

City of Texarkana, Arkansas

Comprehensive Annual Financial Report

For the Year Ended December 31, 2016



Finance Department

TyRhonda Henderson
Finance Director

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City of Texarkana, Arkansas
Year Ended December 31, 2016

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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, 2016, 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, 2016. 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 30,127. 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, 2016.

The City of Texarkana, Arkansas is also financially accountable for a legally separate Advertising and Promotion Commission, which is 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 2016 and 2017 within the City. Twenty-nine certificates of occupancy were issued in 2016 and fifteen have been issued so far in 2017. Texarkana Eye Associates is scheduled to open on Stateline Avenue in August 2017 and construction has begun on a new Dollar General on Stateline Avenue. In addition, major remodeling projects are ongoing at Goins Plastic and Razorback Stadium. 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 was completed on these projects in 2016.

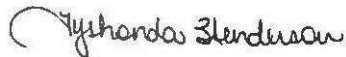
Awards and Acknowledgements

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, 2015. 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

June 29, 2017



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Texarkana
Arkansas

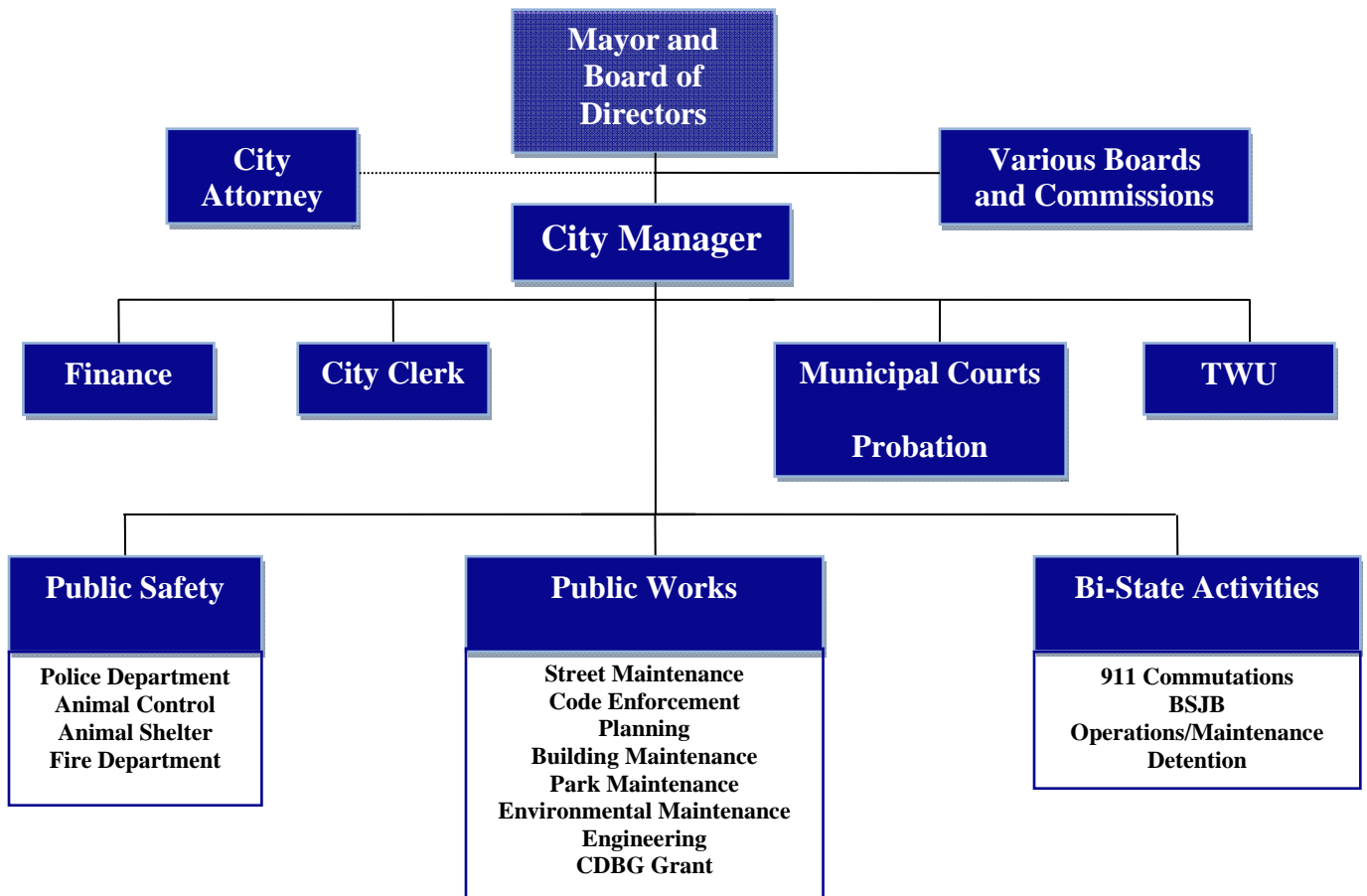
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO



CITY OF TEXARKANA, ARKANSAS ORGANIZATIONAL CHART



City of Texarkana, Arkansas

Elected Officials:

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

Appointed Officials:

Dr. 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Texarkana, Arkansas as of and for the year ended December 31, 2016, 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 \$73,843,361 and \$9,590,596, respectively, and represent 100% of the business-type activities' total assets and operating revenues, respectively, at September 30, 2016 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, 2016, is \$9,834,210, which includes a current year decrease of \$391,662. 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, 2016, is \$720,247 which includes a current year decrease of \$74,103. The financial statements of these entities were audited by other auditors, whose reports have been furnished to us, and our opinions, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Texarkana, Arkansas as of December 31, 2016, 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.

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 as 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.

Other 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 combining and individual fund financial statements and schedules and introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are 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. Such 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 combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The accompanying information in the introductory and statistical sections have 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 June 29, 2017, 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

Rogers, Arkansas
June 29, 2017

City of Texarkana, Arkansas

Management's Discussion and Analysis

December 31, 2016

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, 2016. 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 \$56,208,140 (net position). Of this amount, \$3,692,846 (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's total net position increased by \$1,058,066 during fiscal year 2016.
- As of the close of the current fiscal year, the City of Texarkana, Arkansas' governmental funds reported combined ending fund balances of \$8,588,144.
- At the end of the current fiscal year, unassigned fund balance was \$3,405,025.

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 Advertising and Promotion Commission for which the City of Texarkana, Arkansas is financially accountable. Financial information for this component unit 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 17 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 and the Public Works Fund, both 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, 2016, 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 postemployment 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 \$56,208,140 as of December 31, 2016. The largest portion of the City's net position, 78.8% (\$44,294,996), 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, \$3,692,846, 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			
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 24,980,107	\$ 25,655,299	\$ 14,668,184	\$ 15,796,340	\$ 39,648,291	\$ 41,451,639
Capital assets	34,503,437	36,047,436	57,781,435	41,230,571	92,284,872	77,278,007
Other assets	-	-	1,389,923	1,389,923	1,389,923	1,389,923
Total assets	<u>59,483,544</u>	<u>61,702,735</u>	<u>73,839,542</u>	<u>58,416,834</u>	<u>133,323,086</u>	<u>120,119,569</u>
Deferred outflows of resources	<u>6,010,936</u>	<u>2,689,699</u>	<u>934,684</u>	<u>376,212</u>	<u>6,945,620</u>	<u>3,065,911</u>
Long-term liabilities	50,758,835	48,686,722	28,454,632	14,220,092	79,213,467	62,906,814
Other liabilities	<u>1,719,416</u>	<u>2,835,828</u>	<u>2,713,778</u>	<u>1,892,238</u>	<u>4,433,194</u>	<u>4,728,066</u>
Total liabilities	<u>52,478,251</u>	<u>51,522,550</u>	<u>31,168,410</u>	<u>16,112,330</u>	<u>83,646,661</u>	<u>67,634,880</u>
Deferred inflows of resources	<u>14,066</u>	<u>134,229</u>	<u>399,839</u>	<u>266,297</u>	<u>413,905</u>	<u>400,526</u>
Net position:						
Net investment in capital assets	12,228,378	13,418,445	32,066,618	29,689,707	44,294,996	43,108,152
Restricted	2,948,305	1,838,537	5,271,993	6,617,438	8,220,298	8,455,975
Unrestricted	<u>(2,174,520)</u>	<u>(2,521,327)</u>	<u>5,867,366</u>	<u>6,107,274</u>	<u>3,692,846</u>	<u>3,585,947</u>
Total net position	<u>\$ 13,002,163</u>	<u>\$ 12,735,655</u>	<u>\$ 43,205,977</u>	<u>\$ 42,414,419</u>	<u>\$ 56,208,140</u>	<u>\$ 55,150,074</u>

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, 2016. Governmental activities increased the City's net position by \$266,508. From 2015 to the 2016 revenues decreased by \$311,330 and expenses increased by \$1,309,778. The decrease in revenues can be attributed to a decrease in franchise taxes of \$218,878, due to an overall decrease in area economic activity during the year. The increase in expenditures can be attributed to an increase in Fire expenses of \$971,407 due to an overall increase in the net pension liability for LOPFI. In addition, the changes related to pension provided income of \$263,462 in 2016, which was a decrease of \$1,267,394 from 2015. Business-type activities increased the City's net position by \$791,558. For the business type activities, the revenues from 2015 to 2016 increased by \$34,859 primarily due to a 10% increase in rates, effective in June 2016 (and therefore, only impacted three months of operations). Expenses (excluding transfers out) from 2015 to 2016 decreased by \$103,390 due to an overall decrease in operating expenses.

In addition, deferred outflows for the governmental-type activities increased by \$3,321,237 due to the annual activity within the various pension plans of the City, which are shown in detail within *Note 11*. Long term liabilities for the business-type activities increased by \$14,234,540 due to the acquisition of significant water rights during the year. Additional information on the City of Texarkana, Arkansas' capital assets can be found in *Note 3* of this report.

City of Texarkana, Arkansas
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 5,485,953	\$ 5,338,355	\$ 9,590,596	\$ 9,413,488	\$ 15,076,549	\$ 14,751,843
Operating grants and contributions	3,320,465	3,153,469	-	-	3,320,465	3,153,469
Capital grants and contributions	1,078,636	1,199,000	-	27,748	1,078,636	1,226,748
General revenues:						
Property taxes	3,902,704	3,868,690	-	-	3,902,704	3,868,690
Other taxes	12,344,738	12,685,681	-	-	12,344,738	12,685,681
Other revenue	106,164	304,795	152,922	267,423	259,086	572,218
Total revenues	26,238,660	26,549,990	9,743,518	9,708,659	35,982,178	36,258,649
Expenses:						
General administration	2,582,956	2,489,042	-	-	2,582,956	2,489,042
Police department	6,351,864	6,265,820	-	-	6,351,864	6,265,820
Fire department	4,577,604	3,606,197	-	-	4,577,604	3,606,197
Other public safety	2,877,212	3,205,227	-	-	2,877,212	3,205,227
Protective inspection	567,880	474,893	-	-	567,880	474,893
Public works	6,365,907	5,922,407	-	-	6,365,907	5,922,407
Public services	541,432	532,551	-	-	541,432	532,551
Health and welfare	459,236	410,477	-	-	459,236	410,477
Cultural and recreation	1,171,381	1,157,670	-	-	1,171,381	1,157,670
Interest on long-term debt	811,774	933,184	-	-	811,774	933,184
Water and sewer	-	-	8,724,209	8,827,599	8,724,209	8,827,599
Total expenses	26,307,246	24,997,468	8,724,209	8,827,599	35,031,455	33,825,067
Increase (decrease) in net position before transfers	(68,586)	1,552,522	1,019,309	881,060	950,723	2,433,582
Transfers	335,094	183,034	(227,751)	(233,566)	107,343	(50,532)
Increase (decrease) in net position	266,508	1,735,556	791,558	647,494	1,058,066	2,383,050
Net position - beginning of year	12,735,655	11,000,099	42,414,419	41,766,925	55,150,074	52,767,024
Net position - end of year	\$ 13,002,163	\$ 12,735,655	\$ 43,205,977	\$ 42,414,419	\$ 56,208,140	\$ 55,150,074

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 \$8,588,144.

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 \$3,405,025. Unassigned fund balance represents approximately 19.90% of the total General Fund expenditures. There are 73 days of expenditures in unassigned fund balance, representing an increase of one day from 2015.

For the City's General Fund, from 2015 to 2016, total revenue decreased by 2.42% and total expenditures decreased by .26%. The City's General Fund balance increased by \$95,468 and resulted in an ending fund balance of \$3,754,018.

For the City's Public Works Fund, from 2015 to 2016, total revenue decreased by 1.34%, total expenditures decreased by 4.09% due to a decrease in spending on capital outlay. The change in total revenue over total expenditures increased by 63.87%. Therefore, the Public Works Fund reported a net increase and change in fund balance of \$437,419, which resulted in an ending fund balance of \$1,756,608.

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 \$5,753,859. Unrestricted net position of Texarkana, Arkansas Union Water Utilities at the end of the year amounted to \$91,955. The total growth in net position for Texarkana, Arkansas Water Utilities was \$643,796. The increase in net position for Texarkana, Arkansas Union Water Utilities was \$125,109. 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 \$95,468 or ending fund balance of \$3,754,018. 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 \$564,810. This is mostly a result of expenditures being under budget by \$752,333. Other Public Safety expenditures were under budget by \$557,358. This is primarily due to the Old Fire Pension Plan being transferred to LOPFI in November 2016, which reduced contributions to the fiduciary fund by approximately \$330,000 from 2015. See *Note 11* for more information regarding this Plan.

Capital Assets

The City of Texarkana, Arkansas' investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$92,284,872 (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	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,563,907	\$ 2,563,907	\$ 857,519	\$ 853,169	\$ 3,421,426	\$ 3,417,076
Buildings	7,175,401	7,633,996	1,840,214	1,886,093	9,015,615	9,520,089
Improvements other than buildings	5,517,050	5,996,838	34,814,172	35,298,238	40,331,222	41,295,076
Machinery and equipment	1,187,806	1,484,025	2,044,472	1,985,150	3,232,278	3,469,175
Infrastructure	17,904,906	15,162,616	-	-	17,904,906	15,162,616
Water rights	-	-	17,784,128	495,679	17,784,128	495,679
Construction in progress	154,367	3,206,054	440,930	712,242	595,297	3,918,296
Total	\$ 34,503,437	\$ 36,047,436	\$ 57,781,435	\$ 41,230,571	\$ 92,284,872	\$ 77,278,007

Major capital asset additions for the governmental activities during 2016 included approximately \$500 thousand for ongoing street improvement projects in construction in progress. In addition, the major capital asset additions for the business-type activities consisted primarily of approximately \$17 million in water rights acquisitions. 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 \$21,969,367. Of this amount, \$9,135,064 comprises bonded debt backed by the full faith and credit of the government and \$12,834,303 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 \$11,359,438 represents bonds secured solely by water and sewer revenues.

General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 9,135,064	\$ 9,623,528	\$ -	\$ -	\$ 9,135,064	\$ 9,623,528
Revenue bonds	12,834,303	13,184,382	11,359,438	11,483,954	24,193,741	24,668,336
Total	\$ 21,969,367	\$ 22,807,910	\$ 11,359,438	\$ 11,483,954	\$ 33,328,805	\$ 34,291,864

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 2017 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.

