is to diversify the investment portfolio so that potential losses on individual securities will be minimized.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Summary of Carrying Values**

The carrying values of deposits and investments shown above are included in the statements of net position as follows:

	<b>Primary Government</b>	<b>Component Units</b>
Carrying value		
Deposits	\$ 13,367,601	\$ 790,754
Cash on hand	3,913	200
Investments	19,135,123	-
	\$ 32,506,637	\$ 790,954
Included in the following statement of net position captions		
Cash	\$ 3,600,286	\$ 790,954
Investments	1,997,442	-
Restricted cash	9,025,355	-
Restricted investments	165,226	-
Included in the following fiduciary net position captions		
Cash and cash equivalents - Agency Funds	202,266	-
Cash and cash equivalents - Pension Trust Funds	823,007	-
Investments-Pension Trust Funds		
Equities	9,539,254	-
U.S. government obligations	669,858	-
Corporate bonds and notes	683,293	-
Mutual funds and other investments	5,800,650	-
	\$ 32,506,637	\$ 790,954

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Note 3: Capital Assets**

Capital asset activity in the governmental activities for the year ended December 31, 2015, was as follows:

<b>Governmental Activities</b>	<b>Balance, December 31, 2014</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance December 31, 2015</b>
Capital assets, non-depreciable:				
Land	\$ 2,563,907	\$ -	\$ -	\$ 2,563,907
Construction in progress	387,178	3,305,317	(486,441)	3,206,054
Total capital assets, non-depreciable	<u>2,951,085</u>	<u>3,305,317</u>	<u>(486,441)</u>	<u>5,769,961</u>
Capital assets, depreciable				
Buildings	22,964,020	428,969	(15,273)	23,377,716
Improvements other than buildings	11,982,005	19,108	-	12,001,113
Machinery and equipment	7,807,109	273,661	(45,132)	8,035,638
Infrastructure	40,588,436	106,087	-	40,694,523
Total capital assets, depreciable	<u>83,341,570</u>	<u>827,825</u>	<u>(60,405)</u>	<u>84,108,990</u>
Less accumulated depreciation				
Buildings	15,126,682	632,311	(15,273)	15,743,720
Improvements other than buildings	5,433,599	570,676	-	6,004,275
Machinery and equipment	6,065,215	525,816	(39,418)	6,551,613
Infrastructure	25,032,490	499,417	-	25,531,907
Total accumulated depreciation	<u>51,657,986</u>	<u>2,228,220</u>	<u>(54,691)</u>	<u>53,831,515</u>
Total capital assets, depreciable	<u>31,683,584</u>	<u>(1,400,395)</u>	<u>(5,714)</u>	<u>30,277,475</u>
Total governmental activities, net	<u>\$ 34,634,669</u>	<u>\$ 1,904,922</u>	<u>\$ (492,155)</u>	<u>\$ 36,047,436</u>

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

Capital asset activity in the business-type activities for the year ended September 30, 2015, was as follows:

<b>Business-Type Activities</b>	<b>Balance September 30, 2014</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance September 30, 2015</b>
Capital Assets, non-depreciable				
Land	\$ 840,606	\$ 12,563	\$ -	\$ 853,169
Construction in progress	<u>555,290</u>	<u>1,579,032</u>	<u>(1,422,080)</u>	<u>712,242</u>
Total capital assets, non-depreciable	<u>1,395,896</u>	<u>1,591,595</u>	<u>(1,422,080)</u>	<u>1,565,411</u>
Capital assets, depreciable				
Buildings and improvements	4,349,361	-	-	4,349,361
Improvements other than buildings	61,491,942	1,036,213	(108,852)	62,419,303
Machinery and equipment	7,593,340	385,867	(350,295)	7,628,912
Water rights	<u>539,511</u>	<u>-</u>	<u>-</u>	<u>539,511</u>
Total capital assets, depreciable	<u>73,974,154</u>	<u>1,422,080</u>	<u>(459,147)</u>	<u>74,937,087</u>
Less accumulated depreciation				
Buildings and improvements	2,380,812	82,456	-	2,463,268
Improvements other than buildings	25,635,777	1,593,999	(108,711)	27,121,065
Machinery and equipment	5,577,057	395,048	(328,343)	5,643,762
Water rights	<u>30,344</u>	<u>13,488</u>	<u>-</u>	<u>43,832</u>
Total accumulated depreciation	<u>33,623,990</u>	<u>2,084,991</u>	<u>(437,054)</u>	<u>35,271,927</u>
Total capital assets, depreciable	<u>40,350,164</u>	<u>(662,911)</u>	<u>(22,093)</u>	<u>39,665,160</u>
Total business-type activities, net	<u>\$ 41,746,060</u>	<u>\$ 928,684</u>	<u>\$ (1,444,173)</u>	<u>\$ 41,230,571</u>

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities**

General government	
General government	\$ 167,805
Police department	579,345
Fire department	206,394
Public inspection	3,458
Public works	888,599
Health	20,513
Culture and recreation	362,106
	<u>2,228,220</u>
Total depreciation expense – governmental activities	<u>\$ 2,228,220</u>

**Business-Type Activities**

Water and sewer	<u>\$ 2,084,991</u>
Total depreciation expense - business-type activities	<u>\$ 2,084,991</u>

**Note 4: Construction Projects**

At December 31, 2015, the City had the following commitments with respect to unfinished capital projects. These projects are being funded with grant funds, bond proceeds and franchise fees.

	<b>Project Authorization</b>	<b>Expended Through December 31, 2015</b>	<b>Required Future Financing</b>
Cross Roads Parkway Phase III	\$ 2,148,728	\$ 1,979,300	\$ 169,428
E. 42nd Street Repairs	556,828	554,325	2,503
E. 49th Street Repairs	1,238,722	483,092	755,630
Front Street	75,503	54,362	21,141
Texarkana Rec Center	40,000	38,347	1,653
Cherrybark Circle - Storm Drainage	43,080	41,610	1,470
Detention Pond - Crossroads Parkway	40,000	24,500	15,500
Traffic Signal Project	20,000	17,500	2,500
George Williams Park	7,600	5,585	2,015
Rustin Ci/N State Line	6,920	4,200	2,720
Caboose Project	5,000	3,233	1,767
	<u>\$ 4,182,381</u>	<u>\$ 3,206,054</u>	<u>\$ 976,327</u>
Total	<u>\$ 4,182,381</u>	<u>\$ 3,206,054</u>	<u>\$ 976,327</u>

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Note 5: Long-term Liabilities**

Changes in long-term liabilities in the governmental activities for the year ended December 31, 2015, and for the business-type activities for the year ended September 30, 2015, were as follows:

<b>Governmental Activities</b>	<b>Balance December 31, 2014 (As Restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2015</b>	<b>Amounts Due in One Year</b>
Bonds payable					
Revenue bonds	\$ 13,470,000	\$ 3,770,000	\$ 4,055,000	\$ 13,185,000	\$ 350,000
Less issuance discounts	-	40,864	817	40,047	-
Add issuance premiums	41,143	-	1,714	39,429	-
	<u>13,511,143</u>	<u>3,729,136</u>	<u>4,055,897</u>	<u>13,184,382</u>	<u>350,000</u>
General obligation bonds	9,830,000	-	435,000	9,395,000	210,000
Add issuance premiums	236,992	-	8,464	228,528	-
	<u>10,066,992</u>	<u>-</u>	<u>443,464</u>	<u>9,623,528</u>	<u>210,000</u>
Bonds payable, net	23,578,135	3,729,136	4,499,361	22,807,910	560,000
Notes payable	807,927	-	259,473	548,454	264,691
Capital lease obligation	1,353	54,460	15,851	39,962	17,918
Compensated absences	2,352,947	652,119	923,216	2,081,850	99,154
Net pension liability	23,283,459	-	213,968	23,069,491	-
Net OPEB obligation	147,019	106,829	114,793	139,055	-
Total governmental activities long-term liabilities	<u>\$ 50,170,840</u>	<u>\$ 4,542,544</u>	<u>\$ 6,026,662</u>	<u>\$ 48,686,722</u>	<u>\$ 941,763</u>
<b>Business-Type Activities</b>	<b>Balance September 30, 2014 (as restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30, 2015</b>	<b>Amounts Due in One Year</b>
Bonds payable					
Revenue bonds	\$ 12,559,502	\$ -	\$ 1,082,221	\$ 11,477,281	\$ 1,123,842
Plus issuance premiums	7,346	-	673	6,673	-
Bonds payable, net	12,566,848	-	1,082,894	11,483,954	1,123,842
Compensated absences	233,740	220,783	207,533	246,990	23,823
Net pension liability	2,370,304	-	275,589	2,094,715	-
Net OPEB obligation	288,854	121,640	16,061	394,433	-
Total business-type activities long-term liabilities	<u>\$ 15,459,746</u>	<u>\$ 342,423</u>	<u>\$ 1,582,077</u>	<u>\$ 14,220,092</u>	<u>\$ 1,147,665</u>

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Governmental Activities**

**2012 Franchise Fee Secured Refunding Revenue Bonds** – Bonds in the amount of \$10,300,000 were issued with varying interest rates from 1.00% to 3.55% to refund the outstanding Franchise Fee Secured Capital Improvement and Refunding Revenue Bonds, Series 2008 which had interest rates ranging from 2.50% to 5.00%. Principal payments are due annually on September 1. Interest payments are due semiannually on March 1 and September 1.

The net proceeds of \$10,377,633 (including a \$44,571 premium and after payment of \$223,653 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2008 franchise fee bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. At December 31, 2015, \$9,335,000 of defeased bonds remain outstanding.

**2012 Capital Improvement and Refunding Limited Tax General Obligation Bonds** – Bonds in the amount of \$10,160,000 were issued with varying interest rates from 2.00% to 5.00% to finance capital improvements consisting generally of construction, reconstruction, or acquisition of, or improvements to, new or current streets, bridges, and viaducts and any necessary intersection improvements, traffic signalizations, speed calming measures, lighting, equipment, land and easement acquisition, and drainage improvements therefor and to refund the outstanding 2000 Refunding and Capital Improvement Bonds. Principal payments are due annually on October 1. Interest payments are due semiannually on February 1 and October 1.

**2015 Franchise Fee Secured Refunding Revenue Bonds** – Bonds in the amount of \$3,770,000 were issued with varying interest rates from 1.125% to 3.875% to refund the outstanding Franchise Fee Secured Capital Improvement and Refunding Revenue Bonds, Series 2010 which had interest rates ranging from 2.45% to 4.70%. Principal payments are due annually on April 1. Interest payments are due semiannually on April 1 and October 1.

A portion of the bond proceeds were deposited with the trustee for the 2010 bonds and used, along with other funds held in connection with the 2010 bonds, to fully redeem the 2010 bonds on the date the 2015 bonds were issued, at a price of par plus accrued interest.

The City refunded the 2010 Franchise Fee Secured Capital Improvement and Refunding Revenue Bonds to reduce its total debt service payments over 25 years by \$500,000 and to obtain an economic gain (difference between present value of the debt service payments on the old and new debt) of \$400,000.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Notes Payable**

In 2001, the State of Arkansas passed Amendment No. 78 and Act No. 1808, allowing cities and counties to obtain short-term financing agreements for the purpose of acquiring, constructing, installing or renting real property or tangible personal property having an expected useful life of more than one year. These financing agreements may not mature over a period to exceed five years and may have fixed or variable interest rates to be repaid with general fund revenues. At December 31, 2015, the outstanding short-term financing agreements were as follows:

2013 General Revenues Note – The \$1,063,523 promissory note was issued to finance the cost of acquiring, constructing and installing real property or tangible personal property having an expected useful life of more than one year for the City with principal and interest payable from general revenues. Due monthly, payable \$18,577, including interest at 1.86%.

**Business-type Activities**

**Revenue Bonds** - Revenue bonds are comprised of various issues for the purpose of acquiring, constructing, equipping, renovating, expanding, and refurbishing additions and improvements of City facilities.

**1998 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds** – Bonds in the amount of \$4,100,000 were issued with an interest rate of 3.75%.

**1998B City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds** – Bonds in the amount of \$750,000 were issued with an interest rate of 3.75%.

**2001 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds** – Bonds in the amount of \$1,000,000 were issued with an interest rate of 3.75%.

**2004A City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Revenue Bonds** – Bonds in the amount of \$2,170,000 were issued with an interest rate of 3.25%.

**2004B City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Revenue Bonds** – Bonds in the amount of \$3,830,000 were issued with an interest rate of 3.25%.

**2007 City of Texarkana, Arkansas Public Facilities Board Waterworks and Sewer Facilities Revenue Refunding Bonds** – Bonds in the amount of \$9,085,000 were issued with a variable interest rate from 4.00% to 4.15%.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds and notes payable, outstanding at December 31, 2015 for governmental activities and September 30, 2015 for business-type activities.

Year	<b>Primary Government</b>			
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>General Obligation Bonds and Revenue Bonds</b>		<b>Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 560,000	\$ 837,992	\$ 1,123,842	\$ 422,856
2017	615,000	805,892	1,166,229	381,070
2018	640,000	792,226	1,209,401	337,698
2019	650,000	775,426	1,253,385	292,715
2020	665,000	757,145	1,298,219	246,080
2021-2025	3,680,000	3,435,165	5,304,020	589,867
2026-2030	4,455,000	2,669,279	122,185	2,094
2031-2035	5,350,000	1,769,277	-	-
2036-2040	5,210,000	671,829	-	-
2041	755,000	40,320	-	-
	<u>\$ 22,580,000</u>	<u>\$ 12,554,551</u>	<u>\$ 11,477,281</u>	<u>\$ 2,272,380</u>

	<b>Notes Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2016	\$ 264,691	\$ 8,416
2017	228,298	3,309
2018	55,465	173
	<u>\$ 548,454</u>	<u>\$ 11,898</u>

There are a number of limitation and restrictions contained in the various bond indentures. The City is in substantial compliance with all significant limitations and requirements. The City is also subject to a statutory limitation by the State of Arkansas for general bonded indebtedness. The limitation is 25 percent of the total assessed valuation of all real and personal property within the municipality subject to taxation. At December 31, 2015, the City met the statutory limitation for its general bonded indebtedness, leaving a sufficient legal debt margin. Also, for the governmental activities, the net pension liability and other post-employment obligations have historically been the responsibility of the General Fund.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

The following is a summary of pledged revenues of the City for the year ended December 31, 2015.

Debt	Revenue Pledged	Total Pledged Revenue	Portion of Pledged Revenue Stream	Percentage Portion of Pledged Revenue Stream	Remaining Principal, Interest and Fees	Period Revenue Will Not Be Available for Other Purposes
<b>Governmental Activities:</b>						
2012 Franchise Fee Secured Refunding Revenue Bonds	Franchise Taxes	\$ 2,859,259	\$ 617,903	21.6%	\$ 14,187,420	Until 2038
2015 Franchise Fee Secured Refunding Revenue Bonds	Franchise Taxes	2,859,259	157,296	5.5%	5,711,291	Until 2040
<b>Business-Type Activities:</b>						
1998 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	9,127,473	293,224	3.2%	1,612,747	Until 2021
1998B City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	9,127,473	53,638	0.6%	295,024	Until 2021
2001 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	9,127,473	68,390	0.7%	547,100	Until 2023
2004A City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Bonds	Revenues of the Enterprise Fund	553,438	148,406	26.8%	1,335,627	Until 2024
2004B City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Bonds	Revenues of the Enterprise Fund	553,438	261,932	47.3%	2,750,274	Until 2025
2007 City of Texarkana, Arkansas Public Facilities Board Waterworks and Sewer Facilities Revenue Refunding Bonds	Revenues of the Enterprise Fund	9,127,473	719,708	7.9%	7,208,874	Until 2025

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Note 6: Interfund Balances and Transfers**

Interfund receivables and payables as of December 31, 2015, are as follows:

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General Fund	\$ 164,681	\$ 860,823
Public Works	110,209	44,409
Non-major governmental funds	8,042	195,188
Total governmental funds	282,932	1,100,420
Texarkana, Arkansas Water Utilities	6,328	-
Texarkana, Arkansas Union Water Utilities	-	5,420
Non-major proprietary funds	37	945
Total proprietary funds	6,365	6,365
Fiduciary Funds:		
Pension trust funds	817,488	-
Total fiduciary funds	817,488	-
Total	\$ 1,106,785	\$ 1,106,785

The outstanding balances between funds result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between the funds are made.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

Due to/from the primary government and component units are as follows:

	<b>Receivables</b>	<b>Payables</b>
Primary Government		
General Fund	\$ 13,374	\$ 1,959
Public Works	-	3,090
	13,374	5,049
Total primary government		
Component Units		
Texarkana Advertising & Promotion	5,049	-
RSVP	-	13,374
	5,049	13,374
Total component units		
Total	\$ 18,423	\$ 18,423

Transfers are used to move revenues from funds with collection authorization to debt service and pension funds and to move unrestricted revenues to various programs that the government must account for in other funds. Transfers recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds as of December 31, 2015, are as follows:

<b>Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>
General	\$ 1,265,909	\$ 944,412
Public Works	87,793	492,825
Other Nonmajor Governmental Funds	4,446,040	4,179,471
	5,799,742	5,616,708
Total governmental funds	\$ 5,799,742	\$ 5,616,708

Transfers recorded in the Statement of Changes in Fiduciary Net Position as of December 31, 2015, are as follow:

Fiduciary Funds		
Pension Trust Funds	\$ 6,250	\$ -
	6,250	-
Total fiduciary funds	\$ 6,250	\$ -

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

Transfers recorded in the Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds as of September 30, 2015, are as follows:

Proprietary Funds		
Texarkana, Arkansas Water Utilities	\$ -	\$ 233,566
	<u>                    </u>	<u>                    </u>
Total proprietary funds	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>
Total primary government	<u>          5,805,992          </u>	<u>          5,850,274          </u>

The difference in the transfer in/out of \$44,282 is due to the different year end of the Texarkana, Arkansas Water Utilities (September 30, 2015) and the TAPERS and TWUPERS pension trust funds (June 30, 2015).

**Note 7: 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 and Union Utilities made total transfers to the Texas Utilities for water purchases of \$538,077 and \$43,031 for 2015, respectively.

The agreement further provides that, when the indebtedness of the Lake Texarkana Water Supply Corporation incurred in connection with the acquisition and construction of the system facilities has been discharged, the City of Texarkana, Texas will convey to the City of Texarkana, Arkansas an undivided interest in the system facilities used to serve Arkansas. Texarkana, Arkansas' undivided interest in the facilities shall be a pro rata portion of the total capital payments made on the system by both Texarkana, Texas and Texarkana, Arkansas. Capital payments are defined as payments made or to be made on the principal for the bond obligations of Texarkana Water Supply Corporation and Lake Texarkana Water Supply Corporation. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease transaction between the Cities. The Arkansas Utilities has made no transfers to the Texas Utilities debt service since 2001 when the capital lease debt was retired.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

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 transfers to the Arkansas Utilities for water purchases of \$597,130 for 2015.

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 2015, the Texas Utilities made total transfers to the Arkansas Utilities for debt service of \$416,735. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease transaction between the Cities.

**Note 8: 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.

The agreement further provides that, when the indebtedness of the City of Texarkana, Texas incurred in connection with the acquisition and construction of the wastewater treatment facilities has been discharged, the City of Texarkana, Texas will convey to the City of Texarkana, Arkansas an undivided interest in the system facilities used to serve Arkansas. Texarkana, Arkansas' 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, Texas and Texarkana, Arkansas. The Texarkana, Arkansas Water Utilities has made no transfers to the Texarkana, Texas Water Utilities for debt service since 2013 when the capital lease debt was retired.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

***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. In 2015, the Texas Utilities made transfers to the Arkansas Utilities for debt service in the amounts of \$109,639. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease between the Utilities.

**Note 9: Water Supply**

***Texarkana Reservoir***

In 1953, the Cities of Texarkana, Texas and Arkansas entered into a contract with the U. S. Government for the right to withdraw up to 13 million gallons of water per day from Texarkana Reservoir. The term of the agreement is for fifty years from the effective date. Annual payments of \$7,000 are required. The U. S. Government has extended the contract pending execution of a new agreement expected to be completed in the near future.

In 1968, the City of Texarkana, Texas entered into two agreements with the U. S. Government for water rights in the Texarkana Reservoir. The first agreement dated April 16, 1968, provides for the reallocation of an additional 120,000 acre-feet of water storage in Texarkana Reservoir to the City of Texarkana after the completion of Cooper Reservoir. This space will become available to Texarkana effective with the later of 1) the date Cooper Reservoir becomes operative for storage of water for flood control or 2) the date of completion of modification to Texarkana Reservoir which is required to affect the conversion of storage space therein from flood control use to municipal and industrial water supply use. The term of contract is for as long as the Government continues to operate Texarkana Reservoir. Payments of \$1,510,529 per year for 50 years are estimated beginning upon the effective date of water withdrawal.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2015

The second contract is for the purpose of providing the City of Texarkana, Texas an additional water supply until Cooper Reservoir is completed and modifications are made to Texarkana Reservoir to convert additional storage to municipal and industrial use. This contract dated September 16, 1968, provides for 84 million gallons per day in addition to the 13 million gallons provided in the 1953 contract. The terms of this contract is fifty years and the annual payment is \$55,300.