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Basic Financial Statements

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City of Texarkana, Arkansas
Statement of Net Position
December 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Texarkana Advertising & Promotion
Assets				
Cash	\$ 1,403,989	\$ 2,615,430	\$ 4,019,419	\$ 655,633
Investments	1,419,843	563,961	1,983,804	-
Accounts receivable, net of allowance				
Property taxes	4,632,496	-	4,632,496	-
Accounts	378,953	1,480,026	1,858,979	-
Other government agencies	2,222,777	386,633	2,609,410	-
Accrued interest	-	94	94	-
Other	8,457	-	8,457	140,569
Inventories	-	328,913	328,913	-
Prepaid items	296,574	36,709	333,283	-
Restricted assets				
Cash	3,626,765	3,868,224	7,494,989	-
Investments	-	165,312	165,312	-
Accounts receivable	-	133	133	-
Prepaid capital improvement deposits	-	1,089,806	1,089,806	-
Net investment in direct financing lease:				
Due within one year	-	395,503	395,503	-
Due in more than one year	-	3,737,440	3,737,440	-
Investment in joint ventures	10,990,253	-	10,990,253	-
Capital assets - non-depreciable	2,718,274	1,298,449	4,016,723	-
Capital assets - depreciable, net	31,785,163	56,482,986	88,268,149	-
Net pension asset	-	1,389,923	1,389,923	-
Total assets	<u>59,483,544</u>	<u>73,839,542</u>	<u>133,323,086</u>	<u>796,202</u>
Deferred Outflows of Resources				
Deferred outflows - pension	4,294,150	685,374	4,979,524	-
Deferred outflows - pension contributions	1,716,786	249,310	1,966,096	-
Total deferred outflow of resources	<u>6,010,936</u>	<u>934,684</u>	<u>6,945,620</u>	<u>-</u>

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Units
				Texarkana Advertising & Promotion
Liabilities				
Accounts payable	\$ 513,044	\$ 520,435	\$ 1,033,479	\$ 87,762
Construction contracts payable	-	606,957	606,957	-
Accrued liabilities	783,367	230,341	1,013,708	-
Due to other governments	3,707	-	3,707	-
Due to fiduciary funds	418,113	-	418,113	-
Customer deposits	-	578,904	578,904	-
Capital improvement deposits	-	700,681	700,681	-
Other liabilities	1,185	76,460	77,645	-
Long-term liabilities				
Due within one year:				
Bonds payable	615,000	1,166,225	1,781,225	-
Installment loans payable	227,989	-	227,989	-
Obligations under capital leases	18,816	-	18,816	-
Accrued compensated absences	126,064	30,112	156,176	-
Due in more than one year				
Bonds payable	21,354,367	9,193,213	30,547,580	-
Installment loans payable	55,509	-	55,509	-
Obligations under capital leases	3,378	-	3,378	-
Accrued compensated absences	1,971,228	188,704	2,159,932	-
Net pension and other postemployment obligations	26,386,484	3,062,520	29,449,004	-
Other long-term liabilities	-	14,813,858	14,813,858	-
Total liabilities	<u>52,478,251</u>	<u>31,168,410</u>	<u>83,646,661</u>	<u>87,762</u>
Deferred Inflows of Resources				
Deferred inflows - pension	<u>14,066</u>	<u>399,839</u>	<u>413,905</u>	<u>-</u>
Total deferred inflow of resources	<u>14,066</u>	<u>399,839</u>	<u>413,905</u>	<u>-</u>
Net Position				
Net investment in capital assets	12,228,378	32,066,618	44,294,996	-
Restricted				
General administration	81,431	-	81,431	-
Police department	25,272	-	25,272	-
Fire department	20,322	-	20,322	-
Public works	356,038	-	356,038	-
Pension	-	1,389,923	1,389,923	-
Construction	-	648,327	648,327	-
Capital maintenance	-	2,034,307	2,034,307	-
Cultural and recreation	98,952	-	98,952	708,440
Debt service	2,366,290	1,199,436	3,565,726	-
Unrestricted	<u>(2,174,520)</u>	<u>5,867,366</u>	<u>3,692,846</u>	<u>-</u>
Total net position	<u>\$ 13,002,163</u>	<u>\$ 43,205,977</u>	<u>\$ 56,208,140</u>	<u>\$ 708,440</u>

City of Texarkana, Arkansas
Statement of Activities
Year Ended December 31, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets							
	Expenses	Program Revenues			Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Texarkana Advertising & Promotion
Governmental Activities								
General administration	\$ 2,582,956	\$ 302,382	\$ 1,180,007	\$ 827,351	\$ (273,216)	\$ -	\$ (273,216)	
Police department	6,351,864	805,002	369,509	-	(5,177,353)	-	(5,177,353)	
Fire department	4,577,604	5,870	-	-	(4,571,734)	-	(4,571,734)	
Other public safety	2,877,212	-	178,555	-	(2,698,657)	-	(2,698,657)	
Protective inspection	567,880	-	-	-	(567,880)	-	(567,880)	
Public works	6,365,907	4,349,114	1,512,980	-	(503,813)	-	(503,813)	
Public services	541,432	23,585	-	251,285	(266,562)	-	(266,562)	
Health and welfare	459,236	-	-	-	(459,236)	-	(459,236)	
Cultural and recreation	1,171,381	-	79,414	-	(1,091,967)	-	(1,091,967)	
Interest on long-term debt	811,774	-	-	-	(811,774)	-	(811,774)	
Total governmental activities	<u>26,307,246</u>	<u>5,485,953</u>	<u>3,320,465</u>	<u>1,078,636</u>	<u>(16,422,192)</u>	<u>-</u>	<u>(16,422,192)</u>	
Business-Type Activities								
Water and sewer	8,724,209	9,590,596	-	-	-	866,387	866,387	
Total business-type activities	<u>8,724,209</u>	<u>9,590,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>866,387</u>	<u>866,387</u>	
Total primary government	<u>\$ 35,031,455</u>	<u>\$ 15,076,549</u>	<u>\$ 3,320,465</u>	<u>\$ 1,078,636</u>	<u>(16,422,192)</u>	<u>866,387</u>	<u>(15,555,805)</u>	

Functions/Programs Primary Government Component Unit	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Texarkana Advertising & Promotion
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Arkansas Advertising & Promotion	\$ 1,256,220	\$ -	\$ -	\$ -				\$ (1,256,220)
General revenues								
Property taxes				\$ 3,902,704	\$ -	\$ 3,902,704		-
Sales taxes				9,646,473	-	9,646,473		-
Franchise taxes				2,640,381	-	2,640,381		-
Other taxes				57,884	-	57,884		1,212,996
Unrestricted investment earnings				5,885	152,922	158,807		638
Miscellaneous				100,279	-	100,279		406
Transfers				335,094	(227,751)	107,343		-
Total general revenues and transfers				16,688,700	(74,829)	16,613,871		1,214,040
Change in Net Position				266,508	791,558	1,058,066		(42,180)
Net Position, Beginning of Year				12,735,655	42,414,419	55,150,074		750,620
Net Position, End of Year				\$ 13,002,163	\$ 43,205,977	\$ 56,208,140		\$ 708,440

City of Texarkana, Arkansas
Balance Sheet
Governmental Funds
December 31, 2016

	General	Public Works	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 1,403,989	\$ 1,635,515	\$ 1,991,250	\$ 5,030,754
Investments	589,408	-	830,435	1,419,843
Receivables				
Property taxes, net of allowance for uncollectible accounts of \$127,265	2,926,798	126,029	1,579,669	4,632,496
Accounts	378,953	-	-	378,953
Other government agencies	1,631,451	518,308	73,018	2,222,777
Other	-	7,977	480	8,457
Due from other funds	39,203	30,332	18,336	87,871
Prepaid items	263,696	26,119	6,759	296,574
	<u>\$ 7,233,498</u>	<u>\$ 2,344,280</u>	<u>\$ 4,499,947</u>	<u>\$ 14,077,725</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 101,737	\$ 381,091	\$ 30,216	\$ 513,044
Accrued liabilities	432,620	58,584	1,592	492,796
Due to other governments	3,707	-	-	3,707
Due to other funds	436,576	39,201	30,207	505,984
Other liabilities	-	1,185	-	1,185
	<u>974,640</u>	<u>480,061</u>	<u>62,015</u>	<u>1,516,716</u>
Deferred Inflows of Resources				
Unavailable revenue-property taxes	2,488,217	107,611	1,360,359	3,956,187
Unavailable revenue-grants	16,623	-	55	16,678
	<u>2,504,840</u>	<u>107,611</u>	<u>1,360,414</u>	<u>3,972,865</u>
Fund Balances				
Nonspendable				
Prepaid items	263,696	26,119	6,759	296,574
Restricted				
General administration	-	-	74,710	74,710
Police department	19,105	-	6,167	25,272
Fire department	-	-	20,322	20,322
Public works	-	-	356,038	356,038
Debt service	-	-	1,768,212	1,768,212
Cultural and recreation	-	-	98,952	98,952
Committed				
Public works	-	240,855	-	240,855
Cultural and recreation	17,254	-	-	17,254
Assigned				
Police department	18,646	-	406,223	424,869
Public works	30,292	1,489,634	340,135	1,860,061
Unassigned	3,405,025	-	-	3,405,025
	<u>3,754,018</u>	<u>1,756,608</u>	<u>3,077,518</u>	<u>8,588,144</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,233,498</u>	<u>\$ 2,344,280</u>	<u>\$ 4,499,947</u>	<u>\$ 14,077,725</u>

See Notes to Financial Statements

City of Texarkana, Arkansas
Balance Sheet (Continued)
Governmental Funds
December 31, 2016

Total fund balances - total governmental funds \$ 8,588,144

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. 34,503,437

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. 5,996,870

The City's equity investment in joint ventures is not a financial resource and is, therefore, not reported in the funds. 10,990,253

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. 3,972,865

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

Accrued interest payable (290,571)

Accrued compensated absences (2,097,292)

Net pension and other post-employment obligations (26,386,484)

Bonds payable, net of unamortized premiums (21,969,367)

Installment loans payable and obligations under capital lease (305,692)

Total net position - governmental activities \$ 13,002,163

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2016

	General	Public Works	Other Governmental Funds	Total
Revenues				
Property taxes	\$ 2,377,072	\$ 100,246	\$ 1,323,455	\$ 3,800,773
Sales taxes	9,033,182	613,291	-	9,646,473
Other taxes	57,884	-	-	57,884
Utility franchise	2,627,570	-	-	2,627,570
Licenses and permits	37,866	141,209	-	179,075
Fines, forfeitures and penalties	577,048	-	32,220	609,268
Charges for services	288,101	4,062,390	-	4,350,491
Grants and entitlements	360,881	138,195	1,082,917	1,581,993
Intergovernmental	1,304,597	1,374,258	71,883	2,750,738
Investment income	2,896	1,472	1,517	5,885
Miscellaneous	135,503	181,632	36,921	354,056
	<u>16,802,600</u>	<u>6,612,693</u>	<u>2,548,913</u>	<u>25,964,206</u>
Expenditures				
Current:				
General government	1,991,262	-	174,119	2,165,381
Police department	7,064,815	-	-	7,064,815
Fire department	4,485,336	-	-	4,485,336
Other public safety	2,850,753	-	13,325	2,864,078
Protective inspection	-	505,396	-	505,396
Public works	-	4,709,352	21,925	4,731,277
Public services	-	-	57,434	57,434
Health and welfare	388,328	-	-	388,328
Cultural and recreation	11,684	304,942	419,619	736,245
Capital outlay	29,228	264,259	441,949	735,436
Debt service:				
Principal retirement	282,724	-	830,000	1,112,724
Interest and fiscal charges	9,859	-	824,556	834,415
	<u>17,113,989</u>	<u>5,783,949</u>	<u>2,782,927</u>	<u>25,680,865</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>(311,389)</u>	<u>828,744</u>	<u>(234,014)</u>	<u>283,341</u>
Other Financing Sources (Uses)				
Transfers in	1,300,742	87,814	843,885	2,232,441
Transfers out	<u>(893,885)</u>	<u>(479,139)</u>	<u>(524,323)</u>	<u>(1,897,347)</u>
	<u>406,857</u>	<u>(391,325)</u>	<u>319,562</u>	<u>335,094</u>
Net Change in Fund Balances				
	95,468	437,419	85,548	618,435
Fund Balances, Beginning of Year				
	<u>3,658,550</u>	<u>1,319,189</u>	<u>2,991,970</u>	<u>7,969,709</u>
Fund Balances, End of Year				
	<u>\$ 3,754,018</u>	<u>\$ 1,756,608</u>	<u>\$ 3,077,518</u>	<u>\$ 8,588,144</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, 2016

Net change in fund balances - total governmental funds \$ 618,435

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	735,436
Capital outlay items not capitalized	(80,463)
Loss on disposal of capital assets	(25,003)
Depreciation expense	(2,173,969)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 114,742

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. (306,055)

The issuance of long-term debt (*e.g.*, 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. 1,121,267

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	14,098
Accrued compensated absences	(15,442)
Net pension liability	(3,177,938)
Net change in deferred inflows/outflows of resources related to pensions	3,441,400

Change in net position of governmental activities \$ 266,508

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes
In Fund Balances – Budget and Actual – General Fund
Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 2,357,000	\$ 2,372,000	\$ 2,377,072	\$ 5,072
Sales taxes	9,199,300	9,171,000	9,033,182	(137,818)
Other taxes	76,000	53,700	57,884	4,184
Utility franchise	2,969,500	2,714,503	2,627,570	(86,933)
Licenses and permits	38,900	38,900	37,866	(1,034)
Fines, forfeitures and penalties	594,714	589,174	577,048	(12,126)
Charges for services	337,100	302,850	288,101	(14,749)
Grants and entitlements	352,921	405,644	360,881	(44,763)
Intergovernmental	1,288,420	1,294,232	1,304,597	10,365
Investment income	3,000	2,770	2,896	126
Miscellaneous	79,535	116,951	135,503	18,552
Total revenues	<u>17,296,390</u>	<u>17,061,724</u>	<u>16,802,600</u>	<u>(259,124)</u>
Expenditures				
Current:				
General government	2,052,682	2,045,020	1,991,262	53,758
Police department	7,182,974	7,127,394	7,064,815	62,579
Fire department	4,563,262	4,512,371	4,485,336	27,035
Other public safety	3,408,111	3,408,111	2,850,753	557,358
Health and welfare	431,051	400,842	388,328	12,514
Cultural and recreation	48,872	48,772	11,684	37,088
Capital outlay	-	31,228	29,228	2,000
Debt service:				
Principal retirement	282,609	282,522	282,724	(202)
Interest and fiscal charges	9,975	10,062	9,859	203
Total expenditures	<u>17,979,536</u>	<u>17,866,322</u>	<u>17,113,989</u>	<u>752,333</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(683,146)</u>	<u>(804,598)</u>	<u>(311,389)</u>	<u>493,209</u>
Other Financing Sources (Uses)				
Transfers in	1,302,641	1,229,141	1,300,742	71,601
Transfers out	(920,344)	(893,885)	(893,885)	-
Total other financing sources (uses)	<u>382,297</u>	<u>335,256</u>	<u>406,857</u>	<u>71,601</u>
Net Change in Fund Balances	(300,849)	(469,342)	95,468	564,810
Fund Balances, Beginning of Year	<u>3,658,550</u>	<u>3,658,550</u>	<u>3,658,550</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 3,357,701</u>	<u>\$ 3,189,208</u>	<u>\$ 3,754,018</u>	<u>\$ 564,810</u>

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund
Balances – Budget and Actual - Public Works Fund
Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 97,000	\$ 99,800	\$ 100,246	\$ 446
Sales taxes	590,000	609,000	613,291	4,291
Licenses and permits	144,500	148,371	141,209	(7,162)
Charges for services	4,075,000	4,059,200	4,062,390	3,190
Grants and entitlements	534,414	134,971	138,195	3,224
Intergovernmental	1,385,000	1,352,000	1,374,258	22,258
Investment income	750	1,300	1,472	172
Miscellaneous	182,740	206,446	181,632	(24,814)
Total revenues	7,009,404	6,611,088	6,612,693	1,605
Expenditures				
Current:				
Protective inspection	574,891	548,835	505,396	43,439
Public works	5,272,871	4,991,152	4,709,352	281,800
Cultural and recreation	416,704	361,273	304,942	56,331
Capital outlay	1,060,582	434,045	264,259	169,786
Total expenditures	7,325,048	6,335,305	5,783,949	551,356
Excess of Revenues Over Expenditures	(315,644)	275,783	828,744	552,961
Other Financing Sources (Uses)				
Transfers in	113,500	101,050	87,814	(13,236)
Transfers out	(498,940)	(495,000)	(479,139)	15,861
Total other financing sources (uses)	(385,440)	(393,950)	(391,325)	2,625
Net Change in Fund Balances	(701,084)	(118,167)	437,419	555,586
Fund Balances, Beginning of Year	1,319,189	1,319,189	1,319,189	-
Fund Balances, End of Year	\$ 618,105	\$ 1,201,022	\$ 1,756,608	\$ 555,586

City of Texarkana, Arkansas
Statement of Fund Net Position
Proprietary Funds
September 30, 2016