#### ***Millwood Reservoir***

The City of Texarkana, Arkansas has entered into a contract with the Southwest Arkansas Water District (Water District) to reserve storage space sufficient to provide 50 million gallons of water per day (MGD) from the Millwood Reservoir. The reservation of storage space ensures that the City will have the contracted quantity of water available when needed. Payments to the Water District of \$639,048 prior to September 30, 1985, have been capitalized as deferred charges and are allocated 55% to Arkansas and 45% to Texas pursuant to an agreement between the two cities. Amortization of the deferred charges, which began in fiscal year ending September 30, 1987, the first full year of operations, was made over the 25 year remaining life of the bonds issued to construct the reservoir facilities.

On May 14, 1986, in anticipation of the start-up of the Millwood Water Treatment Plant, the City of Texarkana, Arkansas entered into an agreement with Southwest Arkansas Water District to take 5 MGD of the 50 MGD reserved in Millwood Reservoir. The contract specifies a monthly payment of \$793 representing principal and interest for the 5 MGD with the final payment being due in 2016. Since 1986, the monthly payments to the water district for water used have included principal and interest on the 5 MGD being taken and interest only on the remaining 45 MGD reserved along with the districts monthly operating costs. Payment was made to the water district for water used from the reservoir totaling \$153,181 for fiscal year 2015. These amounts are included in Water Production costs of the Arkansas Utilities and Texas Utilities based on the contract percentages of 55% and 45%, respectively.

Due to anticipated needs for additional water from Millwood, the City of Texarkana, Arkansas on July 2, 2012, entered into a new contract with the Water District to take an additional 10 MGD. Texarkana, Texas was not a party to this contract, so Texarkana, Arkansas anticipates paying all the costs of this addition unless a revised agreement is reached with Texarkana, Texas in the future. The Corp of Engineers determined the cost of this additional water to be \$539,511, plus interest, payment in 43 monthly payments beginning July 2012 and ending February 2016. Total deferred charges at September 30, 2015 were \$495,676. Amortization of the deferred charges, which began in fiscal year ending September 30, 2012, the year of purchase, was made over 40 years. In the fiscal year 2012 budget a new restricted account, the Millwood Water Rights account, was set up to receive transfers from the Arkansas Revenue account to pay the monthly cost of the additional 10 MGD as well as to accumulate funds to pay the projected principal cost of \$1,888,451 for the remaining 35 MGD in January 2016 with payment pending execution on a corresponding contract between SWAWD and Texarkana. A total of \$760,113 was transferred to the Millwood Water rights account during fiscal year 2015.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2015

#### **Note 10: Mandeville and Union Acquisitions**

Since 1994, the City of Texarkana, Arkansas through its water department, Texarkana Water Utilities, has operated the Mandeville and Union water corporations under terms of operating agreements with the corporations. The non-profit corporations were initially established to provide water to mostly rural customers located east of the city limits of Texarkana, Arkansas. The Mandeville system serves approximately 318 customers and Union serves about 1,800 customers. In the late 1990's, Texarkana, Arkansas annexed areas east of the City that encompassed large portions of both corporation's service areas. In part, because of this, the board of directors for each corporation expressed interest in selling their water systems to the City. During 2004, the City was able to obtain low interest loans from the Arkansas Soil and Water conservation Commission to assist in the acquisition and rehabilitation costs of the two systems. The loans were structured in the form of revenue bonds issued by the City of Texarkana, Arkansas Public Facilities Board (PFB). On February 9, 2004, the PFB issued the City of Texarkana, Arkansas Public Facilities Board Water Facilities Acquisition Revenue Bond, Series 2004A, in the amount of \$2,170,000 to provide funds to pay off the existing balances of the corporations' USDA Rural Development loans and to pay related engineering and issuance costs. For this, the City obtained all the assets and liabilities of the corporations.

On November 10, 2004, the PFB issued the City of Texarkana, Arkansas Public Facilities Board Water Facilities Improvement Revenue Bond, Series 2004B, in the amount of \$3,830,000, to finance the costs of improvements to the recently acquired Mandeville and Union systems and to pay costs of issuance of the bond. The City will continue to utilize the existing water rates used in the respective corporation service areas and will maintain separate accounting funds for each system. The existing rates, which are slightly higher than the City's regular water rates, are necessary to adequately fund the operations and debt service of the respective improved systems.

#### **Note 11: Pension Plans**

Substantially all of the City's employees receive retirement benefits. The City sponsors four single employer defined benefit plans that are reported as pension trust funds. The plan year end for the Texarkana, Arkansas Public Employees Retirement System (TAPERS), and the Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS), is June 30, 2015. The other two single employer defined benefit plans are the Police Relief and Pension Fund (PRPF) and Firemen Relief and Pension Fund (FRPF), which have December 31 year ends. The City also contributes to the Local Police and Fire Retirement System (LOPFI), a statewide cost-sharing multiple-employer defined benefit pension plan and the District Judges' division of Arkansas Public Employees Retirement System (APERS), a statewide cost-sharing multiple-employer public retirement system. Employees of the Enterprise funds (Utilities) participate in the Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The assets of the plans are maintained in legally separate trusts and each plan's assets may be used only for the payment of benefits to the members of that plan or their beneficiaries in accordance with the terms of the plan.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**A. Summary of Significant Accounting Policies**

Basis of Accounting

The City of Texarkana's financial statements for its single employer defined benefit plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. City contributions to each plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Determine Fair Value of Investments

The fair value of investments other than mutual funds is determined using quoted market prices. The fair value of investments in mutual funds is determined using the fund's current per share price.

**B. Membership Information**

Membership of each plan consisted of the following at the plans most recent fiscal year end:

	June 30, 2015		December 31, 2015	
	TAPERS	TWUPERS	FRPF	PRPF
Retirees and beneficiaries				
receiving benefits	28	11	31	46
Active plan members	21	33	-	-
Terminated members	37	19	-	-
Transitioned members	23	-	-	-
Members on Deferred Retirement Option Plan (DROP)	-	-	1	-
Total	109	63	32	46



**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**D. Plan Descriptions and Funding Information**

The City of Texarkana, Arkansas participates in seven defined benefit pension plans; which are comprised of four single-employer defined benefit pension plans, two cost-sharing defined benefit pension plans and one agent-multiple employer defined benefit pension plan, each of which are described and illustrated in detail below. Aggregate amounts for the seven pension plans are as follows:

	<b>TAPERS</b>	<b>TWUPERS</b>	<b>PRPF</b>	<b>FRPF</b>	<b>LOPFI</b>	<b>APERS</b>	<b>TMRS</b>	<b>Total</b>
Net pension asset	\$ -	\$ 1,389,923	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,389,923
Net pension liability	4,849,025	-	10,415,985	493,713	7,256,932	53,836	2,094,715	25,164,206
Deferred outflows of resources	362,930	-	399,296	460,240	153,002	8,837	101,019	1,485,324
Deferred outflows of resources - contributions	43,039	-	-	-	1,262,355	-	275,193	1,580,587
Deferred inflows of resources	122,423	-	-	-	5,606	6,200	266,297	400,526
Pension expense (income)	490,853	(33,319)	(583,240)	(468,320)	1,172,683	6,634	298,329	883,620

**Single-Employer Defined Benefit Pension Plans**

The *Texarkana, Arkansas Public Employees Retirement System (TAPERS)* is a single-employer defined benefit pension plan administered by the Retirement Board of the City. The Retirement Board consists of two or more members appointed by the employer. Members of the Board are not required to be a participant within the plan. All City employees not covered by one of the other City retirement plans are eligible to participate in the TAPERS. The plan funds are held by an independent trustee.

TAPERS provides retirement benefits as well as death and disability benefits. Benefits vest on a graded schedule of 0% after 5 years, 20% after 6 years with an additional 20% added each year after that. Benefits are 100% vested after 10 years. Employees who retire at age 65 are entitled to a benefit of 1.8% of average annual compensation for each year of service. Average compensation is the average at the 5 consecutive years which give the highest result. Employees may retire early at or after age 55 with ten years of service. The benefit is computed as for normal retirement, but for participants who retire prior to age 60 with less than 20 years of vesting service, the benefit is reduced by 1/360<sup>th</sup> for each month preceding normal retirement date. Participants who are 60 years of age and have completed 20 years of vesting service or who are 55 year of age and have completed 30 years of vesting service have no reduction of their accrued benefits. 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.

The plan was closed to employees who are not participants as of July 1, 2012. Participants who were not 100% vested in their retirement benefit as of July 1, 2012 (“Transitioned Participants”) will not receive any additional benefit accruals in the retirement system. These members will continue to earn service for the purposes of vesting and eligibility for early retirement. These Transition Participants will also not be eligible to receive a disability retirement benefit if they become disabled after the effective date of the plan change. Active participants who continue to earn benefit accruals in the retirement system will be required to contribute 2% of pay. The City of

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

Texarkana also increased the employer contributions to the plan from 6% of pay to 10% of covered pay plus provided additional, annual appropriations to further strengthen the benefit security of the plan.

Contributions to the TAPERS are funded by the City of Texarkana, Arkansas. The annual contribution is guided by an annual cost valuation based on the frozen entry age cost method. However, since there is no longer any initial unfunded accrued liability, it is equivalent to the aggregate method. The Annual Required Contribution (ARC) is defined based on the aggregate cost method. Because this method does not identify or separately amortize unfunded actuarial accrued liabilities, information about funded status and funding progress is presented using the entry age actuarial cost method and the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan. Administrative costs are financed from the trust. Employer contributions for the year ended June 30, 2015, were \$112,147.

The asset concentrations of over 5% are as follows:

Goldman Sachs Strategic Income	\$ 231,641
JP Morgan Core Bond Fund 3717 Cl A	277,699
Ishares Russell Midcap Value Index Fund	226,812
Ishares Russell Midcap Growth Index Fund	352,050
Ishares Russell 1000 Growth Index Fund	223,268
Maingate MLP Fund CL I	337,364

The *Policemen’s Relief and Pension Fund (PRPF)* is a single-employer defined benefit pension plan administered by a Board of Trustees, established in accordance with legislation enacted by the Arkansas General Assembly. The Board of Trustees consists of two members of City Management and five members elected by the plan members. The elected members are required to be participants within the plan. Benefit provisions are established by State of Arkansas Act #16, as amended. Policemen’s Fund assets are administered by a Board of Trustees.

The Policemen’s Fund provides retirement benefits for policemen who have completed 20 years of service regardless of age. The benefit is equal to 50% of the member’s final salary, but not less than \$11,040. If service exceeds 20 years, the annual benefit is increased by \$240 for each year over 20, not to exceed \$1,200 per year and if service exceeds 25 years, the member will receive an additional 1.25% for each year over 25 years, however, the total benefit cannot exceed 100% of the member’s final salary. Disability benefits are available to policemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the police department. This benefit is the same as noted above, but for non-duty disability cannot be less than \$11,040 per year and for duty-related disability cannot be less than 65% of the member’s final salary. The PRPF also provides benefits for surviving spouses and dependent children in which widow’s receive the same amount the member is receiving or would be eligible to receive and children receive \$1,500 per year until age 18 (23, if still in school). No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the Deferred Retirement Option Plan (DROP) for up to 10 years. All policemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981. Therefore, the PRPF is effectively closed to new members.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

Contributions to the Policemen’s Fund are set forth in Arkansas statute. The City’s contribution to the Policemen’s Fund consists of a one mill real and personal property tax collection, an insurance premium tax turnback collected by the State Insurance Commissioner, and a percentage of fines and forfeitures collected. Administrative costs are financed by the Policemen’s Fund. Total 2015 contributions to the Policemen’s Fund were \$854,698. The City’s share of contributions was \$824,498 and included \$327,243 in property taxes and \$158,593 in state insurance premium taxes and other supplements received from the state. On behalf payments (state insurance premium taxes and other supplements received from the state) are recognized as revenues and expenditures in the appropriate fund.

The asset concentrations of over 5% are as follows:

Goldman Sachs Strategic Income	\$ 504,219
Ishares Russell Midcap Value Index Fund	257,475
Ishares Russell Midcap Growth Index Fund	268,406
Ishares Russell 2000 Growth Index Fund	343,464

The plan has elected to participate in the Deferred Retirement Option Plan effective December 20, 1993. Members who elect to participate have a DROP account that is increased by the monthly amount of their retirement as if they had retired as of the date DROP was elected. As of December 31, 2015, the balances of these DROP accounts were \$1,433,614.

The ***Firefighter’s Relief and Pension Fund (FRPF)*** is a single-employer defined benefit pension plan administered by a Board of Trustees, established in accordance with legislation enacted by the Arkansas General Assembly. The Board of Trustees consists of two members of City Management and five members elected by the plan members. The elected members are required to be participants within the plan. Benefit provisions are established by State of Arkansas Act #14, as amended. Fund assets are administered by a Board of Trustees.

The FRPF provides retirement benefits for firemen who have completed 20 years of service regardless of age. The benefit is equal to 50% of the member’s final salary, but not less than \$11,040. If service exceeds 20 years, the annual benefit is increased by \$240 for each year over 20, not to exceed \$1,200 per year and if service exceeds 25 years, the member will receive an additional 1.25% for each year over 25 years, however, the total benefit cannot exceed 100% of the member’s final salary. Disability benefits are available to policemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the police department. This benefit is the same as noted above, but for non-duty disability cannot be less than \$11,040 per year and for duty-related disability cannot be less than 65% of the member’s final salary. The PRPF also provides benefits for surviving spouses and dependent children in which widow’s receive the same amount the member is receiving or would be eligible to receive and children receive \$1,500 per year until age 18 (23, if still in school). No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the Deferred Retirement Option Plan (DROP) for up to 10 years. All policemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981. Therefore, the PRPF is effectively closed to new members.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

Contributions to the FRPF are set forth in Arkansas statute. The City's contribution to the FRPF consists of a one mill real and personal property tax collection and an insurance premium tax turnback collected by the State Insurance Commissioner. Administrative costs are financed through Fund assets approved by the Board of Trustees. Total 2015 contributions to the FRPF were \$439,074. The City's share of contributions was \$431,342 and included \$327,243 in property taxes and \$3,900 in state insurance premium taxes and other supplements received from the state. On behalf payments (state insurance premium taxes and other supplements received from the state) are recognized as revenues and expenditures in the appropriate fund.

The asset concentrations of over 5% are as follows:

Blackrock Low Duration Bond Fund	\$ 557,936
Goldman Sachs High Quality Floating	397,847
Goldman Sachs Strategic Income	470,522
Ishares Russell Midcap Value Index Fund	432,558
Ishares Russell Midcap Growth Index Fund	589,667
Ishares Russell 1000 Growth Index Fund	458,105
Ishares Russell 2000 Growth ETF	311,987

The plan has elected to participate in the Deferred Retirement Option Plan effective December 20, 1993. Members who elect to participate have a DROP account that is increased by the monthly amount of their retirement as if they had retired as of the date DROP was elected. As of December 31, 2015, the balances of these DROP accounts were \$639,628.

The *Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)* is a single-employer, defined benefit pension plan established under Arkansas state law. Plan assets are administered by a committee appointed by the Texarkana, Arkansas Board of Directors. The committee consists of two or more members appointed by the employer. Members of the committee are not required to be a participant within the plan. The plan funds are held by an independent trustee.

The TWUPERS Plan 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 (COLA) in this plan. No ad hoc COLA's 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.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

Since the Plan was frozen as of November 15, 2000. There have been no required contributions or contributions made to the plan since 2000.

The asset concentrations of over 5% are as follows:

Ishares S&P 500 Growth ETF	\$ 352,397
MFS Value Fund CL A	324,364
Vanguard Midcap Index Fund	175,563

***Actuarial Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The State of Arkansas Fire and Police Pension Review Board is responsible for the coordination of the actuarial valuations performed on the Police and Firefighters Relief and Pension Funds. Actuarial evaluations are performed biennially and the last evaluation was for the year ended December 31, 2015. Actuarial assumptions used in evaluating the fund include entry age cost method, five year smoothed market for valuing assets, level dollar open amortization method, and amortization period of 5 years for active participants and 5 years for retirees, investment rate of 5%, 4.2% to 8% salary increases, inflation of 3% and the 1983 group annuity mortality table. The mortality assumptions were chosen after an experience study from 2007 to 2012. No projection for mortality improvement has been included as the results of this study did not show significant improvement over the study for 2000 to 2006. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on a closed basis. The amortization period at 2015 was 5 years.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

Information pertaining to the actuarial valuations used for the remaining two single-employer defined benefit pension plans follows:

	<b>TAPERS</b>	<b>TWUPERS</b>
Actuarial valuation date	6/30/2015	6/30/2015
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar open	Not applicable
Remaining amortization period	20 years	Not applicable
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return*	6%	5.5%
Projected salary increases*	3.0%	N/A
*Includes inflation at	2.75%	1.5%
Cost-of-living adjustments	None	None
Mortality table	RP-2000	2015 Funding Target
Experience Study	N/A	N/A

**Net Pension Liability**

The components of the net pension asset or liability of the City were as follows:

<b>Plan</b>	<b>Measurement Date</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Asset (Liability)</b>	<b>Plan Net Position as a % of Total Pension Liability</b>
Texarkana, Arkansas Public Employees Retirement System (TAPERS)	6/30/2015	\$ 8,641,298	\$ 3,792,273	\$ (4,849,025)	43.89%
Police Relief and Pension Fund (PRPF)	12/31/2015	15,565,198	5,149,213	(10,415,985)	33.08%
Firefighter's Relief and Pension Fund (FRPF)	12/31/2015	7,080,359	6,586,646	(493,713)	93.03%
Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)	6/30/2015	1,422,673	2,812,596	1,389,923	197.70%

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

***Long-term Expected Return on Plan Assets***

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. The rates were built on a target allocation for all pension funds, the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The long-term expected rates of return and the associated asset allocation are shown in the tables below:

<b>Long-term Expected Real Rate of Return</b>				
<b>Asset Class</b>	<b>TAPERS</b>	<b>PRPF</b>	<b>FRPF</b>	<b>TWUPERS</b>
Domestic Fixed Income		2.25%	2.25%	
Domestic Equity	6.10%	4.75%	4.75%	5.70%
Foreign Equity	6.60%			5.70%
Fixed Income	1.40%			2.90%
Real Estate (REIT)	4.30%			
Cash	0.00%	0.25%	0.25%	0.30%
<b>Targeted Asset Allocation</b>				
<b>Asset Class</b>	<b>TAPERS</b>	<b>PRPF</b>	<b>FRPF</b>	<b>TWUPERS</b>
Domestic Fixed Income		80.00%	80.00%	
Domestic Equity	48.00%	10.00%	10.00%	35.80%
Foreign Equity	6.00%			11.10%
Fixed Income	39.00%			49.10%
Real Estate (REIT)	2.00%			
Cash	5.00%	10.00%	10.00%	4.00%
Total	100.00%	100.00%	100.00%	100.00%

***Discount Rate***

***Texarkana, Arkansas Public Employees Retirement System (TAPERS)***

In the June 30, 2015 actuarial valuation, a blended discount rate of 4.14% was used to measure the total pension liability. This blended discount rate was based on the expected rate of return on pension plan investments of 6.00% and a municipal bond rate of 3.80% (based on the Bond Buyer 20-year Municipal Bond Index as of June 26, 2015). Based on the stated assumptions and the projection of cash flows, the pension plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the 2026 fiscal year. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2026 fiscal year and the municipal bond rate was applied to all benefit payments after that date.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

***Policemen's Relief and Pension Fund (PRPF)***

In the December 31, 2015 actuarial valuation, A single discount rate of 5.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 5.0%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. 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.

***Firefighter's Relief and Pension Fund (FRPF)***

In the December 31, 2015 actuarial valuation, a single discount rate of 5.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 5.0%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. 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.

***Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)***

In the June 30, 2015 actuarial valuation, a single discount rate of 3.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 3.5%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. 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.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Changes in the Net Pension Liability**

*Texarkana, Arkansas Public Employees Retirement System (TAPERS)*

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at January 1, 2015</b>	\$ 8,470,681	\$ 4,258,413	\$ 4,212,268
<b>Changes for the year:</b>			
Service cost	157,063	-	157,063
Interest	383,918	-	383,918
Differences between expected and actual experience	(303,978)	-	(303,978)
Assumption changes	533,271	-	533,271
Contributions - employer	-	100,142	(100,142)
Contributions - employee	-	18,255	(18,255)
Net investment income	-	74,808	(74,808)
Benefit payments, including refunds of employee contributions	(599,657)	(599,657)	-
Administrative expense	-	(59,688)	59,688
<b>Net changes</b>	<b>170,617</b>	<b>(466,140)</b>	<b>636,757</b>
<b>Balances at December 31, 2015</b>	<b>\$ 8,641,298</b>	<b>\$ 3,792,273</b>	<b>\$ 4,849,025</b>

*Policemen's Relief and Pension Fund (PRPF)*

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at January 1, 2015</b>	\$ 16,704,175	\$ 5,692,335	\$ 11,011,840
<b>Changes for the year:</b>			
Service cost	-	-	-
Interest	878,014	-	878,014
Differences between expected and actual experience	(476,658)	-	(476,658)
Contributions - employer	-	854,698	(854,698)
Contributions - employee	-	-	-
Net investment income	-	(229,837)	229,837
Benefit payments, including refunds of employee contributions	(1,162,333)	(1,162,333)	-
Administrative expense	-	(5,650)	5,650
Benefit Change	(378,000)	-	(378,000)
Other changes	-	-	-
<b>Net changes</b>	<b>(1,138,977)</b>	<b>(543,122)</b>	<b>(595,855)</b>
<b>Balances at December 31, 2015</b>	<b>\$ 15,565,198</b>	<b>\$ 5,149,213</b>	<b>\$ 10,415,985</b>

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

***Firefighter's Relief and Pension Fund (FRPF)***

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at January 1, 2015</b>	\$ 7,882,983	\$ 7,005,535	\$ 877,448
<b>Changes for the year:</b>			
Interest	426,648	-	426,648
Differences between expected and actual experience	(635,022)	-	(635,022)
Contributions - employer	-	431,342	(431,342)
Contributions - employee	-	7,732	(7,732)
Net investment income	-	(258,063)	258,063
Benefit payments, including refunds of employee contributions	(594,250)	(594,250)	-
Administrative expense	-	(5,650)	5,650
Other changes	-	-	-
<b>Net changes</b>	<b>(802,624)</b>	<b>(418,889)</b>	<b>(383,735)</b>
<b>Balances at December 31, 2015</b>	<b>\$ 7,080,359</b>	<b>\$ 6,586,646</b>	<b>\$ 493,713</b>

***Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)***

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension (Asset) (a) - (b)</b>
<b>Balances at January 1, 2015</b>	\$ 1,455,000	\$ 2,811,604	\$ (1,356,604)
<b>Changes for the year:</b>			
Interest	48,440	-	48,440
Differences between expected and actual experience	(17,519)	-	(17,519)
Assumption changes	3,000	-	3,000
Net investment income	-	87,231	(87,231)
Benefit payments, including refunds of employee contributions	(66,248)	(66,248)	-
Administrative expense	-	(19,991)	19,991
<b>Net changes</b>	<b>(32,327)</b>	<b>992</b>	<b>(33,319)</b>
<b>Balances at December 31, 2015</b>	<b>\$ 1,422,673</b>	<b>\$ 2,812,596</b>	<b>\$ (1,389,923)</b>

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following table presents the net pension asset or liability for each plan of the City using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the current rate:

		<b>Sensitivity of the Net Position Liability to the Single Discount Rate Assumption</b>		
		<b>1% Decrease 3.14%</b>	<b>Current Blended Rate Assumption 4.14%</b>	<b>1% Increase 5.14%</b>
<b>TAPERS</b>	Net Pension Liability	\$ 6,067,222	\$ 4,849,025	\$ 3,850,699
		<b>1% Decrease 4.00%</b>	<b>Current Single Rate Assumption 5.00%</b>	<b>1% Increase 6.00%</b>
<b>PRPF</b>	Net Pension Liability	\$ 11,904,067	\$ 10,415,985	\$ 9,150,929
		<b>1% Decrease 4.00%</b>	<b>Current Single Rate Assumption 5.00%</b>	<b>1% Increase 6.00%</b>
<b>FRPF</b>	Net Pension Liability (Asset)	\$ 1,096,894	\$ 493,713	\$ (27,047)
		<b>1% Decrease 2.50%</b>	<b>Current Single Rate Assumption 3.50%</b>	<b>1% Increase 4.50%</b>
<b>TWUPERS</b>	Net Pension Asset	\$ 1,207,923	\$ 1,389,923	\$ 1,541,923

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

***Money-Weighted Rate of Return***

The annual money-weighted rate of return on pension plan investments is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense, adjusted for the changing amounts actually invested. The money-weighted rates of returns are shown in the tables below:

***Texarkana, Arkansas Public Employees Retirement System (TAPERS)***

Fiscal Year Ended June 30,	Annual Return
2014	12.73%
2015	1.36%

***Police Relief and Pension Fund (PRPF)***

Fiscal Year Ended December 31,	Annual Return
2014	3.79%
2015	-4.72%

***Firefighter's Relief and Pension Fund (FRPF)***

Fiscal Year Ended December 31,	Annual Return
2014	4.30%
2015	-3.82%

***Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)***

Fiscal Year Ended June 30,	Annual Return
2014	13.10%
2015	3.15%

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions***

For the year ended December 31, 2015, the City recognized pension income from all single-employer defined benefit pension plans of \$594,026. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to these pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 122,423
Change of assumptions	214,767	-
Net difference between projected and actual earnings on pension plan investments	1,007,699	-
Contributions subsequent to the measurement date	<u>43,039</u>	<u>-</u>
Total	<u>\$ 1,265,505</u>	<u>\$ 122,423</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$43,039 will be recognized as a reduction of the net pension liability for the year ending December 31, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	
2016	\$ 344,268
2017	251,925
2018	251,925
2019	<u>251,925</u>
Total	<u>\$ 1,100,043</u>

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

***Cost Sharing Multiple-Employer Defined Benefit Pension Plans***

The *Arkansas District Judges Retirement System* (ADJRS) provides pension benefits for the City's municipal judges. In accordance with Act 1374 of 2003, the ADJRS was established effective January 1, 2005 and the City's local plan was abolished. A deferred benefit was established for all district judges and court clerks in the local plans that were active on December 31, 2004. These deferred annuities will be eligible for benefits when the eligibility requirements for their previous local plans are met. Act 177 of the 86<sup>th</sup> General Assembly abolished the ADJRS and transferred all powers, duties and plan liabilities to the Arkansas Public Retirement System (APERS) effective July 1, 2007. The APERS plan, which includes the District Judges' division, is a cost-sharing multiple-employer public retirement system. All current members in the former ADJRS system maintain the same benefit package.

APERS issues a stand-alone financial report which may be obtained by writing to 124 West Capitol Avenue, Suite 400, Little Rock, AR 72201. However, the actuarial information specifically for the City is not available because ADJRS only has an actuarial valuation for the system as a whole.

*Benefits provided.* Benefits under APERS are calculated depending on the member's hire date, with retirees separated into two separate categories; the non-contributory plan applies to all persons hired prior to July 1, 2005, while the new contributory plan applies to all employees hired on or after July 1, 2005. Under both plans, a member may retire with full benefits at either the age of 65 with five years of service, or at any age with 28 years of service. The member may retire with reduced benefits at either the age of 55 with five years of service or at any age with 25 years of service. The reduction is equal to one-half of one percent for each month retirement precedes normal retirement age or one-percent for each month below 28 years of actual service, whichever is less. Under the non-contributory plan, the benefit calculation is equal to a factor of 1.72% of the members final average salary multiplied by the years and months of credited service. Under the new contributory plan, the benefit calculation is equal to a factor of 2.00% of the members final average salary multiplied by the years of credited service. Under each plan, an additional .5% of the member's final average salary is awarded for each year of credited service exceeding 28 years. The minimum monthly benefit is \$150, excluding any age and beneficiary option reductions.

Under both the non-contributory and contributory plan, the member's final average salary is the highest 36 calendar months of covered compensation. In addition, a cost-of-living adjustment of 3% annually is included in the current benefits.

*Contributions.* Contributions to APERS are made by both the Member (under the contributory plan) and employers. Member contribution rates are established by the APERS Board of Trustees. The employer contributions are actuarially determined on an annual basis. The current employee contribution rate is 5 percent of covered payroll for each employee under the new contributory plan. The City contributed 14.76% of covered employee's salaries to the plan for the period January 1, 2015 to June 30, 2015 and 14.50% of covered employee's salaries from July 1, 2015 to December 31, 2015. Contributions made to the plan the City for the year ended December 31, 2015, amounted to \$7,686. There were no contributions made by the Member.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2015, the City reported a liability of \$53,836 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period. At December 31, 2015, the City's proportion was .00292311 percent.

For the year ended December 31, 2015, the City recognized pension expense of \$6,634. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 3,529
Change of assumptions	7,945	2,671
Net difference between projected and actual earnings on pension plan investments	892	-
Total	\$ 8,837	\$ 6,200

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

	<b>Year Ending June 30</b>
2016	\$ 127
2017	127
2018	(364)
2019	2,747
Total	\$ 2,637

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Actuarial Assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2012. As a result of the 2012 actuarial experience study, the expectation of life after disability was adjusted in the June 30, 2015 actuarial evaluation to more closely reflect actual experience.

**Long-term Expected Return on Plan Assets**

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 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 current asset allocation percentage and by adding expected price inflation. The long-term expected rates of return are shown in the table below:

<b>Long-term Expected Real Rate of Return</b>		
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Broad Domestic Equity	42%	6.82%
International Equity	25%	6.88%
Real Assets	12%	3.07%
Absolute Return	5%	3.35%
Domestic Fund	16%	0.83%
Total	100%	

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Discount Rate**

In the June 30, 2015 actuarial valuation, a single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. 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.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b>Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption</b>		
	<b>1% Decrease 6.50%</b>	<b>Current Single Rate Assumption 7.50%</b>	<b>1% Increase 8.50%</b>
City's proportionate share of the net pension liability	\$ 88,682	\$ 53,836	\$ 24,857

The **Local Police and Fire Retirement System (LOPFI)** is a statewide cost-sharing multiple-employer defined benefit retirement program that provides retirement, disability, and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly. The authority to establish and amend benefit provisions is set forth in Arkansas state statutes and is vested in the Arkansas Legislature with the concurrence of the Governor. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the Plan. LOPFI issues a publicly available financial report that includes financial statements and required supplementary information of the Plan, which may be obtained by contacting the following:

Arkansas Local Police and Fire Retirement System  
P.O. Drawer 34164  
Little Rock, Arkansas 72203  
501.682.1745

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

*Benefits provided.* LOPFI provides for a retirement benefit paid to the Member on a monthly basis. The monthly benefit is based on a formula provided by law for the Member's lifetime. The Member has several options in calculating the benefit, which is normally the result of these factors: age at retirement, retirement multiplier, amount of credit services (years and months), and final average pay (FAP). Each option available to the member provides for a different calculation based on these factors.

*Contributions.* Contributions to LOPFI are made by both the Member and employers. Member contribution rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis. The current employee contribution rate is 8.5 percent of covered payroll for policemen and firemen. The City contributed 15.13% of covered employee's salaries to the plan for policeman and 19.23% of covered employees' salaries to the plan for firemen for the year ended December 31, 2015. Contributions made to the plan by employees and the City for the year ended December 31, 2015 amounted to \$638,914 and \$1,262,355, respectively.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2015, the City reported a liability of \$7,256,932 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period. At December 31, 2014, the City's proportion was 2.0046 percent.

For the year ended December 31, 2015, the City recognized pension expense of \$1,172,683. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 5,606
Net difference between projected and actual earnings on pension plan investments	153,002	-
Contributions subsequent to the measurement date	1,262,355	-
Total	\$ 1,415,357	\$ 5,606

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,262,355 will be recognized as a reduction of the net pension liability for the year ending December 31, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as:

<b>Year Ending December 31</b>		
2016	\$	36,793
2017		36,793
2018		36,795
2019		37,015
Total	\$	<u>147,396</u>

**Actuarial Assumptions**

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Price inflation	3.0 percent
Wage inflation	4.0 percent
Salary increases	4.5 to 19.0 percent, including inflation
Investment rate of return	8.0 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on scale AA.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 to December 31, 2011. As a result of the 2011 actuarial experience study, the expectation of life after disability was adjusted in the December 31, 2014 actuarial evaluation to more closely reflect actual experience.

**Long-term Expected Return on Plan Assets**

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. The rates were built on a target allocation for all pension funds; the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The long-term expected rates of return are shown in the table below:

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Long-term Expected Real Rate of Return**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Fixed Income	30%	2.97%
International Fixed Income	6%	1.50%
Domestic Equity	33%	5.88%
Foreign Equity	7%	6.25%
Index	11%	6.73%
Alternative Investments	10%	6.13%
Cash	3%	-0.40%
<b>Total</b>	<b>100%</b>	

**Discount Rate**

In the December 31, 2014 actuarial valuation, a single discount rate of 8.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 8.0%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. 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.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	<b>Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption</b>		
	<b>1% Decrease 7.00%</b>	<b>Current Single Rate Assumption 8.00%</b>	<b>1% Increase 9.00%</b>
City's proportionate share of the net pension liability	\$ 12,779,900	\$ 7,256,932	\$ 2,732,287

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

***Agent Multiple-Employer Defined Benefit Plan***

**Plan Description.** The *Texas Municipal Retirement System* (TMRS) provides pension benefits for all of the Utilities' full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the Utilities are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS at P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

**Benefits.** TMRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the Utility, 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 Utility-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 the benefit as a Partial Lump Sum Distribution in the amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

The plan's provisions are adopted by the Texarkana, Texas City Council, within the options available in the state statutes governing TMRS. Plan provisions for the Utility were as follows:

Employee deposit rate	7.00%
Matching ratio (City to employee)	2 to 1
Updated Service Credit:	
Rate	100T
Year effective	1992R
Increased benefits to retirees	
Rate	70%
Year effective	1992R
Military service credit effective date	October 1988
Years required for vesting	5 Years
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Restricted prior service credit effective date	June 1995
Statutory maximum (%)	Removed

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms for the plan as a whole:

Inactive employees or beneficiaries currently receiving benefits	97
Inactive employees entitled to but not yet receiving benefits	33
Active Employees	<u>159</u>
Total	<u><u>289</u></u>

*Contributions.* The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Utility. 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 Utility were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Utility were 17.70% and 16.71% in calendar years 2014 and 2015, respectively. The Utility's contributions to TMRS for the year ended September 30, 2015, were \$408,640, and were equal to the required contributions.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Actuarial Assumptions**

Inflation	3.0% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

**Long-term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

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

<b>Long-term Expected Real Rate of Return</b>		
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
Total	100%	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.0%. 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.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at December 31, 2013</b>	\$ 12,236,710	\$ 9,866,363	\$ 2,370,347
<b>Changes for the year:</b>			
Service cost	341,893	-	341,893
Interest	849,350	-	849,350
Differences between expected and actual experience	(338,578)	-	(338,578)
Contributions - employer	-	408,640	(408,640)
Contributions - employee	-	161,609	(161,609)
Net investment income	-	564,425	(564,425)
Benefit payments, including refunds of employee contributions	(548,171)	(548,171)	-
Administrative expense	-	(5,893)	5,893
Other changes	-	(484)	484
<b>Net changes</b>	<b>304,494</b>	<b>580,126</b>	<b>(275,632)</b>
<b>Balances at December 31, 2014</b>	<b>\$ 12,541,204</b>	<b>\$ 10,446,489</b>	<b>\$ 2,094,715</b>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the net pension liability for the Utility using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the current rate:

	<b>Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption</b>		
	<b>1% Decrease 6.00%</b>	<b>Current Single Rate Assumption 7.00%</b>	<b>1% Increase 8.00%</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Utility's Net Pension Liability	3,897,900	2,094,715	619,862

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2015, the Utility recognized pension expense of \$298,329.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

At September 30, 2015, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 266,297
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	101,019	-
Contributions subsequent to the measurement date	275,193	-
Total	\$ 376,212	\$ 266,297

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$275,193 will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Year Ending September 30</b>
2016	\$ (47,037)
2017	(47,037)
2018	(47,037)
2019	(24,167)
Total	\$ (165,278)

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Note 12: Adoption of GASB 68**

The implementation of GASB Statements No. 68 and 71 (as discussed in *Note 1*) resulted in the restatement of beginning net position for the elimination of previously reported net pension obligations, the recording of the beginning net pension liability/asset, and the beginning deferred outflows/inflows of resources.

	<b>Government-wide Statement of Activities</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Net position at January 1, 2015, as previously reported	\$ 21,036,057	\$ 42,218,577
Reversal of net pension obligation as of January 1, 2015	12,018,996	265,192
Reversal of pension asset as of January 1, 2015	(10,077)	-
Recording of net pension liability as of January 1, 2015	(23,283,459)	(2,370,304)
Recording of net pension asset as of January 1, 2015	-	1,356,604
Recording of beginning deferred inflows/outflows of resources as of January 1, 2015	1,238,582	296,856
Net position at January 1, 2015, as restated	\$ 11,000,099	\$ 41,766,925

The adoption of GASB Statements No. 68 and 71 had the same impact on the proprietary fund financial statements as the business-type activities at the government-wide level.

**Note 13: Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City's plan was amended effective July 15, 1997, to provide that all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

The City has delegated administrative and investment responsibilities to a third party administrator, ICMA Retirement Corporation, and as such, the plan assets do not meet the requirements for inclusion in the City's financial statements as December 31, 2015.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Note 14: Other Postemployment Benefits**

**Governmental Activities**

*Plan Description:* The City of Texarkana sponsors and administers an informal single-employer defined benefit healthcare plan. Arkansas statute provides that any municipal city official or employee vested in any of the City’s retirement plans with 20 years of service and attains 55 years of age may continue to participate in the City’s healthcare plan after retirement. The State of Arkansas has the authority to establish and amend the requirements of this statute. The City does not issue stand-alone financial statements of the plan but all required information is presented in this report.

*Funding Policy:* The contribution requirements of plan members are established by the City and may be amended as needed. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the City’s health insurance plan. Currently, retired employees who retire under age 55 and employees retiring who are under age 55 are eligible to continue medical coverage only with a lifetime maximum benefit of \$250,000 provided they have participated in the Fund for at least five years. Such retired employees and their dependents shall not have benefit of the stop-loss provision or have dental and vision benefits. Retired employees who retired at age 55 and over are eligible to continue medical, dental and vision coverage only. All retired employees shall be entitled to \$5,000 annual reinstatement of benefits. Retired employees may remain covered provided the City remains in the Municipal Health Benefit Fund.

As of December 31, 2015, there are 18 retirees participating in the post-employment health benefit program. Participant contributions totaled \$114,793 in 2015.

*Annual OPEB Cost and Net OPEB Obligation:* The City’s annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 108,331
Interest on net OPEB obligation	8,086
Adjustment to annual required contribution	<u>(9,588)</u>
Annual OPEB Cost	106,829
Total annual contribution	<u>(114,793)</u>
Decrease in net OPEB obligation	(7,964)
Net OPEB obligation - beginning of year	<u>147,019</u>
Net OPEB obligation - end of year	<u><u>\$ 139,055</u></u>

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

The components of the annual required contribution (ARC) calculation reflecting a 30 year amortization period is as follows:

Normal cost	\$ 24,141
Interest	78,542
Amortization cost	5,648
Annual required contribution (ARC)	\$ 108,331

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$ 106,829	107.5%	\$ 139,055
12/31/2014	\$ 124,458	109.1%	\$ 147,019
12/31/2013	\$ 124,908	64.8%	\$ 158,390

*Funded Status and Funding Progress:* As of December 31, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,204,292, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,204,292.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 10.0% initially, reduced by decrements to an ultimate rate of 5.0% after nine years. Both rates include a 5.5 percent inflation assumption. The UAAL is being amortized using a level percent of payroll on an open basis over 30 years.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Proprietary Funds**

In addition to the retirement benefits described in *Note 11*, 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 for non-Civil Service) valued at their 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 two can only be used for healthcare, it is included as another post-employment benefit (OPEB).

*Funding Policy:* The annual required contribution (ARC) is the periodic required contribution to fund the postemployment healthcare benefits of both active and inactive participants.