	Texarkana Water Utilities			Total Enterprise Funds
	Water Utilities	Union Utilities	Mandeville Utilities (Non Major)	
Assets				
Current assets				
Cash	\$ 2,517,490	\$ 69,517	\$ 28,423	\$ 2,615,430
Investments	521,610	42,351	-	563,961
Receivables:				
Accounts (net of allowance for uncollectible)	1,416,863	50,326	12,837	1,480,026
Accrued interest	94	-	-	94
Due from other funds	3,819	-	-	3,819
Due from other governments	386,604	-	29	386,633
Inventories	328,913	-	-	328,913
Prepaid items	35,886	657	166	36,709
Net investment in direct financing leases - current	395,503	-	-	395,503
	<u>5,606,782</u>	<u>162,851</u>	<u>41,455</u>	<u>5,811,088</u>
Total current assets				
Noncurrent assets				
Restricted assets				
Cash	3,433,623	280,604	153,997	3,868,224
Investments	66,494	98,818	-	165,312
Receivables				
Interest	133	-	-	133
	<u>3,500,250</u>	<u>379,422</u>	<u>153,997</u>	<u>4,033,669</u>
Total restricted assets				
Capital assets (net of accumulated depreciation)				
Land	810,007	13,749	1,697	825,453
Buildings	1,361,373	890	282	1,362,545
Improvements other than buildings	23,149,635	2,055,057	213,737	25,418,429
Machinery and equipment	2,029,764	12,215	4,243	2,046,222
Property under capital leases	9,903,728	-	-	9,903,728
Water rights	17,784,128	-	-	17,784,128
Construction in progress	439,548	1,049	333	440,930
	<u>55,478,183</u>	<u>2,082,960</u>	<u>220,292</u>	<u>57,781,435</u>
Net capital assets				
Other assets				
Prepaid capital improvement deposits	1,088,908	195	703	1,089,806
Net pension asset	1,389,923	-	-	1,389,923
Net investment in direct financing leases - noncurrent	3,737,440	-	-	3,737,440
	<u>6,216,271</u>	<u>195</u>	<u>703</u>	<u>6,217,169</u>
Total other assets				
Total noncurrent assets	<u>65,194,704</u>	<u>2,462,577</u>	<u>374,992</u>	<u>68,032,273</u>
Total assets	<u>70,801,486</u>	<u>2,625,428</u>	<u>416,447</u>	<u>73,843,361</u>
Deferred Outflows of Resources				
Deferred outflows - pension	674,664	8,529	2,181	685,374
Deferred outflows - pension contributions	245,414	3,102	794	249,310
	<u>920,078</u>	<u>11,631</u>	<u>2,975</u>	<u>934,684</u>
Total deferred outflow of resources				

See Notes to Financial Statements

	Texarkana Water Utilities			Total Enterprise Funds
	Water Utilities	Union Utilities	Mandeville Utilities (Non Major)	
Liabilities				
Current liabilities				
Accounts payable	\$ 518,689	\$ 1,366	\$ 380	\$ 520,435
Construction contracts payable	606,957	-	-	606,957
Accrued liabilities	129,261	4,762	312	134,335
Accrued interest payable	63,782	28,313	3,911	96,006
Due to other funds	-	2,939	880	3,819
Other payables	68,625	4,975	2,860	76,460
Compensated absences - current portion	30,112	-	-	30,112
Bonds payable - current portion	947,747	193,059	25,419	1,166,225
	<u>2,365,173</u>	<u>235,414</u>	<u>33,762</u>	<u>2,634,349</u>
Total current liabilities				
Noncurrent liabilities				
Customer deposits	537,178	31,967	9,759	578,904
Capital improvement deposits	700,681	-	-	700,681
Contracts payable	14,813,858	-	-	14,813,858
Compensated absences	188,704	-	-	188,704
Net pension and OPEB obligations	3,022,651	31,748	8,121	3,062,520
Revenue bonds	7,248,432	1,707,654	237,127	9,193,213
	<u>26,511,504</u>	<u>1,771,369</u>	<u>255,007</u>	<u>28,537,880</u>
Total noncurrent liabilities				
Total liabilities	<u>28,876,677</u>	<u>2,006,783</u>	<u>288,769</u>	<u>31,172,229</u>
Deferred Inflows of Resources				
Deferred inflows - pension	393,606	4,963	1,270	399,839
	<u>393,606</u>	<u>4,963</u>	<u>1,270</u>	<u>399,839</u>
Total deferred inflow of resources				
Net Position				
Net investment in capital assets	31,926,625	182,248	(42,255)	32,066,618
Restricted for construction	648,327	-	-	648,327
Restricted for capital maintenance	1,743,551	153,534	137,222	2,034,307
Restricted for debt service	988,996	197,576	12,864	1,199,436
Restricted for pensions	1,389,923	-	-	1,389,923
Unrestricted	5,753,859	91,955	21,552	5,867,366
	<u>31,926,625</u>	<u>182,248</u>	<u>(42,255)</u>	<u>32,066,618</u>
Total net position	<u>\$ 42,451,281</u>	<u>\$ 625,313</u>	<u>\$ 129,383</u>	<u>\$ 43,205,977</u>

City of Texarkana, Arkansas
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended September 30, 2016

	Texarkana Water Utilities			Total Enterprise Funds
	Water Utilities	Union Utilities	Mandeville Utilities (Non Major)	
Operating Revenues				
Water sales	\$ 3,734,557	\$ 448,305	\$ 88,065	\$ 4,270,927
Wholesale water sales	36,010	-	-	36,010
Water connection fees	1,525	400	-	1,925
Sewer charges	4,102,285	-	-	4,102,285
Penalties and service charges	418,900	23,670	5,211	447,781
Other income	724,252	6,090	1,326	731,668
	<u>9,017,529</u>	<u>478,465</u>	<u>94,602</u>	<u>9,590,596</u>
Total operating revenues				
Operating Expenses				
Administrative	164,109	-	-	164,109
Finance	472,149	8,640	2,164	482,953
Customer service	314,033	33,866	8,459	356,358
Water production	1,058,799	62,632	20,036	1,141,467
Waster distribution	457,004	18,843	4,450	480,297
Sewer collection	412,802	-	-	412,802
Wastewater treatment	1,376,451	-	-	1,376,451
Environmental service	133,168	-	-	133,168
Engineer design	176,274	-	-	176,274
Geographical information systems	120,489	-	-	120,489
Composting	95,934	-	-	95,934
Operations administration	89,849	-	-	89,849
Service center	313,824	-	-	313,824
Safety/security	31,719	-	-	31,719
Field service	193,654	21,711	5,531	220,896
Construction oversight	397,309	1,255	398	398,962
Depreciation	1,895,129	139,931	21,138	2,056,198
Other expenses	219,679	2,429	810	222,918
	<u>7,922,375</u>	<u>289,307</u>	<u>62,986</u>	<u>8,274,668</u>
Total operating expenses				
Operating Income	<u>1,095,154</u>	<u>189,158</u>	<u>31,616</u>	<u>1,315,928</u>
Nonoperating Revenues (Expenses)				
Interest income - investments	9,197	197	21	9,415
Interest income - capital leases	143,507	-	-	143,507
Interest expense and paying agent fees	(342,023)	(63,558)	(8,768)	(414,349)
Gain on disposal of capital assets	(34,288)	(688)	(216)	(35,192)
	<u>(223,607)</u>	<u>(64,049)</u>	<u>(8,963)</u>	<u>(296,619)</u>
Total nonoperating revenues (expenses)				
Income Before Transfers	871,547	125,109	22,653	1,019,309
Transfers Out	<u>(227,751)</u>	<u>-</u>	<u>-</u>	<u>(227,751)</u>
Changes in Net Position	643,796	125,109	22,653	791,558
Net Position, Beginning of Year	<u>41,807,485</u>	<u>500,204</u>	<u>106,730</u>	<u>42,414,419</u>
Net Position, End of Year	<u>\$ 42,451,281</u>	<u>\$ 625,313</u>	<u>\$ 129,383</u>	<u>\$ 43,205,977</u>

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City of Texarkana, Arkansas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2016

	<u>Texarkana Water Utilities</u>			<u>Total Enterprise Funds</u>
	<u>Water Utilities</u>	<u>Union Utilities</u>	<u>Mandeville Utilities (Non Major)</u>	
Operating Activities				
Cash received from customers	\$ 8,994,331	\$ 477,880	\$ 94,376	\$ 9,566,587
Cash paid to suppliers	(3,536,790)	(138,782)	(37,430)	(3,713,002)
Cash paid to employees	(2,216,730)	(19,602)	(4,897)	(2,241,229)
Net cash provided by operating activities	<u>3,240,811</u>	<u>319,496</u>	<u>52,049</u>	<u>3,612,356</u>
Noncapital Financing Activities				
Transfers to City general fund	(227,751)	-	-	(227,751)
Net cash used for noncapital financing activities	<u>(227,751)</u>	<u>-</u>	<u>-</u>	<u>(227,751)</u>
Capital and Related Financing Activities				
Acquisition and construction of capital assets	(2,526,942)	(16,438)	(5,216)	(2,548,596)
Principal paid on bonds	(912,294)	(186,935)	(24,613)	(1,123,842)
Interest paid on bonds	(351,627)	(66,342)	(9,135)	(427,104)
Principal received on direct financing leases	383,626	-	-	383,626
Interest received on direct financing leases	143,507	-	-	143,507
Capital improvement deposits paid	(486,468)	(17,162)	(6,109)	(509,739)
Capital improvement deposits received	176,409	-	-	176,409
Proceeds from sale of capital assets	6,480	17,693	5,614	29,787
Net cash used for capital and related financing activities	<u>(3,567,309)</u>	<u>(269,184)</u>	<u>(39,459)</u>	<u>(3,875,952)</u>
Investing Activities				
Purchase of investments	(767,462)	(282,367)	-	(1,049,829)
Proceeds from sale and maturities of investments	766,860	282,290	-	1,049,150
Interest received on investments	5,397	183	13	5,593
Net cash provided by investing activities	<u>4,795</u>	<u>106</u>	<u>13</u>	<u>4,914</u>
Increase (Decrease) in Cash	(549,454)	50,418	12,603	(486,433)
Cash, Beginning of Year	<u>6,500,567</u>	<u>299,703</u>	<u>169,817</u>	<u>6,970,087</u>
Cash, End of Year	<u>\$ 5,951,113</u>	<u>\$ 350,121</u>	<u>\$ 182,420</u>	<u>\$ 6,483,654</u>
Cash of Proprietary Funds, as Presented, on the "Statement of Net Position - Proprietary Funds" is as follows:				
Cash	\$ 2,517,490	\$ 69,517	\$ 28,423	\$ 2,615,430
Restricted cash	<u>3,433,623</u>	<u>280,604</u>	<u>153,997</u>	<u>3,868,224</u>
	<u>\$ 5,951,113</u>	<u>\$ 350,121</u>	<u>\$ 182,420</u>	<u>\$ 6,483,654</u>

See Notes to Financial Statements

	Texarkana Water Utilities			Total Enterprise Funds
	Water Utilities	Union Utilities	Mandeville Utilities (Non Major)	
Reconciliation of Operating Income to Cash Flows from Operating Activities				
Operating income	\$ 1,095,154	\$ 189,158	\$ 31,616	\$ 1,315,928
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	1,895,129	139,931	21,138	2,056,198
(Increase) decrease in assets:				
Accounts receivable	20,325	2,043	(471)	21,897
Due from other governments	41,457	-	(29)	41,428
Allowance for doubtful accounts	725	-	-	725
Due from other funds	(45,609)	-	37	(45,572)
Inventories	(9,775)	-	-	(9,775)
Prepaid expenses	(22,091)	102	26	(21,963)
Decrease in deferred outflows	(549,707)	(6,964)	(1,801)	(558,472)
Increase (decrease) in liabilities:				
Accounts payable	53,627	213	53	53,893
Accrued liabilities	17,014	76	19	17,109
Due to other funds	54,682	(11,215)	(1,227)	42,240
Accrued compensated absences	(28,174)	-	-	(28,174)
Customer deposits	12,810	(706)	891	12,995
Net pension and postemployment liabilities	566,054	5,828	1,490	573,372
Other payables	7,743	(638)	(118)	6,987
Increase in deferred inflows:	131,447	1,668	425	133,540
Net cash provided by operating activities	<u>\$ 3,240,811</u>	<u>\$ 319,496</u>	<u>\$ 52,049</u>	<u>\$ 3,612,356</u>
Supplemental Schedule of Noncash Transactions Affecting Financial Position				
Noncash from capital and related financing activities:				
Acquisition of water rights through the use of debt	<u>\$ 16,143,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,143,971</u>

City of Texarkana, Arkansas
Statement of Fiduciary Net Position – Fiduciary Funds
December 31, 2016

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,868,701	\$ 220,429
Investments		
Equities	178,845	-
U. S. government obligations	596,957	-
Corporate bonds and notes	1,906,214	-
Mutual funds and other investments	6,451,031	-
Interest receivable	38,927	3,556
Due from other funds	418,113	-
Total assets	11,458,788	223,985
Liabilities		
Accounts payable	15,131	8,614
Escrow deposits	-	215,371
Total liabilities	15,131	223,985
Net Position		
Net position restricted for pensions	\$ 11,443,657	\$ -

City of Texarkana, Arkansas
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2016

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 699,354
Employee	18,942
Intergovernmental	305,525
Other	60,038
Transfers from general fund	75,000
	1,158,859
Investment income	
Net increase in fair value of investments	333,484
Interest and dividends	382,826
	716,310
Less investment expense	61,615
	654,695
Net investment income	654,695
Total additions	1,813,554
Deductions	
Benefits paid directly to participants	2,944,092
Transfer to LOPFI (<i>Note 11</i>)	5,535,326
Administrative expenses	79,971
Transfers to general fund	151,236
	8,710,625
Total deductions	8,710,625
Net Decrease in Net Position	(6,897,071)
Net Position Restricted for Pensions, Beginning of Year	18,340,728
Net Position Restricted for Pensions, End of Year	\$ 11,443,657

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2016

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 unit. The component unit is a legally separate entity 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. Component units can be further distinguished between *Blended Component Units*, presented as part of the primary government, and *Discretely Presented Component Units*, presented separately.

□he 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 Unit

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, 2016 totaled \$1,212,996. The Commission does not have separately issued financial statements.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2016

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, 2015, consisted of \$1,606,922 by Texarkana, Arkansas and \$1,567,949 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 within governmental activities as a joint venture. The City's equity interest in the Airport Authority was \$9,834,210 at December 31, 2015, which is the latest information available. Complete financial statements for the Authority can be obtained from the Texarkana Airport Authority's administrative office.

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, 2016, was \$435,796. Complete financial statements for the Bi-State Justice Center can be obtained from the City of Texarkana, Arkansas Finance Department.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2016

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, 2016, was \$0.

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, 2015, which is the latest information available, was \$720,247.

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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2016

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 unit. 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 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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2016

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.

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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2016

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 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.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

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, 2016, cash equivalents consisted primarily of money market accounts with brokers.

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 acquisition value at the date of donation.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

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.

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	\$	300
Motor vehicles		1,000
Machinery and equipment		500
Communication equipment		500
Pumps and purification equipment		1,000
Buildings and facilities new improvements		1,000
Water and sewer systems		1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Furniture and fixtures	5 years
Motor vehicles	5 years
Machinery and equipment	5 - 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

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

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/reduction in liability) 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 comprised of the difference in investment experience between actual earnings and projected earnings on pension plan investments, the difference in assumption changes, the difference between actual and expected experience, and changes in proportion for cost-sharing plans. 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, 2017. The remaining amounts will be amortized over future periods as shown within *Note 11*.

In addition to liabilities, the statement of net position, statement of fund net position and the balance sheet will sometimes report 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 changes in proportion for cost-sharing plans. 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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2016

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.

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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2016

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.

Restricted by Enabling Legislation

The government-wide Statement of Net Position reports \$708,440 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.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

Adoption of Accounting Principles

GASB Statement No. 72 – Fair Value Measurement and Application

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, for 2016. The statement enhances 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. The Statement also enhances 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.

Implementation of GASB 72 has resulted in more expanded disclosures as they relate to investments held by the City, however, the Statement had no impact on any amounts reported by the City within any of the basic financial statements as listed in the table of contents.

GASB Statement No. 77 – Tax Abatement Disclosures

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, for 2016. The statement requires certain disclosures about the government's tax abatement agreements, as well as those of other governments that would reduce the City's tax revenues (if applicable). Disclosures commence in the period in which the tax abatement agreement is entered into and generally continues until the tax abatement agreement expires.

Implementation of GASB 77 has resulted in more expanded disclosures as they relate to tax abatement agreements entered into by City, however, the Statement had no impact on any amounts reported by the City within any of the basic financial statements as listed in the table of contents.

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, 2016:

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (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. 80 – *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* (GASB 80): GASB 80 clarifies the financial statement presentation requirements for certain component units, amending the blending requirements established by paragraph 53 of GASB 44, *The Financial Reporting Entity*, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to GASB 39, *Determining Whether Certain Organizations are Component Units*. This statement is effective for periods beginning after June 15, 2016.

GASB Statement No. 81 – *Irrevocable Split-Interest Agreements* (GASB 81): GASB 81 provides recognition and measurement guidance for situations in which the government is a beneficiary of an irrevocable split-interest agreement. This statement is effective for periods beginning after December 15, 2016 and should be applied retroactively. The City does not currently have any irrevocable split-interest agreements and, therefore, does not believe that this statement will have any potential impact on its financial statements.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

GASB Statement No. 82 – *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82): GASB 82 addresses issues regarding the presentation of payroll-related measures in required supplementary information, 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. This statement is effective for periods beginning after June 15, 2016, except in certain circumstances which extend the application date to the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 83 – *Certain Asset Retirement Obligations* (GASB 83): GASB 83 addresses issues in accounting and financial reporting for certain asset retirement obligations (AROs), including establishing criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement is effective for periods beginning after June 15, 2018, with earlier application encouraged.

GASB Statement No. 84 – *Fiduciary Activities* (GASB 84): GASB 84 provides for greater consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. This statement is effective for periods beginning after December 15, 2018, with earlier application encouraged.

GASB Statement No. 85 – *Omnibus 2017* (GASB 85): GASB 85 addresses practice issues that have been identified during implementation and application of certain GASB standards and addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and postemployment benefits. This statement is effective for periods beginning after June 15, 2017, with earlier application encouraged.

GASB Statement No. 86 – *Certain Debt Extinguishment Issues* (GASB 86): GASB 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement is effective for periods beginning after June 15, 2017, with earlier application encouraged.

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.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

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, 2016 and September 30, 2016, none of the City's or Utilities bank balances were exposed to custodial credit risk, respectively.

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.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

At December 31, 2016, 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	\$ 64,365	\$ -	\$ -	\$ 64,365	\$ -
U.S. government obligations	532,592	120,333	96,189	40,010	276,060
Corporate bonds	1,906,214	63,602	1,007,588	549,999	285,025
Money market mutual funds	3,478,697	3,478,697	-	-	-
Bond mutual funds	1,604,161	568	579,085	155,268	869,240
		<u>\$ 3,663,200</u>	<u>\$ 1,682,862</u>	<u>\$ 809,642</u>	<u>\$ 1,430,325</u>
Equity mutual funds	4,846,870				
Corporate stocks	<u>178,845</u>				
	<u>\$ 12,611,744</u>				

Interest Rate Risk – Statutes authorize the City along with its component unit, 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.

In compliance with GASB 72, the City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

The City has the following recurring fair value measurements as of December 31, 2016:

- U.S. Treasury obligations and U.S. government obligations of \$64,365 and \$532,592, respectively, are valued using a matrix pricing technique, which values the securities based on the securities’ relationship to benchmark quoted prices (Level 2 inputs)
- Corporate bonds of \$1,906,213 are valued using a matrix pricing technique, which values the securities based on the securities’ relationship to benchmark quoted prices (Level 2 inputs)
- Money market mutual funds of \$3,480,276 are valued at amortized cost and are not considered a fair value measurement
- Bond and equity mutual funds of \$1,604,161 and \$4,845,292, respectively, are valued using quoted market prices (Level 1 inputs)
- Corporate stocks of \$178,845 are valued using quoted market prices (Level 1 inputs)

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, 2016, the City’s and its component units’ investments not directly guaranteed by the U.S. government were rated as follows:

Investment Type	Rating Agency	Rating
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. While the City’s investment policy does not directly address custodial credit risk, all investments held by the City or by an agent of the City in the City’s name are insured or collateralized or limited to Treasury Fund Money Markets.

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, 2016

Summary of Carrying Values

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

	Primary Government	Component Units
Carrying value		
Deposits	\$ 12,269,772	\$ 655,633
Cash on hand	4,185	-
Investments	12,611,744	-
	\$ 24,885,701	\$ 655,633
Included in the following statement of net position captions		
Cash	\$ 4,019,419	\$ 655,633
Investments	1,983,804	-
Restricted cash	7,494,989	-
Restricted investments	165,312	-
Included in the following fiduciary net position captions		
Cash and cash equivalents - Agency Funds	220,429	-
Cash and cash equivalents - Pension Trust Funds	1,868,701	-
Investments-Pension Trust Funds		
Equities	178,845	-
U.S. government obligations	596,957	-
Corporate bonds and notes	1,906,214	-
Mutual funds and other investments	6,451,031	-
	\$ 24,885,701	\$ 655,633

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

Note 3: Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2016, was as follows:

Governmental Activities	Balance, December 31, 2015	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2016
Capital assets, non-depreciable:				
Land	\$ 2,563,907	\$ -	\$ -	\$ 2,563,907
Construction in progress	<u>3,206,054</u>	<u>468,887</u>	<u>(3,520,574)</u>	<u>154,367</u>
Total capital assets, non-depreciable	<u>5,769,961</u>	<u>468,887</u>	<u>(3,520,574)</u>	<u>2,718,274</u>
Capital assets, depreciable				
Buildings	23,377,716	102,850	(12,090)	23,468,476
Improvements other than buildings	12,001,113	112,878	(31,377)	12,082,614
Machinery and equipment	8,035,638	144,952	(217,500)	7,963,090
Infrastructure	<u>40,694,523</u>	<u>3,345,980</u>	<u>-</u>	<u>44,040,503</u>
Total capital assets, depreciable	<u>84,108,990</u>	<u>3,706,660</u>	<u>(260,967)</u>	<u>87,554,683</u>
Less accumulated depreciation				
Buildings	15,743,720	565,251	(15,896)	16,293,075
Improvements other than buildings	6,004,275	572,528	(11,239)	6,565,564
Machinery and equipment	6,551,613	432,500	(208,829)	6,775,284
Infrastructure	<u>25,531,907</u>	<u>603,690</u>	<u>-</u>	<u>26,135,597</u>
Total accumulated depreciation	<u>53,831,515</u>	<u>2,173,969</u>	<u>(235,964)</u>	<u>55,769,520</u>
Total capital assets, depreciable	<u>30,277,475</u>	<u>1,532,691</u>	<u>(25,003)</u>	<u>31,785,163</u>
Total governmental activities, net	<u>\$ 36,047,436</u>	<u>\$ 2,001,578</u>	<u>\$ (3,545,577)</u>	<u>\$ 34,503,437</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

Capital asset activity in the business-type activities for the year ended September 30, 2016, was as follows:

Business-Type Activities	Balance September 30, 2015	Additions and Transfers, Net	Retirements and Transfers, Net	Balance September 30, 2016
Capital Assets, non-depreciable				
Land	\$ 853,169	\$ 4,350	\$ -	\$ 857,519
Construction in progress	<u>712,242</u>	<u>1,533,717</u>	<u>(1,805,029)</u>	<u>440,930</u>
Total capital assets, non-depreciable	<u>1,565,411</u>	<u>1,538,067</u>	<u>(1,805,029)</u>	<u>1,298,449</u>
Capital assets, depreciable				
Buildings and improvements	4,349,361	69,913	(61,863)	4,357,411
Improvements other than buildings	62,419,303	1,143,636	(236,748)	63,326,191
Machinery and equipment	7,628,912	457,531	(268,889)	7,817,554
Water rights	<u>539,511</u>	<u>17,288,449</u>	<u>(43,832)</u>	<u>17,784,128</u>
Total capital assets, depreciable	<u>74,937,087</u>	<u>18,959,529</u>	<u>(611,332)</u>	<u>93,285,284</u>
Less accumulated depreciation				
Buildings and improvements	2,463,268	81,359	(27,430)	2,517,197
Improvements other than buildings	27,121,065	1,576,630	(185,676)	28,512,019
Machinery and equipment	5,643,762	398,209	(268,889)	5,773,082
Water rights	<u>43,832</u>	<u>-</u>	<u>(43,832)</u>	<u>-</u>
Total accumulated depreciation	<u>35,271,927</u>	<u>2,056,198</u>	<u>(525,827)</u>	<u>36,802,298</u>
Total capital assets, depreciable	<u>39,665,160</u>	<u>16,903,331</u>	<u>(85,505)</u>	<u>56,482,986</u>
Total business-type activities, net	<u>\$ 41,230,571</u>	<u>\$ 18,441,398</u>	<u>\$ (1,890,534)</u>	<u>\$ 57,781,435</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

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

Governmental Activities

General government	
General government	\$ 127,918
Police department	546,849
Fire department	167,365
Public works	975,284
Health	17,957
Culture and recreation	338,596
	<u>2,173,969</u>
Total depreciation expense – governmental activities	<u>\$ 2,173,969</u>

Business-Type Activities

Water and sewer	<u>\$ 2,056,198</u>
Total depreciation expense - business-type activities	<u>\$ 2,056,198</u>

Note 4: Construction Projects

At December 31, 2016, 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.

	Project Authorization	Expended Through December 31, 2016	Required Future Financing
Baltimore Street Overlay	\$ 11,612	\$ 11,612	\$ -
Caboose Project	5,000	3,819	1,181
Detention Pond - Crossroads Parkway	40,000	24,500	15,500
Drainage Improvements	50,000	4,132	45,868
Ed Worrell Creek Washout	13,999	10,061	3,938
Highway 71 Bridge Lights	13,340	8,870	4,470
Joey Lane Washout	9,445	757	8,688
Traffic Signal Project	350,000	17,500	332,500
U of A Road Improvement	10,650	8,850	1,800
	<u>504,046</u>	<u>90,101</u>	<u>413,945</u>
Total	<u>\$ 504,046</u>	<u>\$ 90,101</u>	<u>\$ 413,945</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

Note 5: Long-term Liabilities

Changes in long-term liabilities in the governmental activities for the year ended December 31, 2016, and for the business-type activities for the year ended September 30, 2016, were as follows:

Governmental Activities	Balance December 31, 2015	Increases	Decreases	Balance December 31, 2016	Amounts Due in One Year
Bonds payable					
Revenue bonds	\$ 13,185,000	\$ -	\$ 350,000	\$ 12,835,000	\$ 400,000
Less issuance discounts	40,047	-	1,635	38,412	-
Add issuance premiums	39,429	-	1,714	37,715	-
	<u>13,184,382</u>	<u>-</u>	<u>350,079</u>	<u>12,834,303</u>	<u>400,000</u>
General obligation bonds	9,395,000	-	480,000	8,915,000	215,000
Add issuance premiums	228,528	-	8,464	220,064	-
	<u>9,623,528</u>	<u>-</u>	<u>488,464</u>	<u>9,135,064</u>	<u>215,000</u>
Bonds payable, net	22,807,910	-	838,543	21,969,367	615,000
Notes payable	548,454	-	264,956	283,498	227,989
Capital lease obligation	39,962	-	17,768	22,194	18,816
Compensated absences	2,081,850	854,181	838,739	2,097,292	126,064
Net pension liability	23,069,491	3,177,938	-	26,247,429	-
Net OPEB obligation	139,055	-	-	139,055	-
Total governmental activities long-term liabilities	<u>\$ 48,686,722</u>	<u>\$ 4,032,119</u>	<u>\$ 1,960,006</u>	<u>\$ 50,758,835</u>	<u>\$ 987,869</u>
Business-Type Activities	Balance September 30, 2015	Increases	Decreases	Balance September 30, 2016	Amounts Due in One Year
Bonds payable					
Revenue bonds	\$ 11,477,281	\$ -	\$ 1,123,844	\$ 10,353,437	\$ 1,166,225
Plus issuance premiums	6,673	-	672	6,001	-
Bonds payable, net	11,483,954	-	1,124,516	10,359,438	1,166,225
Compensated absences	246,990	170,149	198,323	218,816	30,112
Net pension liability	2,094,715	468,091	-	2,562,806	-
Net OPEB obligation	394,433	116,242	10,961	499,714	-
Total business-type activities long-term liabilities	<u>\$ 14,220,092</u>	<u>\$ 754,482</u>	<u>\$ 1,333,800</u>	<u>\$ 13,640,774</u>	<u>\$ 1,196,337</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

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, 2016, \$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.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

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, 2016, 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, 2016

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, 2016 for governmental activities and September 30, 2016 for business-type activities.

Year	Primary Government			
	Governmental Activities		Business-Type Activities	
	General Obligation Bonds and Revenue Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 615,000	\$ 805,892	\$ 1,166,225	\$ 381,070
2018	640,000	792,226	1,210,074	337,697
2019	650,000	775,426	1,254,059	292,716
2020	665,000	757,145	1,298,891	246,080
2021	685,000	738,191	1,176,207	183,540
2022-2026	3,815,000	3,309,365	4,247,981	362,410
2027-2031	4,630,000	2,510,596	-	-
2032-2036	5,550,000	1,576,087	-	-
2037-2041	4,500,000	491,945	-	-
	<u>\$ 21,750,000</u>	<u>\$ 11,756,873</u>	<u>\$ 10,353,437</u>	<u>\$ 1,803,513</u>

	Notes Payable	
	Principal	Interest
2017	\$ 227,989	\$ 3,309
2018	55,509	173
	<u>\$ 283,498</u>	<u>\$ 3,482</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, 2016, 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, 2016

The following is a summary of pledged revenues of the City for the year ended December 31, 2016.

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
Governmental Activities:						
2012 Franchise Fee Secured Refunding Revenue Bonds	Franchise Taxes	\$ 2,627,570	\$ 616,258	23.5%	\$ 13,571,162	Until 2038
2015 Franchise Fee Secured Refunding Revenue Bonds	Franchise Taxes	2,627,570	149,048	5.7%	5,562,243	Until 2040
Business-Type Activities:						
1998 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	9,017,529	293,224	3.3%	1,319,523	Until 2021
1998B City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	9,017,529	53,638	0.6%	241,836	Until 2021
2001 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	9,017,529	68,390	0.8%	478,710	Until 2023
2004A City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Bonds	Revenues of the Enterprise Fund	573,067	148,406	25.9%	1,187,221	Until 2024
2004B City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Bonds	Revenues of the Enterprise Fund	573,067	261,932	45.7%	2,488,342	Until 2025
2007 City of Texarkana, Arkansas Public Facilities Board Waterworks and Sewer Facilities Revenue Refunding Bonds	Revenues of the Enterprise Fund	9,017,529	721,109	8.0%	6,441,318	Until 2025

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

Note 6: Interfund Balances and Transfers

Interfund receivables and payables as of December 31, 2016, are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 39,203	\$ 436,576
Public Works	30,332	39,201
Non-major governmental funds	<u>18,336</u>	<u>30,207</u>
Total governmental funds	<u>87,871</u>	<u>505,984</u>
Texarkana, Arkansas Water Utilities	3,819	-
Texarkana, Arkansas Union Water Utilities	-	2,939
Non-major proprietary funds	<u>-</u>	<u>880</u>
Total proprietary funds	<u>3,819</u>	<u>3,819</u>
Fiduciary Funds:		
Pension trust funds	<u>418,113</u>	<u>-</u>
Total fiduciary funds	<u>418,113</u>	<u>-</u>
Total	<u><u>\$ 509,803</u></u>	<u><u>\$ 509,803</u></u>

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.

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, 2016, are as follows:

Fund	Transfer In	Transfer Out
General	\$ 1,300,742	\$ 893,885
Public Works	87,814	479,139
Other Nonmajor Governmental Funds	<u>843,885</u>	<u>524,323</u>
Total governmental funds	<u><u>\$ 2,232,441</u></u>	<u><u>\$ 1,897,347</u></u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

Transfers recorded in the Statement of Changes in Fiduciary Net Position as of December 31, 2016, are as follow:

Fiduciary Funds		
Pension Trust Funds	\$ 75,000	\$ 151,236
	<u> </u>	<u> </u>
Total fiduciary funds	<u>\$ 75,000</u>	<u>\$ 151,236</u>

Transfers recorded in the Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds as of September 30, 2016, are as follows:

Proprietary Funds		
Texarkana, Arkansas Water Utilities	\$ -	\$ 227,751
	<u> </u>	<u> </u>
Total proprietary funds	<u>\$ -</u>	<u>\$ 227,751</u>
Total primary government	<u>\$ 2,307,441</u>	<u>\$ 2,276,334</u>

The difference in the transfer in/out of \$31,107 is due to the different year end of the Texarkana, Arkansas Water Utilities (September 30, 2016) and the TAPERS and TWUPERS pension trust funds (June 30, 2016).

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 \$600,234 and \$34,344 for 2016, respectively.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

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.

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 \$702,992 for 2016.

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 2016, the Texas Utilities made total transfers to the Arkansas Utilities for debt service of \$417,507. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease transaction between the Cities.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2016

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.