*Annual OPEB Cost and Net OPEB Obligation:* The TWU's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the TWU's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the TWU's net OPEB obligation:

Normal costs	\$ 65,200
Amortization of UAAL	<u>61,627</u>
Annual required contribution	126,827
Interest on prior year net OPEB obligation	11,636
Annual required contribution adjustment	<u>(16,823)</u>
Annual OPEB cost	121,640
Total annual contribution	<u>(16,061)</u>
Increase in net OPEB obligation	105,579
Net OPEB obligation – beginning of year	<u>288,854</u>
Net OPEB obligation – end of year	<u><u>\$ 394,433</u></u>

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

The TWU's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/15	\$ 121,640	13.20%	\$ 394,433
9/30/14	\$ 78,955	29.38%	\$ 288,854
9/30/13	\$ 77,755	24.02%	\$ 233,103

*Funded Status and Funding Progress:* As of October 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,060,143, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,060,143.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 6.20% initially, reduced by decrements to an ultimate rate of 4.50% after 57 years. Both healthcare cost trend rates include a 4% inflation assumption. The actuarial value of assets was determined using the market value of assets as of the valuation date, if any. The UAAL is being amortized using a level percent of payroll on an open basis over thirty years.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Note 15: Risk Management**

***Insurance Coverage***

The City and its component units have various insurance policies to cover their potential liability risk areas (*i.e.*, automobile, personal property, contents and outside structures and workers' compensation). The type of coverage and the liability limits vary with each entity. Coverage is provided through the Arkansas Public Entities Risk Management Association (APERMA), which is an association of local governments. APERMA provides the City with property coverage. The City shall pay into the program each year a charge established annually by the Risk Management Fund Board for covered City property.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

The city provides statutory workmen's compensation benefits under an insured plan of the Arkansas Municipal League Workers Compensation Trust. Costs of the program are charged to the appropriate fund. Contributions are made by members and the funds are deposited in the Trust account managed by the Arkansas Municipal League and used to pay claims. Depending on the status of the fund at the end of the year, assessments are made or dividends are declared. Unpaid claims reserve represents Arkansas Municipal League's estimation of the amount to be paid for the claims submitted.

There have been no significant reductions in coverage from 2014 to 2015; nor have settlement amounts exceeded insurance coverage for each of the past three years.

**Note 16: Property Taxes**

City property taxes are levied each November on the assessed value listed as of January 1 for all real and personal property located in the City. The property tax is considered due the first Monday in January (the lien date) after the levy; however, the tax is not considered delinquent until October 16 of that year. As a result, the majority of the tax is not collected within the time frame necessary to finance the liabilities of the current period. Property taxes, which remain delinquent for a period of three years, are certified to the land commissioner where a lien is recorded and held on file. If property taxes remain delinquent for a period of seven years, the property will be subsequently sold by the land commissioner. If proceeds from the sale are sufficient to cover all claims, the City will collect on the past due property taxes. Miller County is the collecting agent and remits collections to the City, net of a collection fee, on a monthly basis.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2015

In the governmental funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2015, property taxes receivable and related deferred inflows of resources of \$3,854,256 have been recorded in the governmental funds. In the government-wide statement of net position, property taxes are considered earned at the time levied. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value of the property and applies the statutory rate of 20% to arrive at assessed value.

#### **Note 17: Contingencies**

The City participates in several federal financial assistance programs. The City's grant programs are subject to multiple compliance requirements and are subject to resolution of questioned costs, if any. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

The City is a member of the Arkansas Public Entities Risk Management Association (APERMA). The program shall provide legal defense in civil rights suits against the City government of a participating City and pay judgments imposed on City officials and employees and the City government and city-formed boards and commissions. Coverage is limited to \$350,000 per case with an annual aggregate of \$350,000. The City shall pay into the program each year a charge established annually by the Risk Management Fund Board for this coverage. In the opinion of the City Attorney, the amount of financial exposure to the City as a result of litigation matters handled by the Program is not significant to the City.

In a federal court action, the City sought to compel the City of Texarkana, Texas to arbitrate various issues relating to the operation and management of Texarkana Water Utilities, a jointly-operated partnership between the two cities. The U.S. District Judge has recently rendered a decision in this action denying in part and granting in part the arbitration relief sought by the City. No provision has been made in the financial statements for any adverse outcome that might ultimately result from the potential arbitration, as the amount of loss, if any, is not reasonably estimable.

The City, its agencies, and its employees are defendants in various legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the City for property damage and personal injury, other alleged torts, and alleged violations of state and federal laws. It is not possible to predict with certainty or exactitude the ultimate outcome of all lawsuits pending or threatened against the City. Based on the current status of all of the legal proceedings, it is the opinion of the City Attorney and management that the ultimate outcome will not have a material adverse impact on the City's financial position. However, events could occur in the near term that would cause these estimates to change materially.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2015**

**Note 18: Subsequent Events**

As of January 2016, the Arkansas Water Utility, the Arkansas City manager and Southwest Arkansas Water District are working on a contract for the Arkansas Utility to purchase the remaining available water storage rights in the Millwood Reservoir of 94.8 MGD at an annual cost of \$551,148 for 50 years. In anticipation of this contract being completed and executed in the near future, a City Ordinance was approved in February 2016 to increase water rates 10% in order to generate funds to buy these additional water rights. Accordingly, this rate increase is contingent upon and would be subsequent to the approval of the contract to purchase the 94.8 MGD of water storage rights by the Arkansas Board of Directors. The water rate ordinance approved in February 2016 also increased the water service fee per meter from 25 cents to 30 cents.

The City is currently working on an agreement to transfer the Firemen's Relief and Pension Fund ("FRPF") to the Arkansas local police and fire (LOPFI) retirement system, whereby LOPFI will assume responsibility for the administration of the Plan. The Plan's benefit structure will remain unchanged but will become part of a larger agent-multiple-employer plan. No additional costs are expected in association with this transfer, which is expected to be effective December 1, 2016.

## **Required Supplementary Information**

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**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Defined Benefit Pension Plan**

**Schedule of Changes in the City's Net Pension Liability and Related Ratios -  
PRPF**

Fiscal year ended December 31,	2015	2014
<b>Total Pension Liability</b>		
Service Cost	\$ -	\$ -
Interest	878,014	888,913
Benefit Changes	(378,000)	-
Difference Between Actual & Expected Experience	(476,658)	14,625
Assumption Changes	-	-
Benefit Payments	(1,162,333)	(1,177,920)
Refunds	-	-
	(1,138,977)	(274,382)
<b>Net Change in Total Pension Liability</b>		
<b>Total Pension Liability - Beginning</b>	16,704,175	16,978,557
<b>Total Pension Liability - Ending (a)</b>	\$ 15,565,198	\$ 16,704,175
 <b>Plan Fiduciary Net Position</b>		
Contributions - Employee	\$ -	-
Contributions - Employer	854,698	827,917
Net Investment Income	(229,837)	201,657
Benefit Payments	(1,162,333)	(1,177,920)
Administrative Expense	(5,650)	(4,500)
Reconciliation Adjustment	-	-
	(543,122)	(152,846)
<b>Net Change in Plan Fiduciary Net Position</b>		
<b>Plan Fiduciary Net Position - Beginning</b>	5,692,335	5,845,181
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 5,149,213	\$ 5,692,335
 <b>Net Pension Liability (a) - (b)</b>	\$ 10,415,985	\$ 11,011,840
 <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	33.08%	34.08%
<b>Covered Employee Payroll</b>	\$ -	\$ -
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	N/A	N/A

Note: A full 10 year schedule will be completed as information is available.

**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Defined Benefit Pension Plan**  
**Schedule of Contributions - PRPF**

FY Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2012	\$ 2,823,487	\$ 913,700	\$ 1,909,787	N/A	N/A
2013	2,719,883	859,774	1,860,109	N/A	N/A
2014	2,596,511	827,917	1,768,594	N/A	N/A
2015	2,572,506	854,698	1,717,808	N/A	N/A

**Key Assumptions for ADC:**

Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization	5 Years
Asset Valuation	Market Value
Investment Rate of Return	5.00%
Mortality	1983 Group Annuity Mortality

Note: A full 10 year schedule will be completed as information is available.

**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Defined Benefit Pension Plan**  
**Schedule of Investment Returns - PRPF**

<b>Fiscal Year Ended</b>	
<b>December 31,</b>	<b>Annual Return</b>
<b>2014</b>	3.79%
<b>2015</b>	-4.72%

Note: A full 10 year schedule will be completed as information is available.

**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Defined Benefit Pension Plan**

**Schedule of Changes in the City's Net Pension Liability and Related Ratios -  
FRPF**

Fiscal year ended December 31,	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>		
Service Cost	\$ -	\$ -
Interest	426,648	425,030
Benefit Changes	-	-
Difference Between Actual & Expected Experience	(635,022)	123,866
Assumption Changes	-	-
Benefit Payments	(594,250)	(611,404)
<b>Net Change in Total Pension Liability</b>	(802,624)	(62,508)
<b>Total Pension Liability - Beginning</b>	<u>7,882,983</u>	<u>7,945,491</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 7,080,359</u></u>	<u><u>7,882,983</u></u>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 431,342	\$ 435,704
Contributions - Member	7,732	7,134
Net Investment Income	(258,063)	269,654
Benefit Payments	(594,250)	(611,404)
Administrative Expense	(5,650)	(4,500)
Reconciliation Adjustment	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	(418,889)	96,588
<b>Plan Fiduciary Net Position - Beginning</b>	<u>7,005,535</u>	<u>6,908,947</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 6,586,646</u></u>	<u><u>\$ 7,005,535</u></u>
<b>Net Pension Liability (a) - (b)</b>	<u><u>\$ 493,713</u></u>	<u><u>\$ 877,448</u></u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	93.03%	88.87%
<b>Covered Employee Payroll</b>	\$ -	\$ -
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	N/A	N/A

Note: A full 10 year schedule will be completed as information is available.

**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Defined Benefit Pension Plan**  
**Schedule of Contributions - FRPF**

FY Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
<b>2012</b>	\$ 572,814	\$ 431,559	\$ 141,255	N/A	N/A
<b>2013</b>	481,734	424,585	57,149	N/A	N/A
<b>2014</b>	306,867	435,704	112,591	N/A	N/A
<b>2015</b>	287,464	431,342	(82,641)	N/A	N/A

**Key Assumptions for ADC:**

Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization	5 Years
Asset Valuation	Market Value
Investment Rate of Return	5.00%
Mortality	1983 Group Annuity Mortality

Note: A full 10 year schedule will be completed as information is available.

**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Defined Benefit Pension Plan**  
**Schedule of Investment Returns - FRPF**

<b>Fiscal Year Ended December 31,</b>	<b>Annual Return</b>
<b>2014</b>	4.30%
<b>2015</b>	-3.82%

Note: A full 10 year schedule will be completed as information is available.

**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Defined Benefit Pension Plan**

**Schedule of Changes in the City's Net Pension Liability and Related Ratios -  
TAPERS**

Fiscal year ended June 30,	2015	2014
<b>Total Pension Liability</b>		
Service Cost	\$ 157,063	\$ 146,612
Interest	383,918	437,404
Difference Between Actual & Expected Experience	(303,978)	(680,274)
Assumption Changes	533,271	285,779
Benefit Payments	(599,657)	(1,134,456)
<b>Net Change in Total Pension Liability</b>	170,617	(944,935)
<b>Total Pension Liability - Beginning</b>	8,470,681	9,415,616
<b>Total Pension Liability - Ending (a)</b>	\$ 8,641,298	\$ 8,470,681
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 100,142	\$ 118,862
Contributions - Member	18,255	22,989
Net Investment Income	74,808	577,706
Benefit Payments	(599,657)	(1,134,456)
Administrative Expense	(59,688)	(54,386)
<b>Net Change in Plan Fiduciary Net Position</b>	(466,140)	(469,285)
<b>Plan Fiduciary Net Position - Beginning</b>	4,258,413	4,727,698
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 3,792,273	\$ 4,258,413
<b>Net Pension Liability (a) - (b)</b>	\$ 4,849,025	\$ 4,212,268
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	43.89%	50.27%
<b>Covered Employee Payroll</b>	\$ 823,930	\$ 943,584
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	588.52%	446.41%

Note: Information in this schedule has been determined as of the measurement date.

Note: A full 10 year schedule will be completed as information is available.

**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Defined Benefit Pension Plan**  
**Schedule of Contributions - TAPERS**

FY Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
<b>2014</b>	\$ 382,196	\$ 104,565	\$ 277,631	\$ 1,045,650	10.00%
<b>2015</b>	\$ 383,177	\$ 86,486	\$ 296,691	\$ 864,860	10.00%

**Key Assumptions for ADC:**

Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Amortization Period	20 Years
Asset Valuation	Market Value
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return	6.00%
Cost of Living Increases	None
Mortality	RP-2000 Mortality Table projected to 2025 with Scale AA

Note: Information in this schedule has been determined as of City's most recent year-end.

Note: A full 10 year schedule will be completed as information is available.

**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Defined Benefit Pension Plan**  
**Schedule of Investment Returns - TAPERS**

<b>Fiscal Year Ended June 30,</b>	<b>Annual Return</b>
2014	12.73%
2015	1.36%

Note: A full 10 year schedule will be completed as information is available.

**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Defined Benefit Pension Plan**

**Schedule of Changes in the City's Net Pension Asset and Related Ratios -  
TWUPERS**

Fiscal year ended June 30,	2015	2014
<b>Total Pension Liability</b>		
Interest	\$ 48,440	59,393
Difference Between Actual & Expected Experience	(17,519)	(26,078)
Assumption Changes	3,000	166,000
Benefit Payments	(66,248)	(128,315)
<b>Net Change in Total Pension Liability</b>	(32,327)	71,000
<b>Total Pension Liability - Beginning</b>	1,455,000	1,384,000
<b>Total Pension Liability - Ending (a)</b>	\$ 1,422,673	\$ 1,455,000
<b>Plan Fiduciary Net Position</b>		
Net Investment Income	\$ 87,231	334,568
Benefit Payments	(66,248)	(128,315)
Administrative Expense	(19,991)	(26,642)
<b>Net Change in Plan Fiduciary Net Position</b>	992	179,611
<b>Plan Fiduciary Net Position - Beginning</b>	2,811,604	2,631,993
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 2,812,596	\$ 2,811,604
<b>Net Pension Asset (a) - (b)</b>	\$ (1,389,923)	\$ (1,356,604)
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	197.70%	193.24%
<b>Covered Employee Payroll</b>	N/A	N/A
<b>Net Pension Asset as a Percentage of Covered Employee Payroll</b>	N/A	N/A

Note: Information in this schedule has been determined as of the measurement date.

Note: A full 10 year schedule will be completed as information is available.

**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Defined Benefit Pension Plan**  
**Schedule of Investment Returns - TWUPERS**

<b>Fiscal Year Ended June 30,</b>	<b>Annual Return</b>
<b>2014</b>	13.10%
<b>2015</b>	3.15%

Note: A full 10 year schedule will be completed as information is available.

**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Defined Benefit Pension Plan**

**Schedule of the City's Proportionate Share of the Net Pension Liability - APERS**

<u>City Fiscal year ended December 31,</u>	<u>2015</u>
City's proportion of the net pension liability	0.00292311%
City's proportionate share of the net pension liability	\$ 53,836
City's covered-employee payroll	51,863
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	103.80%
Plan fiduciary net position as a percentage of the total pension liability	80.39%

Note: Information in this schedule has been determined as of the measurement date (June 30 of the year of the most recent fiscal year-end) of the City's net pension liability.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Defined Benefit Pension Plan**  
**Schedule of City Contributions - APERS**

<b>City Fiscal year ended December 31,</b>	<b>2015</b>
Contractually required contribution	\$ 7,686
Contributions in relate to the contractually required contribution	<u>(7,686)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 52,545
Contributions as a percentage of covered-employee payroll	14.63%

Note: Information in this schedule has been determined as of the City's most recent year-end.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Defined Benefit Pension Plan**

**Schedule of the City's Proportionate Share of the Net Pension Liability - LOPFI**

<u>City Fiscal year ended December 31,</u>	<u>2015</u>
City's proportion of the net pension liability	2.00463000%
City's proportionate share of the net pension liability	\$ 7,256,932
City's covered-employee payroll	7,527,269
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	96.41%
Plan fiduciary net position as a percentage of the total pension liability	79.14%

Note: Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Defined Benefit Pension Plan**  
**Schedule of City Contributions - LOPFI**

<b>City Fiscal year ended December 31,</b>	<b>2015</b>
Contractually required contribution	\$ 1,262,355
Contributions in relate to the contractually required contribution	(1,262,355)
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 7,516,626
Contributions as a percentage of covered-employee payroll	16.79%

Note: Information in this schedule has been determined as of the City's most recent year-end.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Defined Benefit Pension Plan**

**Schedule of Changes in the Utility's Net Pension Liability and Related Ratios -  
 TMRS**

<b>Fiscal year ended December 31,</b>	<b>2014</b>
<b>Total Pension Liability</b>	
Service cost	\$ 341,893
Interest	849,350
Difference between actual & expected experience	(338,578)
Benefit payments	(548,171)
<b>Net Change in Total Pension Liability</b>	<u>304,494</u>
<b>Total Pension Liability - Beginning</b>	<u>12,236,710</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 12,541,204</u></u>
 <b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$ 408,640
Contributions - employee	161,609
Net investment income	564,425
Benefit payments	(548,171)
Administrative expense	(5,893)
Other	(484)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>580,126</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>9,866,363</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 10,446,489</u></u>
 <b>Net Pension Liability (a) - (b)</b>	<u><u>\$ 2,094,715</u></u>
 <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	 83.30%
<b>Covered Employee Payroll</b>	\$ 2,308,702
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	90.73%

Note: Information in this schedule has been determined as of the measurement date.

Note: A full 10 year schedule will be completed as information is available.

**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Defined Benefit Pension Plan**  
**Schedule of Contributions - TMRS**

FY Ended September 30,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 252,473	\$ 252,473	\$ -	\$ 1,486,508	16.98%

**Key Assumptions for ADC:**

Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization	21 Years
Asset Valuation	10 Year Smoothed Market, 15% Soft Corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the Utility's plan of benefits. Last updated for the 2010 pursuant to an experience study of the period 2005 - 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Note: Information in this schedule has been determined as of the Utility's most recent year-end.

Note: A full 10 year schedule will be completed as information is available.

**City of Texarkana, Arkansas**  
**Required Supplementary Information**  
**Other Postemployment Benefit Plans**  
**Schedule of Funding Progress**  
**Year Ended December 31, 2015**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<b>Governmental Activities</b>						
12/31/2010	-0-	\$ 1,239,234	\$ 1,239,234	0%	N/A	N/A
12/31/2012	-0-	\$ 1,265,589	\$ 1,265,589	0%	N/A	N/A
12/31/2014	-0-	\$ 1,204,292	\$ 1,204,292	0%	N/A	N/A
<b>Proprietary Funds</b>						
10/1/2013	-0-	\$ 670,583	\$ 670,583	0%	\$ 6,460,314*	10.38%
10/1/2014	-0-	\$ 718,280	\$ 718,280	0%	\$ 6,525,691*	11.01%
10/1/2015	-0-	\$ 1,060,143	\$ 1,060,143	0%	\$ 6,643,748*	15.96%

\*Texarkana Water Utilities combined covered payroll

For the governmental activities, the required contribution was determined as part of the latest actuarial evaluation using the projected unit credit actuarial cost method. The actuarial assumptions used included (a) 4.0% rate of return on investments, (b) an annual healthcare cost trend rate of 10.0% initially reduced by decrements to an ultimate rate of 5.0% after nine years, and (c) mortality rates based on the 1994 Uninsured Pensioners Mortality Table. The unfunded actuarial accrued liability is being amortized using level dollar amount over 30 years on an open basis.

For the proprietary funds, the required contribution was determined as part of the latest actuarial evaluation using the entry age normal actuarial cost method. The actuarial assumptions used included (a) an annual healthcare cost trend rate of 6.20% initially reduced by decrements to an ultimate rate of 4.50% after fifty-seven years, and (b) mortality rates based on the RP-2000 Combined Male/Female Mortality, projected to 2020 using scale AA and (c) salary increases of 4.0%. The unfunded actuarial accrued liability is being amortized using level dollar amount over 30 years on an open basis.

## **Nonmajor Governmental Funds**

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## NONMAJOR GOVERNMENTAL FUNDS

The **Special Revenue Funds** account for resources which are designated by law or contractual agreement for particular functions or activities and are legally required to be accounted for in separate funds. Such resources are derived from specific taxes, federal grant and entitlement monies, and multi-year appropriations.

**Community Development Fund (CDBG)** – Accounts for CDBG and other funds received from the U.S. Department of Housing and Urban Development. These monies are expended to provide housing or housing assistance to qualifying citizens, to improve neighborhood streets and drainage and to operate community health and recreation facilities.

**Police Fund** – This fund is established to account for private donations to the City’s Police Department and is used to purchase materials and supplies.

**Kline Park Monument** – This fund is established to account for private donations to the Kline Park Monument Project and is used to maintain the monument.

**Front Street Project** – This fund is established to account for private donations to the Front Street Project and is used to improve the Front Street area.

**Domestic Violence** - This fund is established to account for the revenues and expenditures of the fines and forfeitures dedicated to domestic violence prevention.

**Bail Bond** – This fund is established to account for the revenues and expenditures related to bail bond fees.

**Library** – This fund is established to account for the revenues and expenditures related to the Texarkana Public Library. Funding is primarily from property taxes and grants.