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.

City of Texarkana, Arkansas
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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 2016, the Texas Utilities made transfers to the Arkansas Utilities for debt service in the amounts of \$109,626. 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.

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.

City of Texarkana, Arkansas
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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 \$154,947 for fiscal year 2016. 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 bears the cost of purchasing this capacity. 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. The final payment for these water rights was made on March 11, 2016. 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 full principal cost for the remaining 35 MGD of the 50 MGD reserved. On June 7, 2016, Texarkana, Arkansas entered a contract with SWAWD to purchase the remaining balance of available water storage capacity in Millwood of 99.8 MGD, with 5 MGD being reserved by SWAD to satisfy easements for the raw water canal crossing the landowner properties. The cost of this additional 99.8 MGD of water rights is \$15,355,379, plus interest for 50 years with annual payments of \$541,522 beginning in January 2017.

City of Texarkana, Arkansas

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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 three 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, 2016. The other single employer defined benefit plans is the Police Relief and Pension Fund (PRPF). During 2016, the Firemen Relief and Pension Fund (FRPF) was transferred to the administration of LOPFI, and is now an agent multi-employer plan, which also has a December 31 year end. 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
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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 City administered plan consisted of the following at the plans most recent fiscal year-end:

	June 30, 2016		December 31,
	TAPERS	TWUPERS	2016
			PRPF
Retirees and beneficiaries			
receiving benefits	27	11	43
Active plan members	20	33	-
Terminated members	37	19	-
Transitioned members	21	-	-
Total	<u>105</u>	<u>63</u>	<u>43</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

C. Financial Information

Separate financial reports are not issued on each plan. The following is the condensed financial information of the pension trust funds:

Statement of Fiduciary Net Position					
	June 30, 2016		December 31, 2016		Total
	TAPERS	TWUPERS	FRPF**	PRPF	
Assets					
Cash and cash equivalents	\$ 45,773	\$ 138,609	\$ 4,925	\$ 1,679,394	\$ 1,868,701
Investments	3,442,610	2,565,887	568	3,123,982	9,133,047
Receivables	7,956	8,217	5	22,749	38,927
Due from other funds	-	-	-	418,113	418,113
Total assets	<u>3,496,339</u>	<u>2,712,713</u>	<u>5,498</u>	<u>5,244,238</u>	<u>11,458,788</u>
Liabilities					
Accounts payable	5,147	1,280	5,498	3,206	15,131
Total liabilities	<u>5,147</u>	<u>1,280</u>	<u>5,498</u>	<u>3,206</u>	<u>15,131</u>
Net Position					
Net position restricted for pensions	<u>\$ 3,491,192</u>	<u>\$ 2,711,433</u>	<u>\$ -</u>	<u>\$ 5,241,032</u>	<u>\$ 11,443,657</u>
Statement of Changes in Fiduciary Net Position					
Additions					
Contributions	\$ 104,306	\$ -	\$ 83,570	\$ 895,983	\$ 1,083,859
Net investment income (loss)	(23,036)	30,416	281,637	365,678	654,695
Transfers from general fund	75,000	-	-	-	75,000
Total additions	<u>156,270</u>	<u>30,416</u>	<u>365,207</u>	<u>1,261,661</u>	<u>1,813,554</u>
Deductions					
Benefits paid directly to participants	427,407	87,302	1,265,291	1,164,092	2,944,092
Transfer to LOPFI	-	-	5,535,326	-	5,535,326
Administrative expenses and other	29,944	44,277	-	5,750	79,971
Transfers to general fund	-	-	151,236	-	151,236
Total deductions	<u>457,351</u>	<u>131,579</u>	<u>6,951,853</u>	<u>1,169,842</u>	<u>8,710,625</u>
Net Increase (Decrease) in Net Position	<u>(301,081)</u>	<u>(101,163)</u>	<u>(6,586,646)</u>	<u>91,819</u>	<u>(6,897,071)</u>
Net Position Restricted For Pensions, Beginning of Year					
	<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>
Net Position Restricted For Pensions, End of Year					
	<u>\$ 3,491,192</u>	<u>\$ 2,711,433</u>	<u>\$ -</u>	<u>\$ 5,241,032</u>	<u>\$ 11,443,657</u>

**The Firemen's Relief and Pension Plan was transferred to LOPFI in November 2016. The Plan is now part of a larger Agent-Multi Employer Plan as of December 31, 2016 and therefore, will no longer be a Pension Trust Fund after payment of remaining liabilities.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

D. Plan Descriptions and Funding Information

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

	Net Pension Asset	Net Pension Liability	Deferred Outflows of Resources	Deferred Outflows of Resources - Contributions	Deferred Inflows of Resources	Pension Expense (Income)
TAPERS	\$ -	\$ 6,388,420	\$ 690,824	\$ 42,260	\$ 3,977	\$ 1,260,560
TWUPERS	1,389,923	-	-	-	-	(33,319)
PRPF	-	8,600,078	181,403	-	-	(798,982)
LOPFI	-	10,695,056	2,943,196	1,334,945	7,538	1,915,435
APERS	-	70,162	18,487	-	2,551	10,735
FRPF	-	493,713	460,240	339,581	-	(468,320)
TMRS	-	2,562,806	685,374	249,310	399,839	394,726
Total	<u>\$ 1,389,923</u>	<u>\$ 28,810,235</u>	<u>\$ 4,979,524</u>	<u>\$ 1,966,096</u>	<u>\$ 413,905</u>	<u>\$ 2,280,835</u>

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 1/360th 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.

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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 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 December 31, 2016, were \$133,570.

The asset concentrations of over 5% are as follows:

Goldman Sachs Strategic Income	\$ 226,105
JP Morgan Core Bond Fund 3717 CI A	292,785
Federated Strategic Value Dividend CI A	221,927
Ishares Russell Midcap Value Index Fund	228,442
Ishares Russell Midcap Growth Index Fund	340,163
Ishares Russell 1000 Growth Index Fund	226,312

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

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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.

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 2016 contributions to the Policemen's Fund were \$895,983. The City's share of contributions was \$895,983 and included \$355,459 in property taxes and \$159,436 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:

Raymond James Financial Note	\$ 292,566
Ishares Russell Midcap Value Index Fund	301,613
Ishares Russell Midcap Growth Index Fund	284,379
Ishares Russell 2000 Growth Index Fund	379,616

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, 2016, the balances of these DROP accounts were \$1,500,744.

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 1/360th 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

City of Texarkana, Arkansas
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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.

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	\$ 360,815
MFS Value Fund CL A	321,597
Vanguard Midcap Index Fund	170,437
American EuroPacific Growth F-2	180,133

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, 2016. Actuarial assumptions used in evaluating the fund and applicable to the PRPF include the following:

Valuation date	December 31, 2016
Cost method	Individual entry-age normal
Asset valuation method	Market value of assets
Amortization method	Open amortization period
Amortization period	5 years

Assumptions:	
Inflation rate	3.00%
Investment rate of return	5.00%
Projected salary increases	N/A

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

	TAPERS	TWUPERS
Actuarial valuation date	6/30/2016	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%	3.5%
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:

Plan	Measurement Date	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset (Liability)	Plan Net Position as a % of Total Pension Asset/Liability
Texarkana, Arkansas Public Employees Retirement System (TAPERS)	6/30/2016	\$ 9,879,614	\$ 3,491,194	\$ (6,388,420)	35.34%
Police Relief and Pension Fund (PRPF)	12/31/2016	13,841,110	5,241,032	(8,600,078)	37.87%
Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)	6/30/2016	1,422,673	2,812,596	1,389,923	197.70%

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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:

Long-term Expected Real Rate of Return			
Asset Class	TAPERS	PRPF	TWUPERS
Domestic Fixed Income		2.25%	
Domestic Equity	6.10%	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%	0.30%

Targeted Asset Allocation			
Asset Class	TAPERS	PRPF	TWUPERS
Domestic Fixed Income		80.00%	
Domestic Equity	48.00%	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%	4.00%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Discount Rate

Texarkana, Arkansas Public Employees Retirement System (TAPERS)

In the June 30, 2016 actuarial valuation, a blended discount rate of 3.18% (4.14% in the prior year) 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 2.85% (based on the Bond Buyer 20-year Municipal Bond Index as of June 30, 2016). 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.

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Policemen's Relief and Pension Fund (PRPF)

In the December 31, 2016 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.

Changes in the Net Pension Liability

Texarkana, Arkansas Public Employees Retirement System (TAPERS)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2016	\$ 8,641,298	\$ 3,792,273	\$ 4,849,025
Changes for the year:			
Service cost	148,947	-	148,947
Interest	352,380	-	352,380
Differences between expected and actual experience	(12,438)	-	(12,438)
Assumption changes	1,176,834	-	1,176,834
Contributions - employer	-	162,438	(162,438)
Contributions - employee	-	16,870	(16,870)
Net investment income	-	(23,036)	23,036
Benefit payments, including refunds of employee contributions	(427,407)	(427,407)	-
Administrative expense	-	(29,944)	29,944
Net changes	1,238,316	(301,079)	1,539,395
Balances at December 31, 2016	\$ 9,879,614	\$ 3,491,194	\$ 6,388,420

City of Texarkana, Arkansas
Notes to Financial Statements
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Policemen's Relief and Pension Fund (PRPF)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2016	<u>\$ 15,565,198</u>	<u>\$ 5,149,213</u>	<u>\$ 10,415,985</u>
Changes for the year:			
Service cost	-	-	-
Interest	751,303	-	751,303
Differences between expected and actual experience	(1,311,299)	-	(1,311,299)
Contributions - employer	-	895,983	(895,983)
Contributions - employee	-	-	-
Net investment income	-	365,678	(365,678)
Benefit payments, including refunds of employee contributions	(1,164,092)	(1,164,092)	-
Administrative expense	-	(5,750)	5,750
Benefit Change	-	-	-
Other changes	-	-	-
Net changes	<u>(1,724,088)</u>	<u>91,819</u>	<u>(1,815,907)</u>
Balances at December 31, 2016	<u><u>\$ 13,841,110</u></u>	<u><u>\$ 5,241,032</u></u>	<u><u>\$ 8,600,078</u></u>

Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) - (b)
Balances at January 1, 2016	<u>\$ 1,455,000</u>	<u>\$ 2,811,604</u>	<u>\$ (1,356,604)</u>
Changes for the year:			
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
Net changes	<u>(32,327)</u>	<u>992</u>	<u>(33,319)</u>
Balances at December 31, 2016	<u><u>\$ 1,422,673</u></u>	<u><u>\$ 2,812,596</u></u>	<u><u>\$ (1,389,923)</u></u>

City of Texarkana, Arkansas
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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:

		Sensitivity of the Net Position Liability to the Single Discount Rate Assumption		
		1% Decrease	Current Blended Rate Assumption	1% Increase
		2.18%	3.18%	4.18%
TAPERS	Net Pension Liability	\$ 7,869,495	\$ 6,388,420	\$ 5,185,906
		1% Decrease	Current Single Rate Assumption	1% Increase
		4.00%	5.00%	6.00%
PRPF	Net Pension Liability	\$ 9,823,133	\$ 8,600,078	\$ 7,552,271
		1% Decrease	Current Single Rate Assumption	1% Increase
		2.50%	3.50%	4.50%
TWUPERS	Net Pension Asset	\$ 1,207,923	\$ 1,389,923	\$ 1,541,923

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 table below:

Plan	FY Ended	Annual Return
Texarkana, Arkansas Public Employees Retirement System (TAPERS)	6/30/2016	-1.12%
Police Relief and Pension Fund (PRPF)	12/31/2016	8.22%
Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)	6/30/2016	3.15%

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

For the year ended December 31, 2016, the City recognized pension expense from all single-employer defined benefit pension plans of \$428,259. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to these pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,977
Change of assumptions	371,024	-
Net difference between projected and actual earnings on pension plan investments	501,203	-
Contributions subsequent to the measurement date	42,260	-
Total	\$ 914,487	\$ 3,977

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$42,260 will be recognized as a reduction of the net pension liability for the year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ending December 31
2017	\$ 526,565
2018	159,518
2019	159,517
2020	22,650
Total	\$ 868,250

City of Texarkana, Arkansas
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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 86th 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 publicly available financial report that includes financial statements and required supplementary information of the Plan, which may be obtained by writing to 124 West Capitol Avenue, Suite 400, Little Rock, AR 72201.

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 members (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 14.50% of covered employee's salaries to the plan for the period January 1, 2016 to December 31, 2016. Contributions made to the plan the City for the year ended December 31, 2016, amounted to \$7,808. There were no contributions made by the Member.

City of Texarkana, Arkansas
Notes to Financial Statements
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the City reported a liability of \$70,162 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the City's proportion was .00293398 percent, which was an increase of .00001087 percent from the prior year.

For the year ended December 31, 2016, the City recognized pension expense of \$10,735. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 66	\$ 2,517
Change of assumptions	5,377	-
Changes in proportion	794	34
Net difference between projected and actual earnings on pension plan investments	<u>12,250</u>	<u>-</u>
Total	<u>\$ 18,487</u>	<u>\$ 2,551</u>

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

	<u>Year Ending June 30</u>
2017	\$ 3,489
2018	2,996
2019	6,118
2020	<u>3,333</u>
Total	<u>\$ 15,936</u>

City of Texarkana, Arkansas
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Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.95 to 9.85 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, 2016 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, 2016 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:

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	38%	6.82%
International Equity	24%	6.88%
Real Assets	16%	3.07%
Absolute Return	5%	3.35%
Domestic Fund	17%	0.83%
Total	100%	

City of Texarkana, Arkansas
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Discount Rate

In the June 30, 2016 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:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.50%	Current Single Rate Assumption 7.50%	1% Increase 8.50%
City's proportionate share of the net pension liability	\$ 106,207	\$ 70,162	\$ 40,163

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued APERS financial report.

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
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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 members 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 16.13% of covered employee's salaries to the plan for policeman and 20.23% of covered employees' salaries to the plan for firemen for the year ended December 31, 2016. Contributions made to the plan by employees and the City for the year ended December 31, 2016 amounted to \$636,211 and \$1,334,945, respectively.

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

At December 31, 2016, the City reported a liability of \$10,695,056 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 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 2.0038 percent, which was a decrease of .0008 percent from the prior year.

For the year ended December 31, 2016, the City recognized pension expense of \$1,915,435. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 113,139	\$ 4,217
Change of assumptions	835,569	-
Net difference between projected and actual earnings on pension plan investments	1,908,822	-
Changes in proportion	85,666	3,321
Contributions subsequent to the measurement date	1,334,945	-
Total	<u>\$ 4,278,141</u>	<u>\$ 7,538</u>

City of Texarkana, Arkansas
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The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,334,945 will be recognized as a reduction of the net pension liability for the year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as:

<u>Year Ending December 31</u>		
2017	\$	754,908
2018		754,908
2019		755,137
2020		<u>670,705</u>
Total	\$	<u>2,935,658</u>

Actuarial Assumptions

The total pension liability in the December 31, 2015 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	2.75 percent (3.00 percent in prior year)
Wage inflation	3.75 percent (4.00 percent in prior year)
Salary increases	4.25 to 18.75 percent, including inflation (4.50 to 19.00 percent, including inflation, in prior year)
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation (8.00 percent in prior year)

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, 2015 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, 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. 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:

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Notes to Financial Statements
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Long-term Expected Real Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%
Total	<u>100%</u>	

Discount Rate

In the December 31, 2015 actuarial valuation, a single discount rate of 7.75% (8.00% in the prior year) 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 7.75%. 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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
City's proportionate share of the net pension liability	\$ 16,829,554	\$ 10,695,056	\$ 5,556,668

City of Texarkana, Arkansas

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Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LOPFI financial report.

Agent Multiple-Employer Defined Benefit Plans

The *Firefighter's Relief and Pension Fund (FRPF)* is an agent multiple-employer defined benefit pension plan for employees of the Fire Department who were hired prior to January 1, 1983. The Old Plans were established in accordance with Arkansas statutes and were closed, by state law, to new employees effective January 1, 1983. On September 6, 2016, the City entered into an agreement with the Arkansas local police and fire (LOPFI) retirement system whereby LOPFI assumed responsibility for administration and a portion of the obligation of the Old Plans pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of the State of Arkansas. Per the Agreement between the City and LOPFI, the City will contribute an actuarially determined rate sufficient to support the current plan benefit levels and fund the Old Plan's net pension obligation over a 15-year open amortization period. The Old Plan's benefit structure remains unchanged under the administration of LOPFI. The assets of the Old Fire Plan are included in the pooled assets of the LOPFI System and a financial report that includes disclosures about the elements of the basic financial statements is available on the LOPFI's website at www.lopfi-prb.com.

This Plan was previously reported as a single employer defined benefit pension plan, which had a measurement date in line with the City's year-end. However, the Plan will now be reported one-year behind, consistent with the agent-multi employer pension plan as a whole, and will report a deferred outflow of resources for contributions remitted after the measurement date (December 31, 2015).

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 firemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the fire 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 FRPF 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 firemen hired after January 1, 1983, participate in the Arkansas Local Fire and Fire Retirement System created by Act 364 of 1981. Therefore, the FRPF is effectively closed to new members.

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Contributions to the Firemen’s Fund were previously set forth in Arkansas statute. The City’s contribution to the Firemen’s Fund previously consisted of a one mill real and personal property tax collection, an insurance premium tax turnback collected by the State Insurance Commissioner. Administrative costs were financed by the Firemen’s Fund. Total 2016 contributions to the Firemen’s Fund were \$339,581. Of this amount, \$83,570 was contributed to the related pension trust fund before being transferred to LOPFI while the remaining \$256,011 was transferred directly from the City’s general fund to LOPFI for its remaining 2016 contribution. The City’s share of contributions was \$339,581. As the administration of the Plan was transferred to LOPFI in 2016, contributions from that point forth will now be actuarially determined annually.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	31
DROP members	1
Active members	<u>-</u>
Total	<u><u>32</u></u>

As the plan is closed to new members and there are no active members included in the plan, there are no contributions made by members to the plan. The contribution rate for the City is actuarially determined on an annual basis. The Plan does, however, receive a state insurance turn back on an annual basis, which amounted to \$15,135 during the year ended December 31, 2016

Actuarial Assumptions

Valuation date	December 31, 2015
Cost method	Individual entry-age normal
Asset valuation method	Market value of assets
Amortization method	Open amortization period
Amortization period	5 years
Assumptions:	
Inflation rate	3.00%
Investment rate of return	5.00%
Projected salary increases	N/A

Mortality rates for retirees, beneficiaries, and DROP members were based on the 1983 Group Annuity Table for Males, set back five years for females.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in FRPF was for the period January 1, 2007 through December 31, 2012, first used in the December 31, 2013 valuation. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

City of Texarkana, Arkansas
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Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments is 5.0%. The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the LOPFI 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 the plan.

The long-term expected rate of return on pension plan investment was determined using a building block method in which best estimate ranges of expend 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:

	Asset Allocation	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	80.00%	2.25%
Domestic Equity	10.00%	4.75%
Cash	10.00%	0.25%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 5.0%. The projection of cash flows used to determine the discount rate assumed that 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 retired and DROP 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
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Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2015	\$ 7,882,983	\$ 7,005,535	\$ 877,448
Changes for the year:			
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	-	-	-
Net changes	(802,624)	(418,889)	(383,735)
Balances at December 31, 2015	\$ 7,080,359	\$ 6,586,646	\$ 493,713

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

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

	1% Decrease 4.00%	Current Single Rate Assumption 5.00%	1% Increase 6.00%
FRPF Net Pension Liability (Asset)	\$ 1,096,894	\$ 493,713	\$ (27,047)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LOPFI financial report.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources

For the year ended December 31, 2016, the City recognized pension income of \$468,320 related to this plan.

City of Texarkana, Arkansas
Notes to Financial Statements
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At December 31, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 460,240
Contributions subsequent to the measurement date	339,581
Total	\$ 799,821

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$339,581 will be recognized as a reduction of the net pension liability for the year ending December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Net Deferred Outflows of Resources
2017	\$ 115,060
2018	115,060
2019	115,060
2020	115,060
Total	\$ 460,240

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.

City of Texarkana, Arkansas
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December 31, 2016

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.

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, 2015 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	99
Inactive employees entitled to but not yet receiving benefits	41
Active Employees	<u>151</u>
Total	<u><u>291</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.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

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 16.71% and 15.83% in calendar years 2015 and 2016, respectively. The Utility's contributions to TMRS for the year ended September 30, 2016, were \$378,344, and were equal to the required contributions.

Actuarial Assumptions

Inflation	2.50% per year (3.00% in prior year)
Overall Payroll Growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation (7.00% in prior year)

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, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2011 through December 31, 2014, first used in the December 31, 2015 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 6.75%. 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, 2016

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:

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
Total	100.00%	

Discount Rate

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

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2014	\$ 12,541,204	\$ 10,446,489	\$ 2,094,715
Changes for the year:			
Service cost	351,625	-	351,625
Interest	871,573	-	871,573
Differences between expected and actual experience	(267,852)	-	(267,852)
Assumption changes	55,137	-	55,137
Contributions - employer	-	378,344	(378,344)
Contributions - employee	-	158,492	(158,492)
Net investment income	-	15,397	(15,397)
Benefit payments, including refunds of employee contributions	(503,086)	(503,086)	-
Administrative expense	-	(9,378)	9,378
Other changes	-	(463)	463
Net changes	507,397	39,306	468,091
Balances at December 31, 2015	\$ 13,048,601	\$ 10,485,795	\$ 2,562,806

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 point higher than the current rate:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Utility's Net Pension Liability	\$ 4,408,277	\$ 2,562,806	\$ 1,049,941

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

For the year ended September 30, 2016, the Utility recognized pension expense of \$394,726.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

At September 30, 2016, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 399,839
Change of assumptions	37,717	-
Net difference between projected and actual earnings on pension plan investments	647,657	-
Contributions subsequent to the measurement date	<u>249,310</u>	<u>-</u>
Total	<u>\$ 934,684</u>	<u>\$ 399,839</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$249,310 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:

	<u>Year Ending September 30</u>
2017	\$ 50,575
2018	50,575
2019	73,374
2020	<u>111,012</u>
Total	<u>\$ 285,535</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

Note 12: 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 of December 31, 2016.

Note 13: 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, 2016, there are 18 retirees participating in the post-employment health benefit program. Participant contributions totaled \$106,829 in 2016.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

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>(106,829)</u>
Decrease in net OPEB obligation	-
Net OPEB obligation - beginning of year	<u>139,055</u>
Net OPEB obligation - end of year	<u><u>\$ 139,055</u></u>

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	<u>5,648</u>
Annual required contribution (ARC)	<u><u>\$ 108,331</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2016	\$ 106,829	100.0%	\$ 139,055
12/31/2015	\$ 106,829	107.5%	\$ 139,055
12/31/2014	\$ 124,458	109.1%	\$ 147,019

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2016

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.

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.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

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	\$ 63,286
Amortization of UAAL	<u>59,818</u>
Annual required contribution	123,104
Interest on prior year net OPEB obligation	15,394
Annual required contribution adjustment	<u>(22,256)</u>
Annual OPEB cost	116,242
Total annual contribution	<u>(10,961)</u>
Increase in net OPEB obligation	105,281
Net OPEB obligation – beginning of year	<u>394,433</u>
Net OPEB obligation – end of year	<u>\$ 499,714</u>

The TWU’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/16	\$ 116,242	9.43%	\$ 499,714
9/30/15	\$ 121,640	13.20%	\$ 394,433
9/30/14	\$ 78,955	29.38%	\$ 288,854

Funded Status and Funding Progress: As of October 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,054,605, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,054,605.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2016

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, 2016, 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.

Note 14: 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.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

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 2015 to 2016; nor have settlement amounts exceeded insurance coverage for each of the past three years.

Note 15: 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.

In the governmental funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2016, property taxes receivable and related deferred inflows of resources of \$3,956,187 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.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

Note 16: Tax Abatements

The City enters into certain tax abatement agreements with local businesses in accordance with State Law for the purpose of attracting or retaining businesses within its jurisdiction. The abatements may be granted to any business located within or promising to relocate to the City.

The City currently has an agreement with a hotel company whereby the City will rebate all A&P taxes for a period of 15 years, to be concluded in 2025, to be used exclusively for the operation and maintenance of the convention center and Water Park constructed. Authority to enter into the agreements were afforded to the City Manager by the City's Board of Directors. In order to be eligible for the abatement, the company was required to construct a hotel/convention center and Water Park in the Crossroads Business Park in Texarkana, Arkansas.

For the fiscal year ended December 31, 2016, the City abated A&P taxes totaling approximately \$65,000, which account for approximately 5% of the A&P fund tax revenue. In addition to the annual rebate, the City has made other commitments in association with the agreement, which include an annual contribution of \$100,000 for 15 years (expiring in 2025) for maintenance and operation of the convention center and an annual contribution of \$250,000 for 20 years (expiring in 2030) for maintenance and operation of the Water Park. These annual contributions are contingent upon the continued operation of the facilities and the need for maintenance, and are evaluated annually. For the fiscal year ended December 31, 2016, the City made an annual contribution of \$350,000 to the company.

There were no amounts received or receivable from other governments in association with the forgone tax revenues.

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.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2016

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.

Note 18: Subsequent Events

The City of Texarkana, Texas and Texarkana, Arkansas each approved the application of different allocation rates than those used in the fiscal year 2016 audit for shared costs of the Texarkana Water Utilities (business-type activities and enterprise fund) in the fiscal year 2017. The new funding ratio adopted will be 62.63% Texas and 37.37% Arkansas. The rates used for fiscal year 2016 were 62.95% for Texas and 37.05% for Arkansas.

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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,	2016	2015	2014
Total Pension Liability			
Service Cost	\$ -	\$ -	\$ -
Interest	751,303	878,014	888,913
Benefit Changes	-	(378,000)	-
Difference Between Actual & Expected Experience	(1,311,299)	(476,658)	14,625
Assumption Changes	-	-	-
Benefit Payments	(1,164,092)	(1,162,333)	(1,177,920)
Refunds	-	-	-
Net Change in Total Pension Liability	<u>(1,724,088)</u>	<u>(1,138,977)</u>	<u>(274,382)</u>
Total Pension Liability - Beginning	<u>15,565,198</u>	<u>16,704,175</u>	<u>16,978,557</u>
Total Pension Liability - Ending (a)	<u><u>\$ 13,841,110</u></u>	<u><u>\$ 15,565,198</u></u>	<u><u>\$ 16,704,175</u></u>
Plan Fiduciary Net Position			
Contributions - Employee	\$ -	\$ -	\$ -
Contributions - Employer	895,983	854,698	827,917
Net Investment Income	365,678	(229,837)	201,657
Benefit Payments	(1,164,092)	(1,162,333)	(1,177,920)
Administrative Expense	(5,750)	(5,650)	(4,500)
Reconciliation Adjustment	-	-	-
Net Change in Plan Fiduciary Net Position	<u>91,819</u>	<u>(543,122)</u>	<u>(152,846)</u>
Plan Fiduciary Net Position - Beginning	<u>5,149,213</u>	<u>5,692,335</u>	<u>5,845,181</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 5,241,032</u></u>	<u><u>\$ 5,149,213</u></u>	<u><u>\$ 5,692,335</u></u>
Net Pension Liability (a) - (b)	<u><u>\$ 8,600,078</u></u>	<u><u>\$ 10,415,985</u></u>	<u><u>\$ 11,011,840</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	37.87%	33.08%	34.08%
Covered Employee Payroll	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A	N/A

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

Note: This information is presented as of the measurement date, which is December 31.

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
2016	2,443,461	895,983	1,547,478	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

Fiscal Year Ended	
December 31,	Annual Return
2014	3.79%
2015	-4.72%
2016	8.22%

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,	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 148,947	\$ 157,063	\$ 146,612
Interest	352,380	383,918	437,404
Difference Between Actual & Expected Experience	(12,438)	(303,978)	(680,274)
Assumption Changes	1,176,834	533,271	285,779
Benefit Payments	(427,407)	(599,657)	(1,134,456)
Net Change in Total Pension Liability	<u>1,238,316</u>	<u>170,617</u>	<u>(944,935)</u>
Total Pension Liability - Beginning	<u>8,641,298</u>	<u>8,470,681</u>	<u>9,415,616</u>
Total Pension Liability - Ending (a)	<u>\$ 9,879,614</u>	<u>\$ 8,641,298</u>	<u>\$ 8,470,681</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 162,438	\$ 100,142	\$ 118,862
Contributions - Member	16,870	18,255	22,989
Net Investment Income	(23,036)	74,808	577,706
Benefit Payments	(427,407)	(599,657)	(1,134,456)
Administrative Expense	(29,944)	(59,688)	(54,386)
Net Change in Plan Fiduciary Net Position	<u>(301,079)</u>	<u>(466,140)</u>	<u>(469,285)</u>
Plan Fiduciary Net Position - Beginning	<u>3,792,273</u>	<u>4,258,413</u>	<u>4,727,698</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,491,194</u>	<u>\$ 3,792,273</u>	<u>\$ 4,258,413</u>
Net Pension Liability (a) - (b)	<u>\$ 6,388,420</u>	<u>\$ 4,849,025</u>	<u>\$ 4,212,268</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	35.34%	43.89%	50.27%
Covered Employee Payroll	\$ 817,749	\$ 823,930	\$ 943,584
Net Pension Liability as a Percentage of Covered Employee Payroll	781.22%	588.52%	446.41%

Note: Information in this schedule has been determined as of the measurement date which is June 30.

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
2014	\$ 382,196	\$ 104,565	\$ 277,631	\$ 1,045,650	10.00%
2015	\$ 383,177	\$ 86,486	\$ 296,691	\$ 864,860	10.00%
2016	\$ 424,388	\$ 133,570	\$ 290,818	\$ 835,690	15.98%

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

Fiscal Year Ended June 30,	Annual Return
2014	12.73%
2015	1.36%
2016	-1.12%

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,	2016	2015
Total Pension Liability		
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)
Net Change in Total Pension Liability	(32,327)	71,000
Total Pension Liability - Beginning	1,455,000	1,384,000
Total Pension Liability - Ending (a)	\$ 1,422,673	\$ 1,455,000
Plan Fiduciary Net Position		
Net Investment Income	\$ 87,231	334,568
Benefit Payments	(66,248)	(128,315)
Administrative Expense	(19,991)	(26,642)
Net Change in Plan Fiduciary Net Position	992	179,611
Plan Fiduciary Net Position - Beginning	2,811,604	2,631,993
Plan Fiduciary Net Position - Ending (b)	\$ 2,812,596	\$ 2,811,604
Net Pension Asset (a) - (b)	\$ (1,389,923)	\$ (1,356,604)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	197.70%	193.24%
Covered Employee Payroll	N/A	N/A
Net Pension Asset as a Percentage of Covered Employee Payroll	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

Fiscal Year Ended June 30,	Annual Return
2015	13.10%
2016	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>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.00293398%	0.00292311%
City's proportionate share of the net pension liability	\$ 70,162	\$ 53,836
City's covered-employee payroll	53,158	51,863
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.99%	103.80%
Plan fiduciary net position as a percentage of the total pension liability	75.50%	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

City Fiscal year ended December 31,	2016	2015
Contractually required contribution	\$ 7,808	\$ 7,686
Contributions in relate to the contractually required contribution	<u>(7,808)</u>	<u>(7,686)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 53,849	\$ 52,545
Contributions as a percentage of covered-employee payroll	14.50%	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>2016</u>	<u>2015</u>
City's proportion of the net pension liability	2.03802867% (1)	2.00463000%
City's proportionate share of the net pension liability	\$ 10,695,056	\$ 7,256,932
City's covered-employee payroll	7,516,626	7,527,269
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	142.29%	96.41%
Plan fiduciary net position as a percentage of the total pension liability	72.90%	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.

(1): Assumption changes for 2015 valuation include a decrease in price inflation from 3.00 to 2.75 percent; a decrease in wage inflation from 4.00 to 3.75 percent; a decrease in salary increases from 4.50 to 19 percent to 4.25 to 18.75 percent; and a decrease in the investment rate of return from 8.00 to 7.75 percent.

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

City Fiscal year ended December 31,	2016	2015
Contractually required contribution	\$ 1,334,945 (1)	\$ 1,262,355
Contributions in relate to the contractually required contribution	<u>(1,334,945)</u>	<u>(1,262,355)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 7,484,833	\$ 7,516,626
Contributions as a percentage of covered-employee payroll	17.84%	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.

(1): Assumption changes for 2015 valuation include a decrease in price inflation from 3.00 to 2.75 percent; a decrease in wage inflation from 4.00 to 3.75 percent; a decrease in salary increases from 4.50 to 19 percent to 4.25 to 18.75 percent; and a decrease in the investment rate of return from 8.00 to 7.75 percent.