**Court Automation** – This fund is established to set aside a portion of a service fee charged on installment payment of fines and is to be used to fund future court related technology as part of a statewide project with a goal of connecting all Circuit courts and District courts to an automated court system.

**North Texarkana Redevelopment District** – This fund is established to set aside property tax from the North Texarkana Redevelopment Tax Increment Financing District solely for the purpose of development within that district.

**Public Safety** – This fund is established to set aside a portion of fines and forfeitures to be used solely for the promotion of public safety.

## NONMAJOR GOVERNMENTAL FUNDS

The **Debt Service Funds** are used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**2010 Franchise Fee Revenue** – This fund is used to account for the accumulation of revenues and payment of principal and interest on the 2010 Franchise Fee Secured Capital Improvement Revenue Bonds. Funding is primarily from franchise fees charged to public utilities for the privilege of using the City's streets and rights-of-way.

**2012 Franchise Fee Refunding Revenue** – This fund is used to account for the accumulation of revenues and payment of principal and interest on the 2012 Franchise Fee Refunding Revenue Bonds. Funding is primarily from franchise fees charged to public utilities for the privilege of using the City's streets and rights-of-way.

**2012 Capital Improvement and Refunding Limited Tax General Obligation Bonds** – This fund is used to account for the accumulation of revenues and payment of principal and interest on the 2012 Capital Improvement and Refunding Limited Tax General Obligation Bonds. Funding is primarily from property taxes and interest earned from investments.

**2015 Franchise Fee Refunding Revenue** – This fund is used to account for the accumulation of revenues and payment of principal and interest on the 2015 Franchise Fee Refunding Revenue Bonds. Funding is primarily from franchise fees charged to public utilities for the privilege of using the City's streets and rights-of-way.

The **Capital Projects Funds** account for the acquisition or construction of major capital assets from the proceeds from general obligation bond issues and other financing sources.

**Capital Improvement Fund** – This fund is used to account for the purchase of capital assets, including infrastructure acquisitions and construction from general government resources and intergovernmental grants.

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**City of Texarkana, Arkansas**  
**Combining Balance Sheet**  
**Governmental Funds – Nonmajor**  
**December 31, 2015**

	Special Revenue				
	Community Development Block Grant	Police Fund	Kline Park Monument	Front Street Project	Domestic Violence
<b>Assets</b>					
Cash	\$ 77,716	\$ 8,803	\$ 881	\$ 21,576	\$ 877
Investments	-	-	-	-	-
Receivables (net of allowance)					
Property taxes	-	-	-	-	-
Other government agencies	5,056	-	-	-	-
Other	60	-	-	-	-
Due from other funds	3,591	250	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 86,423</u>	<u>\$ 9,053</u>	<u>\$ 881</u>	<u>\$ 21,576</u>	<u>\$ 877</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,658	\$ -	\$ 35	\$ 56	\$ -
Accrued liabilities	1,092	-	-	-	-
Due to other funds	71,325	-	-	-	-
Total liabilities	<u>74,075</u>	<u>-</u>	<u>35</u>	<u>56</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue-property taxes	-	-	-	-	-
Unavailable revenue-grants	3,553	-	-	-	-
Total deferred inflows of resources	<u>3,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>					
Nonspendable					
Prepaid items	-	-	-	-	-
Restricted					
General administration	-	-	846	-	-
Police department	-	9,053	-	-	877
Fire department	-	-	-	-	-
Public works	8,795	-	-	-	-
Debt Service	-	-	-	-	-
Culture and recreation	-	-	-	21,520	-
Assigned					
Police department	-	-	-	-	-
Public works	-	-	-	-	-
Total fund balances	<u>8,795</u>	<u>9,053</u>	<u>846</u>	<u>21,520</u>	<u>877</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 86,423</u>	<u>\$ 9,053</u>	<u>\$ 881</u>	<u>\$ 21,576</u>	<u>\$ 877</u>

<b>Special Revenue</b>					
<b>Bail Bond</b>	<b>Library</b>	<b>Court Automation</b>	<b>North Texarkana Redevelopment District</b>	<b>Public Safety</b>	<b>Total</b>
\$ 1,685	\$ 22,552	\$ 76,361	\$ 182,245	\$ 3,377	\$ 396,073
-	-	-	-	-	-
-	398,754	-	110,864	-	509,618
-	-	-	-	-	5,056
340	-	-	-	-	400
-	-	-	-	-	3,841
-	-	6,416	-	-	6,416
<u>\$ 2,025</u>	<u>\$ 421,306</u>	<u>\$ 82,777</u>	<u>\$ 293,109</u>	<u>\$ 3,377</u>	<u>\$ 921,404</u>
\$ -	\$ 34	\$ 607	\$ -	\$ -	\$ 2,390
-	-	-	-	-	1,092
-	-	-	-	-	71,325
<u>-</u>	<u>34</u>	<u>607</u>	<u>-</u>	<u>-</u>	<u>74,807</u>
-	350,928	-	76,492	-	427,420
-	-	-	-	-	3,553
<u>-</u>	<u>350,928</u>	<u>-</u>	<u>76,492</u>	<u>-</u>	<u>430,973</u>
-	-	6,416	-	-	6,416
-	-	75,754	-	-	76,600
2,025	-	-	-	3,377	15,332
-	-	-	-	-	-
-	-	-	216,617	-	225,412
-	-	-	-	-	-
-	70,344	-	-	-	91,864
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,025</u>	<u>70,344</u>	<u>82,170</u>	<u>216,617</u>	<u>3,377</u>	<u>415,624</u>
<u>\$ 2,025</u>	<u>\$ 421,306</u>	<u>\$ 82,777</u>	<u>\$ 293,109</u>	<u>\$ 3,377</u>	<u>\$ 921,404</u>

**City of Texarkana, Arkansas**  
**Combining Balance Sheet**  
**Governmental Funds – Nonmajor (Continued)**  
**December 31, 2015**

	Debt Service				Total
	2010 Franchise Fee Revenue	2012 Franchise Fee Refunding Revenue	2012 Cap Imp & Refunding Limited Tax GO Bonds	2015 Franchise Fee Refunding Revenue	
<b>Assets</b>					
Cash	\$ -	\$ 517,245	\$ -	250,090	\$ 767,335
Investments	-	-	847,376	-	847,376
Receivables (net of allowance)					
Property taxes	-	-	996,888	-	996,888
Other government agencies	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid items	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ 517,245</u>	<u>\$ 1,844,264</u>	<u>\$ 250,090</u>	<u>\$ 2,611,599</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue-property taxes	-	-	877,322	-	877,322
Unavailable revenues-grants	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>877,322</u>	<u>-</u>	<u>877,322</u>
<b>Fund Balances</b>					
Nonspendable					
Prepaid items	-	-	-	-	-
Restricted					
General administration	-	-	-	-	-
Police department	-	-	-	-	-
Fire department	-	-	-	-	-
Public works	-	-	-	-	-
Debt service	-	517,245	966,942	250,090	1,734,277
Culture and recreation	-	-	-	-	-
Assigned					
Police department	-	-	-	-	-
Public works	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>517,245</u>	<u>966,942</u>	<u>250,090</u>	<u>1,734,277</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 517,245</u>	<u>\$ 1,844,264</u>	<u>\$ 250,090</u>	<u>\$ 2,611,599</u>

<b>Capital Projects Funds</b>			
<b>Capital Improvement Fund</b>	<b>Total</b>	<b>Total Nonmajor Governmental Funds</b>	
\$ 849,302	\$ 849,302	\$ 2,012,710	
-	-	847,376	
-	-	1,506,506	
86,368	86,368	91,424	
5,728	5,728	6,128	
4,201	4,201	8,042	
-	-	6,416	
<u>\$ 945,599</u>	<u>\$ 945,599</u>	<u>\$ 4,478,602</u>	
\$ 56,300	\$ 56,300	\$ 58,690	
-	-	1,092	
123,863	123,863	195,188	
<u>180,163</u>	<u>180,163</u>	<u>254,970</u>	
-	-	1,304,742	
135	135	3,688	
<u>135</u>	<u>135</u>	<u>1,308,430</u>	
-	-	6,416	
-	-	76,600	
-	-	15,332	
29,607	29,607	29,607	
-	-	225,412	
-	-	1,734,277	
-	-	91,864	
321,472	321,472	321,472	
414,222	414,222	414,222	
<u>765,301</u>	<u>765,301</u>	<u>2,915,202</u>	
<u>\$ 945,599</u>	<u>\$ 945,599</u>	<u>\$ 4,478,602</u>	

**City of Texarkana, Arkansas**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds – Nonmajor**  
**Year Ended December 31, 2015**

	<b>Special Revenue</b>				
	<b>Community Development Block Grant</b>	<b>Police Fund</b>	<b>Kline Park Monument</b>	<b>Front Street Project</b>	<b>Domestic Violence</b>
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Fines, forfeitures and penalties	-	-	-	-	1,765
Grants and entitlements	240,447	4,763	-	-	-
Intergovernmental	-	-	-	-	-
Investment income	-	-	2	-	-
Miscellaneous	733	9,435	-	11,274	-
Total revenues	<u>241,180</u>	<u>14,198</u>	<u>2</u>	<u>11,274</u>	<u>1,765</u>
<b>Expenditures</b>					
Current					
General government	43,480	-	-	-	-
Other public safety	-	3,997	-	-	1,700
Public works	38,537	-	-	-	-
Public services	37,511	-	-	-	-
Cultural and recreation	-	-	425	25,061	-
Capital outlay	123,511	-	-	-	-
Total expenditures	<u>243,039</u>	<u>3,997</u>	<u>425</u>	<u>25,061</u>	<u>1,700</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(1,859)</u>	<u>10,201</u>	<u>(423)</u>	<u>(13,787)</u>	<u>65</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	(7,950)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(7,950)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(1,859)	2,251	(423)	(13,787)	65
<b>Fund Balances, Beginning of Year</b>	<u>10,654</u>	<u>6,802</u>	<u>1,269</u>	<u>35,307</u>	<u>812</u>
<b>Fund Balances, End of Year</b>	<u>\$ 8,795</u>	<u>\$ 9,053</u>	<u>\$ 846</u>	<u>\$ 21,520</u>	<u>\$ 877</u>

**Special Revenue**

<b>Bail Bond</b>	<b>Library</b>	<b>Court Automation</b>	<b>North Texarkana Redevelopment District</b>	<b>Public Safety</b>	<b>Total</b>
\$ -	\$ 336,219	\$ -	\$ 133,199	\$ -	\$ 469,418
6,334	-	26,967	-	337	35,403
-	71,800	-	-	-	317,010
-	-	-	-	-	-
-	63	32	10	-	107
-	-	-	-	-	21,442
<u>6,334</u>	<u>408,082</u>	<u>26,999</u>	<u>133,209</u>	<u>337</u>	<u>843,380</u>
-	-	23,347	-	-	66,827
-	-	-	-	-	5,697
-	-	-	4,948	-	43,485
-	-	-	-	-	37,511
-	378,261	-	-	-	403,747
-	-	-	24,500	-	148,011
-	<u>378,261</u>	<u>23,347</u>	<u>29,448</u>	-	<u>705,278</u>
<u>6,334</u>	<u>29,821</u>	<u>3,652</u>	<u>103,761</u>	<u>337</u>	<u>138,102</u>
-	5,000	-	-	-	5,000
<u>(5,500)</u>	-	-	-	-	<u>(13,450)</u>
<u>(5,500)</u>	5,000	-	-	-	<u>(8,450)</u>
834	34,821	3,652	103,761	337	129,652
<u>1,191</u>	<u>35,523</u>	<u>78,518</u>	<u>112,856</u>	<u>3,040</u>	<u>285,972</u>
<u>\$ 2,025</u>	<u>\$ 70,344</u>	<u>\$ 82,170</u>	<u>\$ 216,617</u>	<u>\$ 3,377</u>	<u>\$ 415,624</u>

**City of Texarkana, Arkansas**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds – Nonmajor (Continued)**  
**Year Ended December 31, 2015**

	Debt Service				Total
	2010 Franchise Fee Revenue	2012 Franchise Fee Refunding Revenue	2012 Cap Imp & Refunding Limited Tax GO Bonds	2015 Franchise Fee Refunding Revenue	
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ 840,547	\$ -	\$ 840,547
Fines, forfeitures and penalties	-	-	-	-	-
Grants and entitlements	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment income	684	214	175	8,379	9,452
Miscellaneous	-	-	-	-	-
Total revenues	<u>684</u>	<u>214</u>	<u>840,722</u>	<u>8,379</u>	<u>849,999</u>
<b>Expenditures</b>					
<b>Current</b>					
General government	-	-	-	-	-
Other public safety	-	-	-	-	-
Public works	-	-	-	-	-
Public services	-	-	-	-	-
Cultural and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Debt service</b>					
Principal retirement	3,775,000	280,000	435,000	-	4,490,000
Interest and fiscal charges	157,296	337,903	362,476	-	857,675
Bond issuance costs	-	-	-	75,684	75,684
Total expenditures	<u>3,932,296</u>	<u>617,903</u>	<u>797,476</u>	<u>75,684</u>	<u>5,423,359</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(3,931,612)</u>	<u>(617,689)</u>	<u>43,246</u>	<u>(67,305)</u>	<u>(4,573,360)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	3,704,276	617,567	-	119,197	4,441,040
Transfers out	(20,690)	-	-	(3,530,938)	(3,551,628)
Refunding bonds issued	-	-	-	3,770,000	3,770,000
Discount on refunding bonds issued	-	-	-	(40,864)	(40,864)
Total other financing sources (uses)	<u>3,683,586</u>	<u>617,567</u>	<u>-</u>	<u>317,395</u>	<u>4,618,548</u>
<b>Net Change in Fund Balances</b>	(248,026)	(122)	43,246	250,090	45,188
<b>Fund Balances, Beginning of Year</b>	<u>248,026</u>	<u>517,367</u>	<u>923,696</u>	<u>-</u>	<u>1,689,089</u>
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ 517,245</u>	<u>\$ 966,942</u>	<u>\$ 250,090</u>	<u>\$ 1,734,277</u>

**Capital Projects Funds**

<b>Capital Improvement Fund</b>	<b>Total</b>	<b>Total Nonmajor Governmental Fund</b>
\$ -	\$ -	\$ 1,309,965
-	-	35,403
884,691	884,691	1,201,701
68,862	68,862	68,862
736	736	10,295
15,544	15,544	36,986
<u>969,833</u>	<u>969,833</u>	<u>2,663,212</u>
159,991	159,991	226,818
-	-	5,697
-	-	43,485
-	-	37,511
-	-	403,747
206,758	206,758	354,769
-	-	4,490,000
-	-	857,675
-	-	75,684
<u>366,749</u>	<u>366,749</u>	<u>6,495,386</u>
<u>603,084</u>	<u>603,084</u>	<u>(3,832,174)</u>
-	-	4,446,040
(614,393)	(614,393)	(4,179,471)
-	-	3,770,000
-	-	(40,864)
<u>(614,393)</u>	<u>(614,393)</u>	<u>3,995,705</u>
(11,309)	(11,309)	163,531
<u>776,610</u>	<u>776,610</u>	<u>2,751,671</u>
<u>\$ 765,301</u>	<u>\$ 765,301</u>	<u>\$ 2,915,202</u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Community Development Block Grant Fund**  
**Year Ended December 31, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Grants and entitlements	\$ 295,254	\$ 283,227	\$ 240,447	\$ (42,780)
Miscellaneous	-	673	733	60
Total revenues	<u>295,254</u>	<u>283,900</u>	<u>241,180</u>	<u>(42,720)</u>
<b>Expenditures</b>				
Current:				
General government	40,000	42,000	43,480	(1,480)
Public works	183,189	230,900	38,537	192,363
Public services	72,066	11,000	37,511	(26,511)
Capital outlay	-	-	123,511	(123,511)
Total expenditures	<u>295,255</u>	<u>283,900</u>	<u>243,039</u>	<u>40,861</u>
<b>Net Change in Fund Balances</b>	(1)	-	(1,859)	(1,859)
<b>Fund Balances, Beginning of Year</b>	<u>10,654</u>	<u>10,654</u>	<u>10,654</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 10,653</u></u>	<u><u>\$ 10,654</u></u>	<u><u>\$ 8,795</u></u>	<u><u>\$ (1,859)</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Police Fund**  
**Year Ended December 31, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Grants and entitlements	\$ 4,775	\$ 2,765	\$ 4,763	\$ 1,998
Miscellaneous	9,800	8,900	9,435	535
<b>Total revenues</b>	<b>14,575</b>	<b>11,665</b>	<b>14,198</b>	<b>2,533</b>
<b>Expenditures</b>				
Current:				
Other public safety	11,291	3,765	3,997	(232)
<b>Total expenditures</b>	<b>11,291</b>	<b>3,765</b>	<b>3,997</b>	<b>(232)</b>
<b>Excess of Revenues Over Expenditures</b>	<b>3,284</b>	<b>7,900</b>	<b>10,201</b>	<b>2,301</b>
<b>Other Financing Uses</b>				
Transfers out	(8,200)	(8,200)	(7,950)	250
<b>Total other financing uses</b>	<b>(8,200)</b>	<b>(8,200)</b>	<b>(7,950)</b>	<b>250</b>
<b>Net Change in Fund Balances</b>	<b>(4,916)</b>	<b>(300)</b>	<b>2,251</b>	<b>2,551</b>
<b>Fund Balances, Beginning of Year</b>	<b>6,802</b>	<b>6,802</b>	<b>6,802</b>	<b>-</b>
<b>Fund Balances, End of Year</b>	<b>\$ 1,886</b>	<b>\$ 6,502</b>	<b>\$ 9,053</b>	<b>\$ 2,551</b>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Kline Park Monument Fund**  
**Year Ended December 31, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Investment income	\$ -	\$ 1	\$ 2	\$ 1
Total revenues	<u>-</u>	<u>1</u>	<u>2</u>	<u>1</u>
<b>Expenditures</b>				
Current:				
Cultural and recreation	<u>440</u>	<u>440</u>	<u>425</u>	<u>15</u>
Total expenditures	<u>440</u>	<u>440</u>	<u>425</u>	<u>15</u>
<b>Net Change in Fund Balances</b>	(440)	(439)	(423)	16
<b>Fund Balances, Beginning of Year</b>	<u>1,269</u>	<u>1,269</u>	<u>1,269</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 829</u>	<u>\$ 830</u>	<u>\$ 846</u>	<u>\$ 16</u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Domestic Violence Fund**  
**Year Ended December 31, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Fines, forfeitures and penalties	\$ 1,700	\$ 1,700	\$ 1,765	\$ 65
Total revenues	<u>1,700</u>	<u>1,700</u>	<u>1,765</u>	<u>65</u>
<b>Expenditures</b>				
Current:				
Other public safety	<u>1,700</u>	<u>1,700</u>	<u>1,700</u>	<u>-</u>
Total expenditures	<u>1,700</u>	<u>1,700</u>	<u>1,700</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	-	-	65	65
<b>Fund Balances, Beginning of Year</b>	<u>812</u>	<u>812</u>	<u>812</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 812</u></u>	<u><u>\$ 812</u></u>	<u><u>\$ 877</u></u>	<u><u>\$ 65</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Front Street Project Fund**  
**Year Ended December 31, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Miscellaneous	\$ 20,000	\$ 11,669	\$ 11,274	\$ (395)
Total revenues	<u>20,000</u>	<u>11,669</u>	<u>11,274</u>	<u>(395)</u>
<b>Expenditures</b>				
Current:				
Cultural and recreation	<u>32,800</u>	<u>31,679</u>	<u>25,061</u>	<u>6,618</u>
Total expenditures	<u>32,800</u>	<u>31,679</u>	<u>25,061</u>	<u>6,618</u>
<b>Net Change in Fund Balances</b>	(12,800)	(20,010)	(13,787)	6,223
<b>Fund Balances, Beginning of Year</b>	<u>35,307</u>	<u>35,307</u>	<u>35,307</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 22,507</u></u>	<u><u>\$ 15,297</u></u>	<u><u>\$ 21,520</u></u>	<u><u>\$ 6,223</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Bail Bond Fund**  
**Year Ended December 31, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Fines, forfeitures and penalties	\$ 5,500	\$ 5,900	\$ 6,334	\$ 434
Total revenues	<u>5,500</u>	<u>5,900</u>	<u>6,334</u>	<u>434</u>
<b>Excess of Revenues Over Expenditures</b>	<u>5,500</u>	<u>5,900</u>	<u>6,334</u>	<u>434</u>
<b>Other Financing Uses</b>				
Transfers out	<u>(5,500)</u>	<u>(5,500)</u>	<u>(5,500)</u>	<u>-</u>
Total other financing uses	<u>(5,500)</u>	<u>(5,500)</u>	<u>(5,500)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	-	400	834	434
<b>Fund Balances, Beginning of Year</b>	<u>1,191</u>	<u>1,191</u>	<u>1,191</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 1,191</u></u>	<u><u>\$ 1,591</u></u>	<u><u>\$ 2,025</u></u>	<u><u>\$ 434</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Court Automation Fund**  
**Year Ended December 31, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Fines, forfeitures and penalties	\$ 25,000	\$ 27,000	\$ 26,967	\$ (33)
Investment income	25	30	32	2
Total revenues	<u>25,025</u>	<u>27,030</u>	<u>26,999</u>	<u>(31)</u>
<b>Expenditures</b>				
Current:				
General government	<u>25,700</u>	<u>26,800</u>	<u>23,347</u>	<u>3,453</u>
Total expenditures	<u>25,700</u>	<u>26,800</u>	<u>23,347</u>	<u>3,453</u>
<b>Net Change in Fund Balances</b>	(675)	230	3,652	3,422
<b>Fund Balances, Beginning of Year</b>	<u>78,518</u>	<u>78,518</u>	<u>78,518</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 77,843</u></u>	<u><u>\$ 78,748</u></u>	<u><u>\$ 82,170</u></u>	<u><u>\$ 3,422</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**North Texarkana Redevelopment District**  
**Year Ended December 31, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 50,000	\$ 50,000	\$ 133,199	\$ 83,199
Investment income	-	2	10	8
Total revenues	<u>50,000</u>	<u>50,002</u>	<u>133,209</u>	<u>83,207</u>
<b>Expenditures</b>				
Current:				
Public works	-	6,250	4,948	1,302
Capital outlay	113,681	107,431	24,500	82,931
Total expenditures	<u>113,681</u>	<u>113,681</u>	<u>29,448</u>	<u>84,233</u>
<b>Net Change in Fund Balances</b>	(63,681)	(63,679)	103,761	167,440
<b>Fund Balances, Beginning of Year</b>	<u>112,856</u>	<u>112,856</u>	<u>112,856</u>	-
<b>Fund Balances, End of Year</b>	<u><u>\$ 49,175</u></u>	<u><u>\$ 49,177</u></u>	<u><u>\$ 216,617</u></u>	<u><u>\$ 167,440</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Library Fund**  
**Year Ended December 31, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Property taxes	\$ 301,500	\$ 306,000	\$ 336,219	\$ 30,219
Grants and entitlements	79,000	73,000	71,800	(1,200)
Investment income	50	10	63	53
	<u>380,550</u>	<u>379,010</u>	<u>408,082</u>	<u>29,072</u>
<b>Total revenues</b>				
	<u>380,550</u>	<u>379,010</u>	<u>408,082</u>	<u>29,072</u>
<b>Expenditures</b>				
Current:				
Cultural and recreation	385,550	384,010	378,261	5,749
	<u>385,550</u>	<u>384,010</u>	<u>378,261</u>	<u>5,749</u>
<b>Total expenditures</b>				
	<u>385,550</u>	<u>384,010</u>	<u>378,261</u>	<u>5,749</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(5,000)</u>	<u>(5,000)</u>	<u>29,821</u>	<u>34,821</u>
<b>Other Financing Sources</b>				
Transfers in	5,000	5,000	5,000	-
	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
<b>Total other financing sources</b>				
	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	-	-	34,821	34,821
<b>Fund Balances, Beginning of Year</b>	<u>35,523</u>	<u>35,523</u>	<u>35,523</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 35,523</u>	<u>\$ 35,523</u>	<u>\$ 70,344</u>	<u>\$ 34,821</u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Public Safety Fund**  
**Year Ended December 31, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Fines, forfeitures and penalties	\$ 300	\$ 250	\$ 337	\$ 87
Total revenues	<u>300</u>	<u>250</u>	<u>337</u>	<u>87</u>
<b>Expenditures</b>				
Current:				
Other public safety	3,380	1,000	-	1,000
Total expenditures	<u>3,380</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
<b>Net Change in Fund Balances</b>	(3,080)	(750)	337	1,087
<b>Fund Balances, Beginning of Year</b>	<u>3,040</u>	<u>3,040</u>	<u>3,040</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ (40)</u></u>	<u><u>\$ 2,290</u></u>	<u><u>\$ 3,377</u></u>	<u><u>\$ 1,087</u></u>

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## **Fiduciary Funds**

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## **FIDUCIARY FUNDS**

### **TRUST FUNDS**

**Trust Funds** account for assets held in the City Employee Retirement System, Water Utilities Employee Retirement System, the Firemen's Relief and Pension Fund, and the Policemen's Relief and Pension Fund. Fund trustees must act in accordance with the specific purposes and terms of these retirement plans.

### **AGENCY FUNDS**

The **Agency Funds** account for monies collected and held by the courts until they are disbursed to various governmental agencies and include the police bond, drug seizure and operations cash out funds.

**City of Texarkana, Arkansas**  
**Combining Statement of Fiduciary Net Position**  
**Pension Trust Funds**  
**December 31, 2015**

	June 30, 2015		December 31, 2015		Total
	City Employee Retirement System	Water Utilities Employee Retirement System	Firemen's Relief and Pension	Policemen's Relief and Pension	
<b>Assets</b>					
Cash and cash equivalents	\$ 142,658	\$ 103,574	\$ 272,440	\$ 304,335	\$ 823,007
Investments					
Equities	2,300,644	1,320,175	3,305,396	2,613,039	9,539,254
U. S. government obligations	62,655	607,203	-	-	669,858
Corporate bonds and notes	112,185	571,108	-	-	683,293
Mutual funds and other investments	1,179,240	203,114	2,608,685	1,809,611	5,800,650
Interest receivable	1,444	8,750	10,518	10,469	31,181
Due from other funds	-	-	398,744	418,744	817,488
Total assets	3,798,826	2,813,924	6,595,783	5,156,198	18,364,731
<b>Liabilities</b>					
Accounts payable	6,553	1,328	9,137	6,985	24,003
Total liabilities	6,553	1,328	9,137	6,985	24,003
<b>Net Position</b>					
Net position restricted for pensions	\$ 3,792,273	\$ 2,812,596	\$ 6,586,646	\$ 5,149,213	\$ 18,340,728

**City of Texarkana, Arkansas**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension Trust Funds**  
**Year Ended December 31, 2015**

	June 30, 2015		December 31, 2015		Total
	City Employee Retirement System	Water Utilities Employee Retirement System	Firemen's Relief and Pension	Policemen's Relief and Pension	
<b>Additions</b>					
Contributions					
Employer	\$ 91,277	\$ -	\$ 394,544	\$ 539,851	\$ 1,025,672
Employee	18,255	-	7,732	-	25,987
Intergovernmental	-	-	5,200	283,277	288,477
Other	2,615	-	31,598	31,570	65,783
Total contributions	<u>112,147</u>	<u>-</u>	<u>439,074</u>	<u>854,698</u>	<u>1,405,919</u>
Investment income					
Net decrease in fair value of investments	(23,581)	(6,519)	(350,083)	(311,076)	(691,259)
Interest and dividends	98,389	93,750	134,850	117,255	444,244
	<u>74,808</u>	<u>87,231</u>	<u>(215,233)</u>	<u>(193,821)</u>	<u>(247,015)</u>
Less investment expense	-	-	42,830	36,016	78,846
Net investment income (loss)	<u>74,808</u>	<u>87,231</u>	<u>(258,063)</u>	<u>(229,837)</u>	<u>(325,861)</u>
Total additions	<u>186,955</u>	<u>87,231</u>	<u>181,011</u>	<u>624,861</u>	<u>1,080,058</u>
<b>Deductions</b>					
Benefits paid directly to participants	599,657	66,248	594,250	1,162,333	2,422,488
Administrative expenses	59,688	19,991	5,650	5,650	90,979
Total deductions	<u>659,345</u>	<u>86,239</u>	<u>599,900</u>	<u>1,167,983</u>	<u>2,513,467</u>
<b>Transfers In</b>	<u>6,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,250</u>
<b>Net Increase (Decrease) in Net Position</b>	(466,140)	992	(418,889)	(543,122)	(1,427,159)
<b>Net Position Restricted for Pensions, Beginning of Year</b>	<u>4,258,413</u>	<u>2,811,604</u>	<u>7,005,535</u>	<u>5,692,335</u>	<u>19,767,887</u>
<b>Net Position Restricted for Pensions, End of Year</b>	<u>\$ 3,792,273</u>	<u>\$ 2,812,596</u>	<u>\$ 6,586,646</u>	<u>\$ 5,149,213</u>	<u>\$ 18,340,728</u>

**City of Texarkana, Arkansas**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**Year Ended December 31, 2015**

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
<b>Police Bond Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 146,289	\$ 1,045,088	\$ 1,038,004	\$ 153,373
Interest receivable	3,556	-	-	3,556
Due from other governments	-	37,637	37,637	-
Total assets	<u>149,845</u>	<u>1,082,725</u>	<u>1,075,641</u>	<u>156,929</u>
<b>Liabilities</b>				
Escrow deposits	<u>149,845</u>	<u>2,685,558</u>	<u>2,678,474</u>	<u>156,929</u>
Total liabilities	<u>149,845</u>	<u>2,685,558</u>	<u>2,678,474</u>	<u>156,929</u>
Net position	<u>\$ -</u>	<u>\$ (1,602,833)</u>	<u>\$ (1,602,833)</u>	<u>\$ -</u>
<b>Drug Seizure Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 40,648	\$ 18	\$ -	\$ 40,666
Total assets	<u>40,648</u>	<u>18</u>	<u>-</u>	<u>40,666</u>
<b>Liabilities</b>				
Escrow deposits	<u>40,648</u>	<u>18</u>	<u>-</u>	<u>40,666</u>
Total liabilities	<u>40,648</u>	<u>18</u>	<u>-</u>	<u>40,666</u>
Net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Municipal Court Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 9,718	\$ 36,146	\$ 37,637	\$ 8,227
Total assets	<u>9,718</u>	<u>36,146</u>	<u>37,637</u>	<u>8,227</u>
<b>Liabilities</b>				
Accounts payable	<u>9,718</u>	<u>36,146</u>	<u>37,637</u>	<u>8,227</u>
Total liabilities	<u>9,718</u>	<u>36,146</u>	<u>37,637</u>	<u>8,227</u>
Net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Agency Funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 196,655	\$ 1,081,252	\$ 1,075,641	\$ 202,266
Interest receivable	3,556	-	-	3,556
Due from other governments	-	37,637	37,637	-
Total assets	<u>200,211</u>	<u>1,118,889</u>	<u>1,113,278</u>	<u>205,822</u>
<b>Liabilities</b>				
Accounts payable	<u>9,718</u>	<u>36,146</u>	<u>37,637</u>	<u>8,227</u>
Escrow deposits	<u>190,493</u>	<u>2,685,576</u>	<u>2,678,474</u>	<u>197,595</u>
Total liabilities	<u>200,211</u>	<u>2,721,722</u>	<u>2,716,111</u>	<u>205,822</u>
Net position	<u>\$ -</u>	<u>\$ (1,602,833)</u>	<u>\$ (1,602,833)</u>	<u>\$ -</u>

## **Statistical Section**

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# City of Texarkana, Arkansas

## Statistical Section

This section of the City of Texarkana, Arkansas comprehensive annual financial report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information reflects about the City’s overall financial health.

<b>Contents</b>	<b>Page</b>
 <b>Financial Trends (Tables 1-5)</b>	
These schedules contain trend information to assist the reader in understanding how the City’s financial performance and well-being have changed over time. ....	131
 <b>Revenue Capacity (Tables 6-11)</b>	
These schedules contain information to help the reader assess the City’s most significant revenue sources, local sales taxes and property taxes. ....	136
 <b>Debt Capacity (Tables 12-16)</b>	
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future. ....	143
 <b>Demographic and Economic Information (Tables 17-18)</b>	
These schedules offer demographic and economic indicators to assist the reader in understanding the environment within which the City’s financial activities take place. ....	148
 <b>Operating Information (Tables 19-21)</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to services the City provides and the activities it performs. ....	150

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**City of Texarkana, Arkansas**  
**Net Position by Component**  
**Last Ten Years**  
**(Accrual Basis of Accounting)**

**Table 1**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*
Governmental activities:										
Net investment in capital assets	\$ 10,714,377	\$ 12,150,105	\$ 12,628,280	\$ 13,412,023	\$ 12,850,864	\$ 13,405,075	\$ 14,107,659	\$ 14,788,840	\$ 13,177,214	\$ 13,418,445
Restricted	1,475,048	1,702,413	1,553,237	1,669,627	2,225,926	2,406,273	1,833,731	2,243,056	2,510,859	1,838,537
Unrestricted	8,346,737	6,787,161	8,574,892	9,379,180	10,485,576	9,204,239	6,977,071	4,990,951	5,347,984	(2,521,327)
Total governmental activities net position	<u>20,536,162</u>	<u>20,639,679</u>	<u>22,756,409</u>	<u>24,460,830</u>	<u>25,562,366</u>	<u>25,015,587</u>	<u>22,918,461</u>	<u>22,022,847</u>	<u>21,036,057</u>	<u>12,735,655</u>
Business-type activities:										
Net investment in capital assets	23,687,992	25,562,213	26,459,527	27,822,325	28,029,483	27,882,314	27,877,180	28,478,111	29,067,354	29,689,707
Restricted	3,643,673	2,738,995	2,758,082	2,381,952	2,442,605	3,322,117	4,041,329	5,211,194	5,090,980	6,617,438
Unrestricted	8,856,493	8,644,045	8,175,084	7,752,605	9,212,553	10,050,575	9,601,508	8,383,953	8,060,243	6,107,274
Total business-type activities net position	<u>36,188,158</u>	<u>36,945,253</u>	<u>37,392,693</u>	<u>37,956,882</u>	<u>39,684,641</u>	<u>41,255,006</u>	<u>41,520,017</u>	<u>42,073,258</u>	<u>42,218,577</u>	<u>42,414,419</u>
Primary government										
Net investment in capital assets	34,402,369	37,712,318	39,087,807	41,234,348	40,880,347	41,287,389	41,984,839	43,266,951	42,244,568	43,108,152
Restricted	5,118,721	4,441,408	4,311,319	4,051,579	4,668,531	5,728,390	5,875,060	7,454,250	7,601,839	8,455,975
Unrestricted	17,203,230	15,431,206	16,749,976	17,131,785	19,698,129	19,254,814	16,578,579	13,374,904	13,408,227	3,585,947
Total primary government net position	<u>\$ 56,724,320</u>	<u>\$ 57,584,932</u>	<u>\$ 60,149,102</u>	<u>\$ 62,417,712</u>	<u>\$ 65,247,007</u>	<u>\$ 66,270,593</u>	<u>\$ 64,438,478</u>	<u>\$ 64,096,105</u>	<u>\$ 63,254,634</u>	<u>\$ 55,150,074</u>

\*The cumulative effect of applying GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, resulted in beginning statement of net position for 2015 being restated. Fiscal year 2014 and years prior were not restated.

**City of Texarkana, Arkansas**  
**Change in Net Position**  
**Last Ten Years**  
**(Accrual Basis of Accounting)**

**Table 2**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental activities:										
Current:										
General administration	\$ 1,255,727	\$ 1,739,355	\$ 1,450,206	\$ 1,512,480	\$ 2,085,755	\$ 2,619,263	\$ 2,581,483	\$ 2,268,194	\$2,444,068	\$2,489,042
Police department	7,971,429	9,895,008	9,019,326	8,710,432	12,410,163	7,644,104	7,872,806	7,960,946	7,795,405	6,265,820
Fire department	3,886,301	4,115,477	4,024,467	4,291,551	5,626,796	4,493,231	4,776,959	4,605,814	4,569,164	3,606,197
Other public safety	-	-	-	-	-	3,869,368	3,639,484	3,383,828	3,053,598	3,205,227
Protective inspection	342,576	5,094	417,558	368,400	467,872	467,210	494,102	516,458	434,499	474,893
Public works	4,908,533	1,867,201	5,856,532	5,208,513	5,723,499	5,697,414	5,503,577	6,100,657	5,868,092	5,922,407
Public services	853,754	4,213,906	120,566	117,720	6,518	15,381	1,252	245,174	565,398	532,551
Health and welfare	95,579	99,395	241,428	286,166	347,763	361,460	436,639	394,764	426,422	410,477
Cultural and recreation	642,139	389,957	672,415	693,057	895,119	825,434	1,895,921	1,190,349	1,469,648	1,157,670
Administrative and general	1,147,060	1,624,299	1,320,080	1,384,283	-	-	-	-	-	-
Interest on long-term debt	686,043	662,566	669,030	672,631	1,172,912	678,252	1,683,764	908,021	894,852	933,184
Total governmental activities expenses	<u>21,789,141</u>	<u>24,612,258</u>	<u>23,791,608</u>	<u>23,245,233</u>	<u>28,736,397</u>	<u>26,671,117</u>	<u>28,885,987</u>	<u>27,574,205</u>	<u>27,521,146</u>	<u>24,997,468</u>
Business-type activities:										
Water and sewer	<u>7,786,552</u>	<u>8,206,231</u>	<u>8,791,428</u>	<u>8,881,682</u>	<u>8,631,993</u>	<u>8,828,758</u>	<u>9,383,771</u>	<u>9,239,788</u>	<u>8,883,064</u>	<u>8,827,599</u>
Total business-type activities expenses	<u>7,786,552</u>	<u>8,206,231</u>	<u>8,791,428</u>	<u>8,881,682</u>	<u>8,631,993</u>	<u>8,828,758</u>	<u>9,383,771</u>	<u>9,239,788</u>	<u>8,883,064</u>	<u>8,827,599</u>
Total primary government expenses	<u>29,575,693</u>	<u>32,818,489</u>	<u>32,583,036</u>	<u>32,126,915</u>	<u>37,368,390</u>	<u>35,499,875</u>	<u>38,269,758</u>	<u>36,813,993</u>	<u>36,404,210</u>	<u>33,825,067</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services	4,985,729	5,223,203	5,638,025	5,525,130	5,416,351	5,444,642	5,463,368	5,421,842	5,340,907	5,338,355
Operating grants and contributions	3,709,035	3,490,318	5,216,175	4,749,140	4,423,291	4,722,269	4,113,562	3,124,576	3,293,167	3,153,469
Capital grants and contributions	589,867	929,494	531,767	336,363	2,246,130	1,028,843	1,309,384	1,812,264	1,260,110	1,199,000
Total governmental activities program revenues	<u>9,284,631</u>	<u>9,643,015</u>	<u>11,385,967</u>	<u>10,610,633</u>	<u>12,085,772</u>	<u>11,195,754</u>	<u>10,886,314</u>	<u>10,358,682</u>	<u>9,894,184</u>	<u>9,690,824</u>
Business-type activities:										
Charges for services	8,196,268	7,979,139	8,513,068	8,933,472	10,141,700	10,264,791	10,202,790	9,750,066	9,247,531	9,413,488
Capital grants and contributions	53,553	502,690	532,005	450,021	43,157	78,337	-	-	37,484	27,748
Total business-type activities program revenues	<u>8,249,821</u>	<u>8,481,829</u>	<u>9,045,073</u>	<u>9,383,493</u>	<u>10,184,857</u>	<u>10,343,128</u>	<u>10,202,790</u>	<u>9,750,066</u>	<u>9,285,015</u>	<u>9,441,236</u>
Total primary government program revenues	<u>\$ 17,534,452</u>	<u>\$ 18,124,844</u>	<u>\$ 20,431,040</u>	<u>\$ 19,994,126</u>	<u>\$ 22,270,629</u>	<u>\$ 21,538,882</u>	<u>\$ 21,089,104</u>	<u>\$ 20,108,748</u>	<u>\$ 19,179,199</u>	<u>\$ 19,132,060</u>

**City of Texarkana, Arkansas**  
**Change in Net Position (Continued)**  
**Last Ten Years**  
**(Accrual Basis of Accounting)**