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,	2016	2015
Total Pension Liability		
Service Cost	\$ -	\$ -
Interest	426,648	425,030
Benefit Changes	-	-
Difference Between Actual & Expected Experience	(635,022)	123,866
Assumption Changes	-	-
Benefit Payments	<u>(594,250)</u>	<u>(611,404)</u>
Net Change in Total Pension Liability	(802,624)	(62,508)
Total Pension Liability - Beginning	<u>7,882,983</u>	<u>7,945,491</u>
Total Pension Liability - Ending (a)	<u><u>\$ 7,080,359</u></u>	<u><u>7,882,983</u></u>
Plan Fiduciary Net Position		
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	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	(418,889)	96,588
Plan Fiduciary Net Position - Beginning	<u>7,005,535</u>	<u>6,908,947</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 6,586,646</u></u>	<u><u>\$ 7,005,535</u></u>
Net Pension Liability (a) - (b)	<u><u>\$ 493,713</u></u>	<u><u>\$ 877,448</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.03%	88.87%
Covered Employee Payroll	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Employee Payroll	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
2013	\$ 572,814	\$ 424,585	\$ 148,229	N/A	N/A
2014	481,734	435,704	46,030	N/A	N/A
2015	306,867	431,342	112,591	N/A	N/A
2016	287,464	339,581	(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 Changes in the Utility's Net Pension Liability and Related Ratios -
 TMRS**

Fiscal year ended December 31,	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service cost	\$ 351,625	\$ 341,893
Interest	871,573	849,350
Difference between actual & expected experience	(267,852)	(338,578)
Assumption Changes	55,137	-
Benefit payments	<u>(503,086)</u>	<u>(548,171)</u>
Net Change in Total Pension Liability	507,397	304,494
Total Pension Liability - Beginning	<u>12,541,204</u>	<u>12,236,710</u>
Total Pension Liability - Ending (a)	<u>\$ 13,048,601</u>	<u>\$ 12,541,204</u>
 Plan Fiduciary Net Position		
Contributions - employer	\$ 378,344	\$ 408,640
Contributions - employee	158,492	161,609
Net investment income	15,397	564,425
Benefit payments	(503,086)	(548,171)
Administrative expense	(9,378)	(5,893)
Other	<u>(463)</u>	<u>(484)</u>
Net Change in Plan Fiduciary Net Position	39,306	580,126
Plan Fiduciary Net Position - Beginning	<u>10,446,489</u>	<u>9,866,363</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 10,485,795</u>	<u>\$ 10,446,489</u>
 Net Pension Liability (a) - (b)	<u>\$ 2,562,806</u>	<u>\$ 2,094,715</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	80.36%	83.30%
Covered Employee Payroll	\$ 2,194,045	\$ 2,308,702
Net Pension Liability as a Percentage of Covered Employee Payroll	116.81%	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.

Changes in assumptions: In the 2015 valuation, the investment rate of return decreased from 7.00% to 6.75%, the discount rate decreased from 7.00% to 6.75%, and the inflation rate decreased from 3.00% to 2.50%.

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	\$ -	\$ 2,308,702	10.94%
2016	378,344	378,344	-	1,486,508	25.45%

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization	30 Years
Asset Valuation	10 Year Smoothed Market, 15% Soft Corridor
Inflation	2.50% (3.00% in prior year)
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75% (7.00% in prior year)
Retirement Age	Experience-based table of rates that are specific to the Utility's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
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, 2016

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
Governmental Activities						
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
Proprietary Funds						
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%
10/1/2016	-0-	\$ 1,054,605	\$ 1,054,605	0%	\$ 6,523,106*	16.17%

*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.

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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.

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.

2012 Franchise Fee Projects Fund – This fund is used to account 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.

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City of Texarkana, Arkansas
Combining Balance Sheet
Governmental Funds – Nonmajor
December 31, 2016

	Special Revenue				
	Community Development Block Grant	Police Fund	Kline Park Monument	Front Street Project	Domestic Violence
Assets					
Cash	\$ 35,168	\$ 5,567	\$ 470	\$ 13,864	\$ 1
Investments	-	-	-	-	-
Receivables (net of allowance)					
Property taxes	-	-	-	-	-
Other government agencies	6,711	10	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid items	38	-	-	-	-
	<u>41,917</u>	<u>5,577</u>	<u>470</u>	<u>13,864</u>	<u>1</u>
Total assets	<u>\$ 41,917</u>	<u>\$ 5,577</u>	<u>\$ 470</u>	<u>\$ 13,864</u>	<u>\$ 1</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 5,588	\$ 3,997	\$ 34	\$ 65	\$ -
Accrued liabilities	1,592	-	-	-	-
Due to other funds	30,207	-	-	-	-
	<u>37,387</u>	<u>3,997</u>	<u>34</u>	<u>65</u>	<u>-</u>
Total liabilities	<u>37,387</u>	<u>3,997</u>	<u>34</u>	<u>65</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue-property taxes	-	-	-	-	-
Unavailable revenue-grants	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Nonspendable					
Prepaid items	38	-	-	-	-
Restricted					
General administration	-	-	436	-	-
Police department	-	1,580	-	-	1
Fire department	-	-	-	-	-
Public works	4,492	-	-	-	-
Debt Service	-	-	-	-	-
Culture and recreation	-	-	-	13,799	-
Assigned					
Police department	-	-	-	-	-
Public works	-	-	-	-	-
	<u>4,530</u>	<u>1,580</u>	<u>436</u>	<u>13,799</u>	<u>1</u>
Total fund balances	<u>4,530</u>	<u>1,580</u>	<u>436</u>	<u>13,799</u>	<u>1</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 41,917</u>	<u>\$ 5,577</u>	<u>\$ 470</u>	<u>\$ 13,864</u>	<u>\$ 1</u>

Special Revenue						
Bail Bond	Library	Court Automation	North Texarkana Redevelopment District	Public Safety	Total	
\$ 426	\$ 22,549	\$ 74,535	\$ 351,526	\$ 3,680	\$ 507,786	
-	-	-	-	-	-	
-	418,113	-	116,271	-	534,384	
-	-	-	-	-	6,721	
480	-	-	-	-	480	
-	-	-	-	-	-	
-	-	6,721	-	-	6,759	
<u>\$ 906</u>	<u>\$ 440,662</u>	<u>\$ 81,256</u>	<u>\$ 467,797</u>	<u>\$ 3,680</u>	<u>\$ 1,056,130</u>	
\$ -	\$ 50	\$ 261	\$ -	\$ -	\$ 9,995	
-	-	-	-	-	1,592	
-	-	-	-	-	30,207	
-	50	261	-	-	41,794	
-	355,459	-	116,251	-	471,710	
-	-	-	-	-	-	
-	355,459	-	116,251	-	471,710	
-	-	6,721	-	-	6,759	
-	-	74,274	-	-	74,710	
906	-	-	-	3,680	6,167	
-	-	-	-	-	-	
-	-	-	351,546	-	356,038	
-	-	-	-	-	-	
-	85,153	-	-	-	98,952	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>906</u>	<u>85,153</u>	<u>80,995</u>	<u>351,546</u>	<u>3,680</u>	<u>542,626</u>	
<u>\$ 906</u>	<u>\$ 440,662</u>	<u>\$ 81,256</u>	<u>\$ 467,797</u>	<u>\$ 3,680</u>	<u>\$ 1,056,130</u>	

City of Texarkana, Arkansas
Combining Balance Sheet
Governmental Funds – Nonmajor (Continued)
December 31, 2016

	Debt Service			Total
	2012 Franchise Fee Refunding Revenue	2012 Cap Imp & Refunding Limited Tax GO Bonds	2015 Franchise Fee Refunding Revenue	
Assets				
Cash	\$ 516,927	\$ -	\$ 264,214	\$ 781,141
Investments	-	830,435	-	830,435
Receivables (net of allowance)				
Property taxes	-	1,045,285	-	1,045,285
Other government agencies	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
	<u>516,927</u>	<u>1,875,720</u>	<u>264,214</u>	<u>2,656,861</u>
Total assets	<u>\$ 516,927</u>	<u>\$ 1,875,720</u>	<u>\$ 264,214</u>	<u>\$ 2,656,861</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue-property taxes	-	888,649	-	888,649
Unavailable revenues-grants	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>888,649</u>	<u>-</u>	<u>888,649</u>
Fund Balances				
Nonspendable				
Prepaid items	-	-	-	-
Restricted				
General administration	-	-	-	-
Police department	-	-	-	-
Fire department	-	-	-	-
Public works	-	-	-	-
Debt service	516,927	987,071	264,214	1,768,212
Culture and recreation	-	-	-	-
Assigned				
Police department	-	-	-	-
Public works	-	-	-	-
	<u>516,927</u>	<u>987,071</u>	<u>264,214</u>	<u>1,768,212</u>
Total fund balances	<u>516,927</u>	<u>987,071</u>	<u>264,214</u>	<u>1,768,212</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 516,927</u>	<u>\$ 1,875,720</u>	<u>\$ 264,214</u>	<u>\$ 2,656,861</u>

Capital Projects Funds			
Capital Improvement Fund	2012 Franchise Fee Projects	Total	Total Nonmajor Governmental Funds
\$ 702,323	\$ -	\$ 702,323	\$ 1,991,250
-	-	-	830,435
-	-	-	1,579,669
66,297	-	66,297	73,018
-	-	-	480
18,336	-	18,336	18,336
-	-	-	6,759
<u>\$ 786,956</u>	<u>\$ -</u>	<u>\$ 786,956</u>	<u>\$ 4,499,947</u>
\$ 20,221	\$ -	\$ 20,221	\$ 30,216
-	-	-	1,592
-	-	-	30,207
<u>20,221</u>	<u>-</u>	<u>20,221</u>	<u>62,015</u>
-	-	-	1,360,359
<u>55</u>	<u>-</u>	<u>55</u>	<u>55</u>
<u>55</u>	<u>-</u>	<u>55</u>	<u>1,360,414</u>
-	-	-	6,759
-	-	-	74,710
-	-	-	6,167
20,322	-	20,322	20,322
-	-	-	356,038
-	-	-	1,768,212
-	-	-	98,952
406,223	-	406,223	406,223
<u>340,135</u>	<u>-</u>	<u>340,135</u>	<u>340,135</u>
<u>766,680</u>	<u>-</u>	<u>766,680</u>	<u>3,077,518</u>
<u>\$ 786,956</u>	<u>\$ -</u>	<u>\$ 786,956</u>	<u>\$ 4,499,947</u>

City of Texarkana, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds – Nonmajor
Year Ended December 31, 2016

	Special Revenue				
	Community Development Block Grant	Police Fund	Kline Park Monument	Front Street Project	Domestic Violence
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Fines, forfeitures and penalties	-	-	-	-	1,068
Grants and entitlements	251,285	4,396	-	-	-
Intergovernmental	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	144	9,212	-	9,897	-
Total revenues	<u>251,429</u>	<u>13,608</u>	<u>-</u>	<u>9,897</u>	<u>1,068</u>
Expenditures					
Current					
General government	48,325	-	-	-	-
Other public safety	-	11,381	-	-	1,944
Public works	21,925	-	-	-	-
Public services	57,434	-	-	-	-
Cultural and recreation	-	-	410	17,618	-
Capital outlay	128,010	-	-	-	-
Total expenditures	<u>255,694</u>	<u>11,381</u>	<u>410</u>	<u>17,618</u>	<u>1,944</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,265)</u>	<u>2,227</u>	<u>(410)</u>	<u>(7,721)</u>	<u>(876)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(9,700)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(9,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(4,265)	(7,473)	(410)	(7,721)	(876)
Fund Balances, Beginning of Year	<u>8,795</u>	<u>9,053</u>	<u>846</u>	<u>21,520</u>	<u>877</u>
Fund Balances, End of Year	<u>\$ 4,530</u>	<u>\$ 1,580</u>	<u>\$ 436</u>	<u>\$ 13,799</u>	<u>\$ 1</u>

Special Revenue

Bail Bond	Library	Court Automation	North Texarkana Redevelopment District	Public Safety	Total
\$ -	\$ 339,582	\$ -	\$ 134,919	\$ -	\$ 474,501
6,322	-	24,527	-	303	32,220
-	71,768	-	-	-	327,449
-	-	-	-	-	-
-	50	32	10	-	92
-	-	-	-	-	19,253
<u>6,322</u>	<u>411,400</u>	<u>24,559</u>	<u>134,929</u>	<u>303</u>	<u>853,515</u>
-	-	25,734	-	-	74,059
-	-	-	-	-	13,325
-	-	-	-	-	21,925
-	-	-	-	-	57,434
-	401,591	-	-	-	419,619
-	-	-	-	-	128,010
<u>-</u>	<u>401,591</u>	<u>25,734</u>	<u>-</u>	<u>-</u>	<u>714,372</u>
<u>6,322</u>	<u>9,809</u>	<u>(1,175)</u>	<u>134,929</u>	<u>303</u>	<u>139,143</u>
-	5,000	-	-	-	5,000
(7,441)	-	-	-	-	(17,141)
<u>(7,441)</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,141)</u>
(1,119)	14,809	(1,175)	134,929	303	127,002
<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>\$ 906</u>	<u>\$ 85,153</u>	<u>\$ 80,995</u>	<u>\$ 351,546</u>	<u>\$ 3,680</u>	<u>\$ 542,626</u>

City of Texarkana, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds – Nonmajor (Continued)
Year Ended December 31, 2016

	Debt Service			
	2012 Franchise Fee Refunding Revenue	2012 Cap Imp & Refunding Limited Tax GO Bonds	2015 Franchise Fee Refunding Revenue	Total
Revenues				
Property taxes	\$ -	\$ 848,954	\$ -	\$ 848,954
Fines, forfeitures and penalties	-	-	-	-
Grants and entitlements	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	115	500	37	652
Miscellaneous	-	-	-	-
Total revenues	<u>115</u>	<u>849,454</u>	<u>37</u>	<u>849,606</u>
Expenditures				
Current				
General government	-	-	-	-
Other public safety	-	-	-	-
Public works	-	-	-	-
Public services	-	-	-	-
Cultural and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal retirement	285,000	480,000	65,000	830,000
Interest and fiscal charges	332,303	349,325	142,928	824,556
Total expenditures	<u>617,303</u>	<u>829,325</u>	<u>207,928</u>	<u>1,654,556</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(617,188)</u>	<u>20,129</u>	<u>(207,891)</u>	<u>(804,950)</u>
Other Financing Sources (Uses)				
Transfers in	616,870	-	222,015	838,885
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>616,870</u>	<u>-</u>	<u>222,015</u>	<u>838,885</u>
Net Change in Fund Balances	(318)	20,129	14,124	33,935
Fund Balances, Beginning of Year	<u>517,245</u>	<u>966,942</u>	<u>250,090</u>	<u>1,734,277</u>
Fund Balances, End of Year	<u>\$ 516,927</u>	<u>\$ 987,071</u>	<u>\$ 264,214</u>	<u>\$ 1,768,212</u>