**Table 2**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (12,504,510)	\$ (14,969,243)	\$ (12,405,641)	\$ (12,634,600)	\$ (16,650,625)	\$ (15,475,363)	\$ (17,999,673)	\$ (17,215,523)	\$ (17,626,962)	\$ (15,306,644)
Business-type activities	463,269	275,598	253,645	501,811	1,552,864	1,514,370	819,019	510,278	401,951	613,637
Total primary government net expense	(12,041,241)	(14,693,645)	(12,151,996)	(12,132,789)	(15,097,761)	(13,960,993)	(17,180,654)	(16,705,245)	(17,225,011)	(14,693,007)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	2,681,575	3,082,134	2,666,864	3,025,209	3,453,940	3,102,615	3,132,701	3,420,043	3,595,334	3,868,690
Sales taxes	6,742,640	6,983,665	8,505,726	8,229,227	8,417,648	8,751,952	8,987,936	9,553,656	9,647,077	9,758,447
Franchise taxes	2,067,971	2,327,790	2,694,776	2,568,201	2,726,391	2,688,227	2,649,392	2,748,310	2,898,182	2,859,259
Other taxes	54,301	68,339	52,032	125,195	136,636	76,338	76,764	81,189	70,308	67,975
Unrestricted investment earnings	66,608	112,427	75,282	35,744	27,651	14,105	59,233	12,775	9,603	15,444
Gain(loss) on sale of capital assets	-	-	-	25,936	-	47,145	18,426	-	-	-
Miscellaneous	187,815	54,864	310,036	102,837	153,869	248,202	146,005	257,213	182,129	289,351
Transfers	125,919	198,466	217,655	226,672	-	-	832,090	246,723	237,539	183,034
Total governmental activities	11,926,829	12,827,685	14,522,371	14,339,021	14,916,135	14,928,584	15,902,547	16,319,909	16,640,172	17,042,200
Business-type activities:										
Unrestricted investment earnings	772,782	658,790	403,158	282,956	414,316	318,080	299,162	291,104	266,596	267,423
Gain on sale of capital assets	-	-	-	-	1,178	(7,050)	-	-	-	-
Miscellaneous	-	-	737	-	-	-	-	1,723	-	-
Transfers	(124,047)	(177,293)	(210,100)	(220,578)	(240,599)	(255,035)	(853,170)	(249,864)	(236,198)	(233,566)
Total business-type activities	648,735	481,497	193,795	62,378	174,895	55,995	(554,008)	42,963	30,398	33,857
Total primary government general revenues and other changes in net position	12,575,564	13,309,182	14,716,166	14,401,399	15,091,030	14,984,579	15,348,539	16,362,872	16,670,570	17,076,057
<b>Change in Net Position</b>										
Governmental activities	(577,681)	(2,141,558)	2,116,730	1,704,421	(1,734,490)	(546,779)	(2,097,126)	(895,614)	(986,790)	1,735,556
Business-type activities	1,112,004	757,095	447,440	564,189	1,727,759	1,570,365	265,011	553,241	432,349	647,494
Total primary government changes in net position	\$ 534,323	\$ (1,384,463)	\$ 2,564,170	\$ 2,268,610	\$ (6,731)	\$ 1,023,586	\$ (1,832,115)	\$ (342,373)	\$ (554,441)	\$ 2,383,050

**City of Texarkana, Arkansas**  
**Program Revenues by Function/Program – Accrual Basis of Accounting**  
**Last Ten Years**  
**(Modified Accrual Basis of Accounting)**

**Table 3**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Function/ Program</b>										
Governmental activities:										
General administration	\$ 1,266,513	\$ 1,890,416	\$ 2,190,034	\$ 2,148,483	\$ 3,566,739	\$ 2,625,764	\$ 2,768,877	\$ 2,662,848	\$ 2,317,860	\$ 2,429,549
Police department	1,974,700	1,722,870	1,606,344	1,536,513	1,105,987	1,501,591	1,274,930	1,159,664	1,129,322	979,346
Fire department	75,861	82,524	14,942	16,416	3,981	7,782	5,694	1,600	8,740	7,481
Other public safety	-	-	-	-	-	1,501	1,501	1,501	1,501	1,501
Public works	5,138,254	5,212,358	6,221,028	5,062,825	5,405,150	5,656,598	5,755,338	5,626,372	5,933,325	5,930,278
Public services	662,462	542,406	1,270,098	1,747,617	962,988	1,334,235	993,090	826,299	418,254	263,869
Cultural and recreation	166,841	192,441	83,521	98,779	80,254	68,283	86,884	80,398	85,182	78,800
Subtotal governmental activities	<u>9,284,631</u>	<u>9,643,015</u>	<u>11,385,967</u>	<u>10,610,633</u>	<u>11,125,099</u>	<u>11,195,754</u>	<u>10,886,314</u>	<u>10,358,682</u>	<u>9,894,184</u>	<u>9,690,824</u>
Business-type activities:										
Water and sewer	<u>8,249,821</u>	<u>8,481,829</u>	<u>9,045,073</u>	<u>9,383,493</u>	<u>10,184,857</u>	<u>10,343,128</u>	<u>10,202,790</u>	<u>9,750,066</u>	<u>9,285,015</u>	<u>9,441,236</u>
Subtotal business-type activities	<u>8,249,821</u>	<u>8,481,829</u>	<u>9,045,073</u>	<u>9,383,493</u>	<u>10,184,857</u>	<u>10,343,128</u>	<u>10,202,790</u>	<u>9,750,066</u>	<u>9,285,015</u>	<u>9,441,236</u>
Total primary government	<u>\$ 17,534,452</u>	<u>\$ 18,124,844</u>	<u>\$ 20,431,040</u>	<u>\$ 19,994,126</u>	<u>\$ 21,309,956</u>	<u>\$ 21,538,882</u>	<u>\$ 21,089,104</u>	<u>\$ 20,108,748</u>	<u>\$ 19,179,199</u>	<u>\$ 19,132,060</u>

**City of Texarkana, Arkansas**  
**Fund Balances of Governmental Funds**  
**Last Ten Years**  
**(Modified Accrual Basis of Accounting)**

**Table 4**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Fund</b>										
Nonspendable										
Prepaid items						\$ 276,177	\$ 339,756	\$ 7,922	\$ 124,629	\$ 180,061
Restricted										
Police department						-	-	4,885	330	-
Committed										
Cultural and recreation						13,855	14,956	15,101	16,998	17,723
Assigned										
Police department						164,470	210,776	77,016	38,594	33,090
Public works						194,394	30,292	30,292	30,292	30,292
Unassigned						2,991,764	2,068,121	3,122,556	3,010,595	3,397,384
Reserved	\$ -	\$ -	\$ -	\$ 20,837	\$ 291,361					
Unreserved, designated	-	-	876,277	1,691,943	1,744,280					
Unreserved	2,155,175	2,744,213	2,941,100	3,142,175	2,000,819					
Total general fund	<u>\$ 2,155,175</u>	<u>\$ 2,744,213</u>	<u>\$ 3,817,377</u>	<u>\$ 4,854,955</u>	<u>\$ 4,036,460</u>	<u>\$ 3,640,660</u>	<u>\$ 2,663,901</u>	<u>\$ 3,257,772</u>	<u>\$ 3,221,438</u>	<u>\$ 3,658,550</u>
<b>All Other Governmental Funds</b>										
Nonspendable										
Prepaid items						\$ 36,249	\$ 45,966	\$ 2,346	\$ 6,125	\$ 35,044
Restricted										
General administration						92,050	63,547	64,023	73,662	76,600
Police department						9,192	10,512	9,163	11,845	15,332
Fire department						110,312	103,798	44,678	46,185	29,607
Public works						2,326,807	9,622,070	4,217,938	3,019,336	302,180
Debt service						1,567,579	1,151,164	1,539,365	1,689,089	1,734,277
Cultural and recreation						2,358	6,163	57,454	70,830	91,864
Committed										
Public works						260,346	277,816	215,191	284,701	307,575
Assigned										
General administration						156,683	-	-	-	-
Police department						287,796	214,670	155,086	316,855	321,472
Fire department						10,000	-	-	-	-
Public works						256,227	813,527	563,078	1,181,131	1,397,208
Unassigned						(4,390)	-	-	-	-
Reserved	\$ -	\$ -	\$ -	\$ 6,428	\$ 30,738					
Unreserved, reported in:										
Special revenue fund	665,935	263,715	245,982	399,160	367,851					
Debt service fund	1,377,347	1,404,969	1,335,009	1,368,202	1,537,546					
Capital projects fund	1,169,144	1,283,652	3,013,168	(7,244)	3,510,284					
Unreserved, designated for, reported in:										
Special revenue fund	-	80,639	108,775	147,625	139,042					
Total all other governmental funds	<u>\$ 3,212,426</u>	<u>\$ 3,032,975</u>	<u>\$ 4,702,934</u>	<u>\$ 1,914,171</u>	<u>\$ 5,585,461</u>	<u>\$ 5,111,209</u>	<u>\$ 12,309,233</u>	<u>\$ 6,868,322</u>	<u>\$ 6,699,759</u>	<u>\$ 4,311,159</u>

The 2005 through 2010 fund balances are not comparable to 2011 forward due to the adoption of GASB 54

**City of Texarkana, Arkansas**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Years**  
**(Modified Accrual Basis of Accounting)**

**Table 5**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Property taxes	\$ 2,775,689	\$ 2,677,534	\$ 2,662,211	\$ 2,967,244	\$ 3,076,924	\$ 3,132,808	\$ 3,165,147	\$ 3,268,995	\$ 3,475,122	\$ 3,760,473
Sales taxes	6,742,640	6,983,665	8,505,726	8,229,227	8,417,648	8,751,952	8,987,936	9,553,656	9,647,077	9,758,447
Other taxes	54,301	68,339	52,032	125,194	136,636	76,338	76,764	81,189	70,308	67,975
Utility franchise	2,067,971	2,327,790	2,694,776	2,568,201	2,726,391	2,688,227	2,649,392	2,748,310	2,929,319	2,856,455
Licenses and permits	190,145	202,439	333,753	199,428	184,973	183,504	242,339	184,516	187,247	204,483
Fines, forfeitures and penalties	864,732	858,745	950,226	837,383	753,442	774,149	752,300	676,331	716,361	619,982
Charges for services	3,771,373	3,917,320	4,048,377	4,129,069	4,187,783	4,217,443	4,168,390	4,246,164	4,299,877	4,356,935
Grants and entitlements	1,931,897	1,537,728	2,237,208	1,539,456	2,722,402	1,669,181	2,312,408	2,224,709	2,158,315	1,729,598
Intergovernmental	2,678,653	3,104,345	2,647,534	2,735,212	2,891,491	2,962,420	2,935,853	2,837,814	2,732,124	2,717,855
Investment income	66,619	112,428	74,683	35,384	27,651	14,105	59,233	12,775	9,603	15,444
Miscellaneous	160,095	54,863	342,153	172,285	446,488	493,117	418,828	452,206	366,519	499,274
<b>Total revenues</b>	<b>21,304,115</b>	<b>21,845,196</b>	<b>24,548,679</b>	<b>23,538,083</b>	<b>25,571,829</b>	<b>24,963,244</b>	<b>25,768,590</b>	<b>26,286,665</b>	<b>26,591,872</b>	<b>26,586,921</b>
<b>Expenditures</b>										
Current:										
General government	1,168,885	1,658,606	1,352,128	1,417,749	1,885,204	2,444,686	2,356,604	2,040,771	2,004,404	2,193,123
Police department	7,248,114	7,275,671	7,883,830	7,922,633	9,469,492	6,967,050	7,106,575	7,116,529	6,878,140	6,851,193
Fire department	3,598,544	3,804,405	4,014,694	4,074,334	4,843,559	4,303,165	4,413,736	4,347,838	4,385,773	4,366,156
Other public safety	-	-	-	-	-	2,817,739	2,808,193	2,963,397	3,052,005	3,188,823
Protective inspection	337,179	395,301	415,423	368,400	433,139	428,681	456,482	480,399	456,148	449,576
Public works	4,111,168	4,124,504	4,291,986	4,184,913	4,536,705	4,335,336	4,271,344	4,714,006	4,708,135	4,799,586
Public services	508,881	194,040	124,860	126,444	6,856	14,869	785	353	125,813	37,511
Health and welfare	80,838	84,449	226,482	271,220	312,181	321,430	395,843	352,719	396,664	379,360
Cultural and recreation	509,286	250,754	536,355	629,001	777,069	713,788	1,689,146	1,019,833	1,309,632	758,175
Administrative and general	1,094,650	1,297,117	1,264,712	1,237,304	-	-	-	-	-	-
Capital outlay	1,035,608	1,785,138	2,535,651	3,861,897	2,600,254	1,894,667	4,779,583	8,035,692	1,932,752	3,767,389
Debt service:										
Principal retirement	634,543	732,307	742,874	749,414	822,448	830,337	1,770,728	484,585	876,214	4,765,324
Interest and fiscal charges	686,043	662,566	669,030	672,631	723,961	761,548	972,791	887,829	908,628	873,139
Bond issuance costs	-	-	415,186	-	129,073	-	-	-	-	75,684
<b>Total expenditures</b>	<b>21,013,739</b>	<b>22,264,858</b>	<b>24,473,211</b>	<b>25,515,940</b>	<b>26,539,941</b>	<b>25,833,296</b>	<b>31,021,810</b>	<b>32,443,951</b>	<b>27,034,308</b>	<b>32,505,039</b>
Excess (deficiency) of revenues over expenditures	290,376	(419,662)	75,468	(1,977,857)	(968,112)	(870,052)	(5,253,220)	(6,157,286)	(442,436)	(5,918,118)

**City of Texarkana, Arkansas**  
**Changes in Fund Balances, Governmental Funds (Continued)**  
**Last Ten Years**  
**(Modified Accrual Basis of Accounting)**

**Table 5**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Other Financing Sources (Uses)</b>										
Transfers in	\$ 1,490,421	\$ 1,648,093	\$ 11,010,122	\$ 1,326,554	\$ 5,848,062	\$ 1,235,622	\$ 12,797,118	\$ 1,736,001	\$ 2,071,853	\$ 5,799,742
Transfers out	(1,364,502)	(1,449,627)	(10,792,467)	(1,099,882)	(5,848,062)	(1,235,622)	(11,965,028)	(1,489,278)	(1,834,314)	(5,616,708)
Proceeds from issuance of debt	250,000	-	-	-	3,820,907	-	281,859	1,063,523	-	54,460
Refunding bonds issued	-	-	10,290,000	-	-	-	20,460,000	-	-	3,770,000
Premium on refunding bonds issued	-	-	-	-	-	-	298,491	-	-	-
Discount on refunding bonds issued	-	-	-	-	-	-	-	-	-	(40,864)
Payment to refunded bond escrow agent	-	-	(7,840,000)	-	-	-	(10,397,955)	-	-	-
Total other financing sources (uses)	<u>375,919</u>	<u>198,466</u>	<u>2,667,655</u>	<u>226,672</u>	<u>3,820,907</u>	<u>-</u>	<u>11,474,485</u>	<u>1,310,246</u>	<u>237,539</u>	<u>3,966,630</u>
Net change in fund balances	<u>\$ 666,295</u>	<u>\$ (221,196)</u>	<u>\$ 2,743,123</u>	<u>\$ (1,751,185)</u>	<u>\$ 2,852,795</u>	<u>\$ (870,052)</u>	<u>\$ 6,221,265</u>	<u>\$ (4,847,040)</u>	<u>\$ (204,897)</u>	<u>\$ (1,951,488)</u>
Debt Service as a percentage of noncapital expenditures	6.6%	6.8%	6.4%	6.6%	6.5%	6.6%	10.5%	5.6%	7.1%	19.8%

**City of Texarkana, Arkansas**  
**General Government Tax Revenues by Source**  
**Last Ten Years**  
**(Modified Accrual Basis of Accounting)**

**Table 6**

Fiscal Year	Property	Sales and Use	Other	Utility Franchise	Total
2006	\$ 2,775,689	\$ 6,742,640	\$ 54,301	\$ 2,067,971	\$ 11,640,601
2007	2,677,534	6,983,665	68,339	2,327,790	12,057,328
2008	2,662,211	8,505,726	52,032	2,694,776	13,914,745
2009	2,967,244	8,229,227	125,194	2,568,201	13,889,866
2010	3,076,924	8,417,648	136,636	2,726,391	14,357,599
2011	3,132,808	8,751,952	76,338	2,688,227	14,649,325
2012	3,165,147	8,987,936	76,764	2,649,392	14,879,239
2013	3,268,995	9,553,656	81,189	2,748,310	15,652,150
2014	3,475,122	9,647,077	70,308	2,929,319	16,121,826
2015	3,760,473	9,758,447	67,975	2,856,455	16,443,350
Percentage change from 2006 to current year	35.03%	45.40%	26.35%	43.47%	42.42%

**City of Texarkana, Arkansas**  
**Assessed and Appraised Value of Taxable Property**  
**Last Ten Years**

**Table 7**

Year	Tax Roll Year	Real Property Assessed Value	Personal Property Assessed Value	Total Property Assessed Value	Tax Rate (1)	Total Tax Levy	Tax Distribution					
							General Fund	Debt Service	Firemen's Pension	Policemen's Pension	Library Fund	TIF District
2007	2006	\$ 162,582,912	\$ 87,983,284	\$ 250,566,196	0.1050	\$ 2,630,945	\$ 1,252,831	\$ 626,415	\$ 250,566	\$ 250,566	\$ 250,566	\$ -
2008	2007	179,393,386	92,575,725	271,969,111	0.1050	2,855,676	1,359,846	679,923	271,969	271,969	271,969	-
2009	2008	192,542,695	98,702,928	291,245,623	0.1050	3,058,079	1,456,228	728,114	291,246	291,246	291,246	-
2010	2009	203,015,854	81,297,514	284,313,368	0.1050	2,985,290	1,421,567	710,783	284,313	284,313	284,313	-
2011	2010	219,773,211	93,647,265	313,420,476	0.1050	3,290,915	1,567,102	783,551	313,420	313,420	313,420	-
2012	2011	224,208,563	83,418,536	307,627,099	0.1050	3,230,085	1,538,135	769,068	307,627	307,627	307,627	-
2013	2012	233,533,309	87,477,743	321,011,052	0.1050	3,370,616	1,605,055	802,528	321,011	321,011	321,011	-
2014	2013	241,850,510	94,205,657	336,056,167	0.1050	3,528,590	1,680,281	840,140	336,056	336,056	336,056	-
2015	2014	253,856,840	98,258,389	352,115,229	0.1050	3,697,210	1,760,576	880,288	352,115	352,115	352,115	-
2016	2015	253,696,935	106,190,069	359,887,004	0.1050	3,778,814	1,754,148	877,074	350,830	350,830	350,830	95,103

Note:

(1) Tax rate per \$100 of assessed value.

Source - Miller County Tax Records per the Assessor's Office.

**City of Texarkana, Arkansas**  
**Property Tax Rates and Tax Levies of Direct and Overlapping Government**  
**Last Ten Years**  
**Local Tax Rates – Per \$100 of Assessed Value**

**Table 8**

Year	City of Texarkana, Arkansas						County School District	County	Total	
	General Fund	Debt Service Fund	Firemen's Pension	Policemen's Pension	Library	Total				
<b>Real Property Tax Rates:</b>										
2006	\$ 5.00	\$ 2.50	\$ 1.00	\$ 1.00	\$ 1.00	\$ 10.50	\$ 38.90	\$ 5.50	\$ 54.90	
2007	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2008	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2009	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2010	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2011	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2012	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2013	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2014	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2015	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
<b>Personal Property Tax Rates:</b>										
2004	\$ 5.00	\$ 2.50	\$ 1.00	\$ 1.00	\$ 1.00	\$ 10.50	\$ 38.90	\$ 5.50	\$ 54.90	
2007	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2008	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2009	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2010	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2011	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2012	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2013	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2014	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2015	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	

Source - Miller County Tax Records.

Notes: Overlapping rates are those of local and county governments that apply to the property owners within the City of Texarkana, Arkansas. Not all overlapping rates apply to all City property owners.

**City of Texarkana, Arkansas**  
**Principal Sales Taxpayers**  
**December 31, 2015**

The City of Texarkana, Arkansas's largest own-source revenue is sales taxes. Sales taxes primarily come from three separate taxes; a two and one-half cent city tax based on point of sale, and a portion of the county's one and one-quarter cent tax based on an Interlocal Cooperation Agreement between Miller County, Arkansas and the municipal corporations of the State of Arkansas located within the county, and one-half cent road tax distribution from the State of Arkansas for the construction of four-lane highways to connect all four corners of the state. Per the agreement, the City of Texarkana receives forty-five percent of the county sales tax collections. In 2015, the city sales tax generated revenue of \$6,856,779. The City's portion of the county sales tax generated revenue of \$2,317,156 and the municipal four-lane highway tax received from the State of Arkansas totaled \$584,512.

According to Arkansas State Statutes, the City is required to keep the identity of individual tax payers confidential. Therefore, the City of Texarkana is not able to identify the top 10 tax payers. However, Texarkana enjoys a diverse economic sales tax base.

**City of Texarkana, Arkansas**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**

**Table 9**

Taxpayer	2015			2006		
	Rank	2015 Assessed Valuation (1) (2)	Percentage of Total Assessed Valuation	Rank	2006 Assessed Valuation (1) (3)	Percentage of Total Assessed Valuation
Union Pacific System	1	\$ 10,437,570	2.90%	6	\$ 3,630,150	1.45%
Southwestern Electric Power Co.	2	10,113,650	2.81%	3	4,626,660	1.85%
Southwest AR Electric Co-op	3	9,955,430	2.77%	2	5,724,860	2.28%
Cooper Tire & Rubber Co. - Plant	4	4,745,494	1.32%	1	20,073,850	8.01%
Wal-Mart Stores Inc. #01-0468	5	4,119,283	1.14%	5	3,280,492	1.31%
Southwest Ark Telephone CO-OP	6	3,966,482	1.10%			
Valor Telecommunications	7	3,676,420	1.02%	4	3,520,850	1.41%
Garland Farms, Inc.	8	2,612,462	0.73%			
Tyson Foods, Inc.	9	2,747,924	0.76%	8	2,997,790	1.20%
AT&T Mobility LLC.	10	2,338,820	0.65%			
Natural Gas Pipe Line Co.				7	3,708,860	1.48%
The Links at Texarkana				9	2,397,586	0.96%
Smith-Blair, Inc.				10	2,073,850	0.83%
Total principal taxpayers		<u>\$ 54,713,535</u>	<u>15.20%</u>		<u>\$ 52,034,948</u>	<u>20.77%</u>

Notes:

(1) Net of exemptions

(2) Source - Miller County Tax Records per the Collector's office

(3) Source - City of Texarkana AR CAFR statistical section for fiscal year December 31, 2006

**City of Texarkana, Arkansas**  
**Property Tax Levies and Collections**  
**Last Ten Years**

**Table 10**

<b>Fiscal Year</b>	<b>Tax Roll Year</b>	<b>Total Tax Levy(2)(3)</b>	<b>Current Taxes Collected(1)</b>	<b>Percent of Current Taxes Collected</b>	<b>Delinquent Taxes Collected(1)</b>	<b>Total Tax Collections</b>	<b>Percent Total Tax Collections to Tax Levy(3)</b>	<b>Outstanding Delinquent Taxes</b>	<b>Percent Delinquent Taxes to Tax Levy</b>
2006	2005	\$ 2,564,290	\$ 2,237,887	87.27%	\$ 309,954	\$ 2,547,841	99.36%	\$ 16,449	0.64%
2007	2006	2,630,945	2,320,724	88.21%	64,586	2,385,310	90.66%	245,635	9.34%
2008	2007	2,855,676	2,300,836	80.57%	303,010	2,603,846	91.18%	251,830	8.82%
2009	2008	3,058,079	2,566,653	83.93%	185,297	2,751,950	89.99%	306,129	10.01%
2010	2009	2,985,290	2,594,276	86.90%	73,925	2,668,201	89.38%	317,089	10.62%
2011	2010	3,290,915	2,673,814	81.25%	228,175	2,901,989	88.18%	388,926	11.82%
2012	2011	3,230,085	2,689,537	83.27%	346,984	3,036,521	94.01%	193,563	5.99%
2013	2012	3,370,616	2,722,770	80.78%	336,231	3,059,001	90.75%	311,615	9.25%
2014	2013	3,528,590	2,938,121	83.27%	370,183	3,308,304	93.76%	220,286	6.24%
2015	2014	3,697,210	3,168,089	85.69%	495,408	3,663,497	99.09%	33,713	0.91%

(1) Excludes City portion of county road taxes shown in Special Revenue Fund.

(2) Tax levies include separate assessment shown on Utilities.

(3) Source - Miller County Tax Records per the Collector's Office.

**City of Texarkana, Arkansas**  
**Direct and Overlapping Sales Tax Rates**  
**Last Ten Years**

**Table 11**

<b>Year</b>	<b>City Direct Rate</b>	<b>Miller County Rate</b>
2006	1.50%	1.50%
2007	1.5%/2.5% (1)	1.50%
2008	2.50% (2)	1.50%
2009	2.50%	1.50%
2010	2.50%	1.50%
2011	2.50%	1.50%
2012	2.50%	1.50%/1.25% (3)
2013	2.50%	1.25%
2014	2.50%	1.25%
2015	2.50%	1.25%

Source: Arkansas Department of Finance and Administration

(1) The rate changed effective 07/01/2007.

(2) The rate changed effective 01/01/2008.

(3) The rate changed effective 10/01/2012.

**City of Texarkana, Arkansas**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Years**

**Table 12**

Fiscal Year	Governmental Activities				Business-type Activities		Total Primary Government	Percentage of Personal Income(1)	Per Capita(1)
	General Obligation Bonds	Revenue Bonds	Installment loans	Capital Leases	Water Revenue Bonds	Capital Leases			
2006	\$ 4,020,000	\$ 8,470,000	\$ 286,474	\$ -	\$ 21,480,301	\$ 705,230	\$ 34,962,005	7.72%	\$ 1,322
2007	3,645,000	8,195,000	204,167	-	19,165,798	511,414	31,721,379	6.20%	1,062
2008	3,235,000	10,360,000	156,293	-	18,148,484	315,969	32,215,746	6.25%	1,071
2009	2,765,000	10,145,000	137,817	-	16,909,366	115,638	30,072,821	5.83%	1,000
2010	2,230,000	13,700,000	70,337	-	16,096,507	125,077	32,221,921	5.39%	1,077
2011	1,660,000	13,510,000	-	-	15,245,457	103,558	30,519,015	5.01%	1,020
2012	10,413,920	14,059,571	197,154	34,402	14,360,581	61,012	39,126,640	6.07%	1,299
2013	10,405,456	13,787,857	1,062,233	18,261	13,441,214	15,319	38,730,340	6.18%	1,289
2014	10,066,992	13,511,143	807,927	1,353	12,566,848	-	36,954,263	5.74%	1,233
2015	9,623,528	13,184,382	548,454	39,962	11,483,954	-	34,880,280	5.42%	1,162

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Demographic and Economic Statistics Schedule for personal income and population data.

**City of Texarkana, Arkansas**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Years**

**Table 13**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Assessed Value (2)</b>	<b>Gross Bonded Debt (3)</b>	<b>Debt Service Monies Available</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt per Capita</b>
2006	26,448	\$ 244,218,140	\$ 4,020,000	\$ -	\$ 4,020,000	1.65%	\$ 152
2007	29,856	250,566,196	3,645,000	733,385	2,911,615	1.16%	98
2008	30,087	271,969,111	3,235,000	739,275	2,495,725	0.92%	83
2009	30,087	291,245,623	2,765,000	776,213	1,988,787	0.68%	66
2010	29,919	284,313,368	2,230,000	801,562	1,428,438	0.50%	48
2011	29,919	313,420,476	1,660,000	833,633	826,367	0.26%	28
2012	30,117	307,627,099	10,413,920	390,932	10,022,988	3.26%	333
2013	30,049	321,011,052	10,405,456	824,611	9,580,845	2.98%	319
2014	29,972	336,056,167	10,066,992	765,392	9,301,600	2.77%	310
2015	30,015	359,887,004	9,623,528	767,335	8,856,193	2.46%	295

Notes:

- (1) Source - Bureau of Census
- (2) Source - Miller County Tax Records
- (3) Gross bonded debt consists of General Obligation bonds only, net of issuance premiums

**City of Texarkana, Arkansas**  
**Direct and Overlapping Governmental Activities Debt**  
**December 31, 2015**

**Table 14**

<u>Jurisdiction</u>	<u>Gross Bonded Debt</u>	<u>Percentage of Debt Applicable to City of Texarkana</u>	<u>Amount Applicable to City of Texarkana</u>
Direct:			
City of Texarkana, Arkansas	\$ 22,807,910 (1)	100.00%	<u>\$ 22,807,910</u>
Overlapping:			
Texarkana, Arkansas School District	26,440,000 (2)	78.78%	<u>20,829,432</u>
Subtotal - Overlapping debt			<u>20,829,432</u>
Total direct and overlapping			<u><u>\$ 43,637,342</u></u>
Per capita overlapping debt			<u><u>\$ 1,453.85</u></u>

Notes:

Source-City and County tax records. The percentage of overlapping debt applicable is estimated using taxable assessed property values within the City.

(1) Excluding self-supporting debt

(2) Source - Texarkana Arkansas School District

**City of Texarkana, Arkansas**  
**Legal Debt Margin Information**  
**Last Ten Years**

**Table 15**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 62,793,666	\$ 55,778,086	\$ 61,244,469	\$ 64,788,565	\$ 71,078,342	\$ 76,906,774	\$ 80,252,763	\$ 80,252,763	\$ 84,014,042	\$ 89,971,751
Total net debt applicable to limit	<u>3,305,264</u>	<u>2,911,615</u>	<u>2,795,725</u>	<u>1,988,787</u>	<u>1,428,438</u>	<u>826,367</u>	<u>9,769,068</u>	<u>9,335,389</u>	<u>9,301,600</u>	<u>10,390,863</u>
Legal debt margin	<u>\$ 59,488,402</u>	<u>\$ 52,866,471</u>	<u>\$ 58,448,744</u>	<u>\$ 62,799,778</u>	<u>\$ 69,649,904</u>	<u>\$ 76,080,407</u>	<u>\$ 70,483,695</u>	<u>\$ 70,917,374</u>	<u>\$ 74,712,442</u>	<u>\$ 79,580,888</u>
Total net debt applicable to the limit as a percentage of debt limit	5.56%	5.51%	4.78%	3.17%	2.05%	1.09%	13.86%	13.16%	12.45%	13.06%

**Legal Debt Margin Calculation for 2015**

Assessed value	\$ 359,887,004
Debt limit - 25% of assessed value:	
General obligation debt limitation	89,971,751
Debt applicable to limit:	
General obligation bonds	9,623,528
Less: Amount set aside for repayment in debt services funds	<u>767,335</u>
Total net debt applicable to limit	<u>10,390,863</u>
Legal debt margin	<u>\$ 79,580,888</u>

**City of Texarkana, Arkansas**  
**Pledged Revenue Coverage – Texarkana, Arkansas Water Utilities**  
**Last Ten Years**

**Table 16**

<b>Fiscal Year Ended 30-Sep</b>	<b>Gross Revenue(1)</b>	<b>Operating Expenses (2)</b>	<b>Net Revenue Available For Debt Service</b>	<b>Debt Service Requirements (3)</b>	<b>Coverage</b>
2006	\$ 9,426,514	\$ 5,166,488	\$ 4,260,026	\$ 2,603,884	1.64
2007	9,013,114	5,463,317	3,549,797	1,547,289	2.29
2008	9,209,957	6,142,251	3,067,706	1,908,030	1.61
2009	9,522,966	5,890,787	3,632,179	2,016,180	1.80
2010	10,749,699	6,134,724	4,614,975	1,543,099	2.99
2011	10,864,429	6,285,498	4,578,931	1,547,899	2.96
2012	10,813,737	6,828,480	3,985,257	1,546,901	2.58
2013	10,284,874	6,656,481	3,628,393	1,735,295	2.09
2014	9,782,848	6,297,035	3,485,814	1,543,099	2.26
2015	9,948,542	6,215,070	3,733,471	1,542,258	2.42

Notes:

- (1) Gross revenue includes interest income on investment and proceeds from sale of fixed assets. Gross revenue also includes payments received from Texarkana, Texas Water Utilities for debt service on revenue bonds issued for construction of Millwood Water Treatment Facilities and McKinney Bayou Wastewater Treatment Facilities.
- (2) Operating expenses exclude depreciation and amortization.
- (3) Principal and interest on revenue bonds only. Amounts do not include payments on obligations under capital leases.

**City of Texarkana, Arkansas**  
**Demographic and Economic Statistics**  
**Last Ten Years**

**Table 17**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (3)</b>	<b>Median Age (1)</b>	<b>Per Capita Income(1)</b>	<b>Unemployment Rate(2)</b>
2006	29,856	\$ 511,433,280	37.5	\$ 17,130	5.1%
2007	29,856	511,433,280	37.5	17,130	4.6%
2008	30,087	515,390,310	37.5	17,130	4.7%
2009	30,087	515,390,310	37.5	17,130	6.2%
2010	29,919	597,991,053	37.3	19,987	7.1%
2011	29,919	609,300,435	36.2	20,365	7.5%
2012	30,117	644,383,332	36.2	21,396	6.2%
2013	30,049	627,122,630	36.5	20,870	6.2%
2014	29,972	643,408,924	35.9	21,467	5.3%
2015	30,015	643,881,780	37.2	21,452	5.5%

Notes:

(1) Source - U.S. Census Bureau

(2) Source - U.S. Bureau of Labor Statistics

(3) Personal Income is a calculation of per capita income multiplied by the population

**City of Texarkana, Arkansas**  
**Principal Employers, Metropolitan Statistical Area (MSA) –**  
**Texarkana, Arkansas and Texarkana, Texas**  
**Current Year and Nine Years Ago**

**Table 18**

<b>Employer</b>	<b>2015</b>			<b>2006</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total MSA Employment (1)</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total MSA Employment (2)</b>
Red River Army Depot & Tenants	4,135	1	6.88%	3,500	1	6.21%
Christus St. Michael Health Care	1,800	2	3.00%	1,680	3	2.98%
Cooper Tire & Rubber	1,750	3	2.91%	2,000	2	3.55%
AECOM/URS	1,300	4	2.16%			0.00%
Southern Refrigerated Transport	1,235	5	2.05%	670	10	1.19%
Wal-Mart Department Store	1,200	6	2.00%	1,100	5	1.95%
Texarkana, TX ISD	1,150	7	1.91%	787	8	1.40%
Domtar, Inc.	900	8	1.50%	1,201	4	2.13%
International Paper Company	800	9	1.33%	865	7	1.53%
Wadley Regional Medical	755	10	1.26%	1,000	6	1.77%
Texarkana, AR ISD				785	9	1.39%
<b>Total</b>	<b>15,025</b>		<b>25.00%</b>	<b>13,588</b>		<b>24.09%</b>

Source:  
Chamber of Commerce  
Texas Workforce Commission LMI Tracer

Notes:  
(1) MSA employment for 2015 is 60,100  
(2) MSA employment for 2006 is 56,400

**City of Texarkana, Arkansas**  
**Full-time Equivalent City Government Employees by Function**  
**Last Ten Years**

**Table 19**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Administration	6	2	3	3	4	4	4	3	3	3
Finance	5	7	8	8	8	8	8	8	9	9
City Clerk	0	3	3	3	3	3	3	2	2	2
Courts	5	5	4	4	4	5	5	5	5	5
Marketing & Communications	0	0	0	0	0	0	1	2	2	1
Police department										
Police General	70	73	72	70	71	71	71	76	76	76
Police Housing	2	2	3	3	3	3	3	2	2	2
Cops in School	2	2	2	2	1	1	1	1	1	1
Police Narcotics	5	5	5	5	5	5	5	5	5	5
Police Support	9	9	9	10	10	11	11	11	11	11
Police Animal	2	1	2	2	2	2	2	2	2	3
Probation	3	3	3	3	3	4	4	4	4	4
Police CHRP	0	0	0	0	0	4	4	0	0	0
Fire department										
Fire	59	57	59	59	59	59	59	59	59	59
Public works										
Street	14	16	14	17	18	17	17	17	17	17
Environmental	4	5	3	3	3	4	4	4	4	4
Engineering	1	1	1	1	1	1	1	1	1	1
Planning	1	2	2	2	2	2	2	2	2	2
Code Enforcement	6	6	6	6	6	6	6	6	6	6
Parks and recreation	3	3	3	4	6	4	5	5	4	4
Building maintenance	1	2	2	2	2	2	1	1	1	1
ADC	0	0	0	0	0	3	3	3	3	3
Refuse Operator	0	0	0	0	0	0	0	1	1	1
Public services										
HCD	2	3	3	1	1	0	0	0	0	0
RSVP - Arkansas	1	1	1	1	1	1	1	1	1	1
RSVP - Texas	1	1	1	1	1	1	1	1	1	1
Other										
Bi-State Maintenance	11	14	13	13	13	13	13	13	13	13
Bi-State CRC	1	1	1	1	1	1	1	1	1	1
Animal Shelter	0	0	11	7	8	8	7	7	7	5
<b>Total</b>	<b>214</b>	<b>224</b>	<b>234</b>	<b>231</b>	<b>236</b>	<b>243</b>	<b>243</b>	<b>243</b>	<b>243</b>	<b>241</b>

**City of Texarkana, Arkansas**  
**Operating Indicators by Function/Program**  
**Last Ten Years**

**Table 20**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b><u>Function/Program</u></b>										
Public safety										
Police										
Uniformed employees	82	90	91	89	90	90	88	84	84	84
Fire										
Firefighters	57	56	58	58	58	58	57	58	58	58
Public works										
Building permits issued	1,861	1,758	3,679	1,944	477	507	510	426	368	454
Building permits (\$)	\$ 25,890,212	\$ 20,074,686	\$ 29,546,718	\$ 16,535,562	\$ 20,492,129	\$ 20,275,238	\$ 51,053,360	\$ 26,447,687	\$ 22,747,181	\$ 18,909,224
Water										
Average daily consumption (millions of gallons)	5.063	6.728	5.147	4.846	3.675	4.016	4.134	4.902	4.437	4.703
Raw water production (millions of gallons)	5.254	7.010	5.373	5.056	4.056	6.430	5.509	5.509	4.941	5.076

Source: Various City Departments

**City of Texarkana, Arkansas**  
**Capital Asset Statistics by Function**  
**Last Ten Years**

**Table 21**

<b>Function/Program</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Public safety</b>										
Police										
Stations	1	1	1	1	1	1	1	1	2	2
Total units	72	96	96	96	82	101	110	111	152	152
Fire										
Stations	5	5	5	5	5	5	5	5	5	5
<b>Public works</b>										
Streets (miles)	290	290	290	291	291	250 <sup>(1)</sup>	250	252	252	252
<b>Recreation</b>										
Number of parks	16	16	16	16	20	24	24	24	24	24
Acres	361	280	280	280	281	288.3	288.3	288.3	296.3	296.3
Pools	1	1	1	1	1	1	1	1	1	1
Ball Fields	11	12	12	12	12	15	15	15	15	15
Tennis courts:										
Lighted	3	3	3	3	3	3	3	3	3	3
Unlighted	3	3	3	3	3	1	1	1	1	1
Community centers	4	4	4	4	4	4	4	4	4	4
Soccer fields	0	0	0	0	0	1	1	1	1	1
Walking/biking trails (miles)	3.65	3.65	3.65	3.65	5.2	7.5	7.5	7.5	7.66	13.91
<b>Utilities</b>										
Plant capacity										
(million gallon average per day)	15	15	15	15	15	15	15	15	15	15
Water mains (miles)	410	417	424	412	409	408	406	395	416	407
Number of water meters	10,095	10,167	10,217	10,203	10,184	10,103	10,134	10,155	10,126	10,154
Sewer mains (miles)	209	211	213	216	216	212	219	214	213	216
Number of fire hydrants	1,361	1,372	1,384	1,392	1,427	1,438	1,441	1,431	1,450	1,469
Number of Mandeville water meters	341	337	339	333	328	322	327	321	318	316
Number of Union water meters	1,053	1,080	1,088	1,107	1,129	1,135	1,162	1,178	1,200	1,231

<sup>(1)</sup> 2011 is based on a GIS system which provides a more accurate estimate of miles.

Source: Various City Departments

## **Other Required Reports**

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## Independent Accountants' Report on Compliance With Arkansas State Requirements

The Honorable Mayor and Members of City Council  
City of Texarkana, Arkansas  
Texarkana, Arkansas

We have examined management's assertions that the City of Texarkana, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2015.

- (1) Arkansas Municipal Accounting Law of 1973, § 14-59-101 et seq.;
- (2) Arkansas District Courts and City Courts Accounting Law, § 16-10-201 et seq.;
- (3) Improvement contracts, §§ 22-9-202 – 22-9-204;
- (4) Budgets, purchases, and payments of claims, etc., § 14-58-201 et seq. and 14-58-301 et seq.;
- (5) Investment of public funds, § 19-1-501 et seq.; and
- (6) Deposit of public funds, §§ 19-8-101 – 19-8-107.

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based upon our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Texarkana, Arkansas complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2015.

This report is intended solely for the information and use of the Mayor, City Council, management, and the State of Arkansas and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

Little Rock, Arkansas  
September 28, 2016

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

The Honorable Mayor and Members of the City Council  
City of Texarkana, Arkansas  
Texarkana, Arkansas

We have audited, in accordance with 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Texarkana, Arkansas, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 28, 2016, which contained a reference to the report of other auditors and an emphasis of matter paragraph regarding a change in accounting principle. Other auditors audited the financial statements of the Texarkana, Arkansas Water Utilities, the Texarkana Airport Authority and the Texarkana Urban Transit District, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Internal Control over Financial Reporting***

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the City's internal control to determine the 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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.

The Honorable Mayor and Members of the City Council  
City of Texarkana, Arkansas  
Page 2

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 may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 determination of financial statement amounts. 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Little Rock, Arkansas  
September 28, 2016

**City of Texarkana, Arkansas**  
**Schedule of Findings and Responses**  
**Year Ended December 31, 2015**

**Findings Required to be Reported by *Government Auditing Standards***

**Reference  
Number**

**Finding**

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No matters are reportable.

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