Capital Projects Funds			
Capital Improvement Fund	2012 Franchise Fee Projects	Total	Total Nonmajor Governmental Fund
\$ -	\$ -	\$ -	\$ 1,323,455
-	-	-	32,220
755,468	-	755,468	1,082,917
71,883	-	71,883	71,883
734	39	773	1,517
17,668	-	17,668	36,921
<u>845,753</u>	<u>39</u>	<u>845,792</u>	<u>2,548,913</u>
100,060	-	100,060	174,119
-	-	-	13,325
-	-	-	21,925
-	-	-	57,434
-	-	-	419,619
237,132	76,807	313,939	441,949
-	-	-	830,000
-	-	-	824,556
<u>337,192</u>	<u>76,807</u>	<u>413,999</u>	<u>2,782,927</u>
<u>508,561</u>	<u>(76,768)</u>	<u>431,793</u>	<u>(234,014)</u>
-	-	-	843,885
<u>(507,182)</u>	<u>-</u>	<u>(507,182)</u>	<u>(524,323)</u>
<u>(507,182)</u>	<u>-</u>	<u>(507,182)</u>	<u>319,562</u>
1,379	(76,768)	(75,389)	85,548
<u>765,301</u>	<u>76,768</u>	<u>842,069</u>	<u>2,991,970</u>
<u>\$ 766,680</u>	<u>\$ -</u>	<u>\$ 766,680</u>	<u>\$ 3,077,518</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Community Development Block Grant Fund
Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants and entitlements	\$ 240,405	\$ 240,305	\$ 251,285	\$ 10,980
Miscellaneous	-	100	144	44
	<u>240,405</u>	<u>240,405</u>	<u>251,429</u>	<u>11,024</u>
Expenditures				
Current:				
General government	46,101	50,000	48,325	1,675
Public works	95,238	106,000	21,925	84,075
Public services	99,066	84,405	57,434	26,971
Capital outlay	-	-	128,010	(128,010)
	<u>240,405</u>	<u>240,405</u>	<u>255,694</u>	<u>(15,289)</u>
Net Change in Fund Balances	-	-	(4,265)	(4,265)
Fund Balances, Beginning of Year	<u>8,795</u>	<u>8,795</u>	<u>8,795</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 8,795</u></u>	<u><u>\$ 8,795</u></u>	<u><u>\$ 4,530</u></u>	<u><u>\$ (4,265)</u></u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Police Fund
Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants and entitlements	\$ 7,500	\$ 13,988	\$ 4,396	\$ (9,592)
Miscellaneous	9,500	9,600	9,212	(388)
Total revenues	<u>17,000</u>	<u>23,588</u>	<u>13,608</u>	<u>(9,980)</u>
Expenditures				
Current:				
Other public safety	13,804	16,976	11,381	5,595
Total expenditures	<u>13,804</u>	<u>16,976</u>	<u>11,381</u>	<u>5,595</u>
Excess of Revenues Over Expenditures	<u>3,196</u>	<u>6,612</u>	<u>2,227</u>	<u>(4,385)</u>
Other Financing Uses				
Transfers out	(9,700)	(9,700)	(9,700)	-
Total other financing uses	<u>(9,700)</u>	<u>(9,700)</u>	<u>(9,700)</u>	<u>-</u>
Net Change in Fund Balances	(6,504)	(3,088)	(7,473)	(4,385)
Fund Balances, Beginning of Year	<u>9,053</u>	<u>9,053</u>	<u>9,053</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 2,549</u></u>	<u><u>\$ 5,965</u></u>	<u><u>\$ 1,580</u></u>	<u><u>\$ (4,385)</u></u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Kline Park Monument Fund
Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Investment income	\$ 1	\$ 1	\$ -	\$ (1)
Total revenues	<u>1</u>	<u>1</u>	<u>-</u>	<u>(1)</u>
Expenditures				
Current:				
Cultural and recreation	<u>440</u>	<u>420</u>	<u>410</u>	<u>10</u>
Total expenditures	<u>440</u>	<u>420</u>	<u>410</u>	<u>10</u>
Net Change in Fund Balances	(439)	(419)	(410)	9
Fund Balances, Beginning of Year	<u>846</u>	<u>846</u>	<u>846</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 407</u>	<u>\$ 427</u>	<u>\$ 436</u>	<u>\$ 9</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Domestic Violence Fund
Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 1,700	\$ 1,200	\$ 1,068	\$ (132)
Total revenues	<u>1,700</u>	<u>1,200</u>	<u>1,068</u>	<u>(132)</u>
Expenditures				
Current:				
Other public safety	<u>2,512</u>	<u>2,077</u>	<u>1,944</u>	<u>133</u>
Total expenditures	<u>2,512</u>	<u>2,077</u>	<u>1,944</u>	<u>133</u>
Net Change in Fund Balances	(812)	(877)	(876)	1
Fund Balances, Beginning of Year	<u>877</u>	<u>877</u>	<u>877</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 65</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 1</u></u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Front Street Project Fund
Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Miscellaneous	\$ 7,500	\$ 9,760	\$ 9,897	\$ 137
Total revenues	<u>7,500</u>	<u>9,760</u>	<u>9,897</u>	<u>137</u>
Expenditures				
Current:				
Cultural and recreation	<u>22,500</u>	<u>19,948</u>	<u>17,618</u>	<u>2,330</u>
Total expenditures	<u>22,500</u>	<u>19,948</u>	<u>17,618</u>	<u>2,330</u>
Net Change in Fund Balances	(15,000)	(10,188)	(7,721)	2,467
Fund Balances, Beginning of Year	<u>21,520</u>	<u>21,520</u>	<u>21,520</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 6,520</u></u>	<u><u>\$ 11,332</u></u>	<u><u>\$ 13,799</u></u>	<u><u>\$ 2,467</u></u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Bail Bond Fund
Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 5,850	\$ 6,100	\$ 6,322	\$ 222
Total revenues	<u>5,850</u>	<u>6,100</u>	<u>6,322</u>	<u>222</u>
Excess of Revenues Over Expenditures	<u>5,850</u>	<u>6,100</u>	<u>6,322</u>	<u>222</u>
Other Financing Uses				
Transfers out	<u>(7,441)</u>	<u>(7,441)</u>	<u>(7,441)</u>	<u>-</u>
Total other financing uses	<u>(7,441)</u>	<u>(7,441)</u>	<u>(7,441)</u>	<u>-</u>
Net Change in Fund Balances	(1,591)	(1,341)	(1,119)	222
Fund Balances, Beginning of Year	<u>2,025</u>	<u>2,025</u>	<u>2,025</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 434</u></u>	<u><u>\$ 684</u></u>	<u><u>\$ 906</u></u>	<u><u>\$ 222</u></u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Court Automation Fund
Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 26,000	\$ 26,000	\$ 24,527	\$ (1,473)
Investment income	30	30	32	2
Total revenues	<u>26,030</u>	<u>26,030</u>	<u>24,559</u>	<u>(1,471)</u>
Expenditures				
Current:				
General government	<u>29,000</u>	<u>30,145</u>	<u>25,734</u>	<u>4,411</u>
Total expenditures	<u>29,000</u>	<u>30,145</u>	<u>25,734</u>	<u>4,411</u>
Net Change in Fund Balances	(2,970)	(4,115)	(1,175)	2,940
Fund Balances, Beginning of Year	<u>82,170</u>	<u>82,170</u>	<u>82,170</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 79,200</u></u>	<u><u>\$ 78,055</u></u>	<u><u>\$ 80,995</u></u>	<u><u>\$ 2,940</u></u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
North Texarkana Redevelopment District
Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 55,000	\$ 132,209	\$ 134,919	\$ 2,710
Investment income	-	1	10	9
	<u>55,000</u>	<u>132,210</u>	<u>134,929</u>	<u>2,719</u>
Total revenues				
Expenditures				
Current:				
Public works	-	-	-	-
Capital outlay	104,177	104,177	-	104,177
	<u>104,177</u>	<u>104,177</u>	<u>-</u>	<u>104,177</u>
Total expenditures				
Net Change in Fund Balances	(49,177)	28,033	134,929	106,896
Fund Balances, Beginning of Year	<u>216,617</u>	<u>216,617</u>	<u>216,617</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 167,440</u>	<u>\$ 244,650</u>	<u>\$ 351,546</u>	<u>\$ 106,896</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Library Fund
Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 310,500	\$ 307,000	\$ 339,582	\$ 32,582
Grants and entitlements	73,000	70,000	71,768	1,768
Investment income	10	25	50	25
	<u>383,510</u>	<u>377,025</u>	<u>411,400</u>	<u>34,375</u>
Total revenues				
Expenditures				
Current:				
Cultural and recreation	<u>388,510</u>	<u>382,025</u>	<u>401,591</u>	<u>(19,566)</u>
Total expenditures	<u>388,510</u>	<u>382,025</u>	<u>401,591</u>	<u>(19,566)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,000)</u>	<u>(5,000)</u>	<u>9,809</u>	<u>14,809</u>
Other Financing Sources				
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total other financing sources	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net Change in Fund Balances	-	-	14,809	14,809
Fund Balances, Beginning of Year	<u>70,344</u>	<u>70,344</u>	<u>70,344</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 70,344</u></u>	<u><u>\$ 70,344</u></u>	<u><u>\$ 85,153</u></u>	<u><u>\$ 14,809</u></u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Public Safety Fund
Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 250	\$ 275	\$ 303	\$ 28
Total revenues	<u>250</u>	<u>275</u>	<u>303</u>	<u>28</u>
Expenditures				
Current:				
Other public safety	<u>2,539</u>	<u>2,539</u>	<u>-</u>	<u>2,539</u>
Total expenditures	<u>2,539</u>	<u>2,539</u>	<u>-</u>	<u>2,539</u>
Net Change in Fund Balances	(2,289)	(2,264)	303	2,567
Fund Balances, Beginning of Year	<u>3,377</u>	<u>3,377</u>	<u>3,377</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 1,088</u></u>	<u><u>\$ 1,113</u></u>	<u><u>\$ 3,680</u></u>	<u><u>\$ 2,567</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, 2016

	<u>June 30, 2015</u>		<u>December 31, 2016</u>		
	City Employee Retirement System	Water Utilities Employee Retirement System	Firemen's Relief and Pension	Policemen's Relief and Pension	Total
Assets					
Cash and cash equivalents	\$ 45,773	\$ 138,609	\$ 4,925	\$ 1,679,394	\$ 1,868,701
Investments					
Equities	-	-	-	178,845	178,845
U. S. government obligations	64,365	532,592	-	-	596,957
Corporate bonds and notes	108,819	611,550	-	1,185,845	1,906,214
Mutual funds and other investments	3,269,426	1,421,745	568	1,759,292	6,451,031
Interest receivable	7,956	8,217	5	22,749	38,927
Due from other funds	-	-	-	418,113	418,113
	<u>3,496,339</u>	<u>2,712,713</u>	<u>5,498</u>	<u>5,244,238</u>	<u>11,458,788</u>
Liabilities					
Accounts payable	<u>5,147</u>	<u>1,280</u>	<u>5,498</u>	<u>3,206</u>	<u>15,131</u>
Total liabilities	<u>5,147</u>	<u>1,280</u>	<u>5,498</u>	<u>3,206</u>	<u>15,131</u>
Net Position					
Net position restricted for pensions	<u>\$ 3,491,192</u>	<u>\$ 2,711,433</u>	<u>\$ -</u>	<u>\$ 5,241,032</u>	<u>\$ 11,443,657</u>

City of Texarkana, Arkansas
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended December 31, 2016

	<u>June 30, 2016</u>		<u>December 31, 2016</u>		<u>Total</u>
	<u>City Employee Retirement System</u>	<u>Water Utilities Employee Retirement System</u>	<u>Firemen's Relief and Pension</u>	<u>Policemen's Relief and Pension</u>	
Additions					
Contributions					
Employer	\$ 84,348	\$ -	\$ 51,996	\$ 563,010	\$ 699,354
Employee	16,870	-	2,072	-	18,942
Intergovernmental	-	-	3,064	302,461	305,525
Other	3,088	-	26,438	30,512	60,038
Transfers from general fund	75,000	-	-	-	75,000
Total contributions	<u>179,306</u>	<u>-</u>	<u>83,570</u>	<u>895,983</u>	<u>1,158,859</u>
Investment income					
Net increase (decrease) in fair value of investments	(114,324)	(85,493)	238,141	295,160	333,484
Interest and dividends	91,288	115,909	77,528	98,101	382,826
Less investment expense	(23,036)	30,416	315,669	393,261	716,310
Less investment expense	-	-	34,032	27,583	61,615
Net investment income (loss)	<u>(23,036)</u>	<u>30,416</u>	<u>281,637</u>	<u>365,678</u>	<u>654,695</u>
Total additions	<u>156,270</u>	<u>30,416</u>	<u>365,207</u>	<u>1,261,661</u>	<u>1,813,554</u>
Deductions					
Benefits paid directly to participants	427,407	87,302	1,265,291	1,164,092	2,944,092
Transfer to LOPFI (See Note 11)	-	-	5,535,326	-	5,535,326
Administrative expenses	29,944	44,277	-	5,750	79,971
Transfers to general fund	-	-	151,236	-	151,236
Total deductions	<u>457,351</u>	<u>131,579</u>	<u>6,951,853</u>	<u>1,169,842</u>	<u>8,710,625</u>
Net Increase (Decrease) in Net Position	(301,081)	(101,163)	(6,586,646)	91,819	(6,897,071)
Net Position Restricted for Pensions, Beginning of Year	<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>
Net Position Restricted for Pensions, End of Year	<u>\$ 3,491,192</u>	<u>\$ 2,711,433</u>	<u>\$ -</u>	<u>\$ 5,241,032</u>	<u>\$ 11,443,657</u>

City of Texarkana, Arkansas
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended December 31, 2016

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
Police Bond Fund				
Assets				
Cash and cash equivalents	\$ 153,373	\$ 1,047,556	\$ 1,029,798	\$ 171,131
Interest receivable	3,556	-	-	3,556
Due from other governments	-	1,080,558	1,080,558	-
Total assets	<u>156,929</u>	<u>2,128,114</u>	<u>2,110,356</u>	<u>174,687</u>
Liabilities				
Escrow deposits	<u>156,929</u>	<u>1,522,592</u>	<u>1,504,834</u>	<u>174,687</u>
Total liabilities	<u>156,929</u>	<u>1,522,592</u>	<u>1,504,834</u>	<u>174,687</u>
Net position	<u>\$ -</u>	<u>\$ 605,522</u>	<u>\$ 605,522</u>	<u>\$ -</u>
Drug Seizure Fund				
Assets				
Cash and cash equivalents	\$ 40,666	\$ 18	\$ -	\$ 40,684
Total assets	<u>40,666</u>	<u>18</u>	<u>-</u>	<u>40,684</u>
Liabilities				
Escrow deposits	<u>40,666</u>	<u>18</u>	<u>-</u>	<u>40,684</u>
Total liabilities	<u>40,666</u>	<u>18</u>	<u>-</u>	<u>40,684</u>
Net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Municipal Court Operations Fund				
Assets				
Cash and cash equivalents	\$ 8,227	\$ 31,559	\$ 31,172	\$ 8,614
Total assets	<u>8,227</u>	<u>31,559</u>	<u>31,172</u>	<u>8,614</u>
Liabilities				
Accounts payable	<u>8,227</u>	<u>31,559</u>	<u>31,172</u>	<u>8,614</u>
Total liabilities	<u>8,227</u>	<u>31,559</u>	<u>31,172</u>	<u>8,614</u>
Net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Agency Funds				
Assets				
Cash and cash equivalents	\$ 202,266	\$ 1,079,133	\$ 1,060,970	\$ 220,429
Interest receivable	3,556	-	-	3,556
Due from other governments	-	1,080,558	1,080,558	-
Total assets	<u>205,822</u>	<u>2,159,691</u>	<u>2,141,528</u>	<u>223,985</u>
Liabilities				
Accounts payable	<u>8,227</u>	<u>31,559</u>	<u>31,172</u>	<u>8,614</u>
Escrow deposits	<u>197,595</u>	<u>1,522,610</u>	<u>1,504,834</u>	<u>215,371</u>
Total liabilities	<u>205,822</u>	<u>1,554,169</u>	<u>1,536,006</u>	<u>223,985</u>
Net position	<u>\$ -</u>	<u>\$ 605,522</u>	<u>\$ 605,522</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.

Contents	Page
 Financial Trends (Tables 1-5)	
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
 Revenue Capacity (Tables 6-11)	
These schedules contain information to help the reader assess the City’s most significant revenue sources, local sales taxes and property taxes.	136
 Debt Capacity (Tables 12-16)	
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
 Demographic and Economic Information (Tables 17-18)	
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
 Operating Information (Tables 19-21)	
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

	2007	2008	2009	2010	2011	2012	2013	2014	2015*	2016
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 12,228,378
Restricted	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	2,948,305
Unrestricted	<u>6,787,161</u>	<u>8,574,892</u>	<u>9,379,180</u>	<u>10,485,576</u>	<u>9,204,239</u>	<u>6,977,071</u>	<u>4,990,951</u>	<u>5,347,984</u>	<u>(2,521,327)</u>	<u>(2,174,520)</u>
Total governmental activities net position	<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>	<u>13,002,163</u>
Business-type activities:										
Net investment in capital assets	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	32,066,618
Restricted	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	5,271,993
Unrestricted	<u>8,644,045</u>	<u>8,175,084</u>	<u>7,752,605</u>	<u>9,212,553</u>	<u>10,050,575</u>	<u>9,601,508</u>	<u>8,383,953</u>	<u>8,060,243</u>	<u>6,107,274</u>	<u>5,867,366</u>
Total business-type activities net position	<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>	<u>43,205,977</u>
Primary government										
Net investment in capital assets	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	44,294,996
Restricted	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	8,220,298
Unrestricted	<u>15,431,206</u>	<u>16,749,976</u>	<u>17,131,785</u>	<u>19,698,129</u>	<u>19,254,814</u>	<u>16,578,579</u>	<u>13,374,904</u>	<u>13,408,227</u>	<u>3,585,947</u>	<u>3,692,846</u>
Total primary government net position	<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>	<u>\$ 56,208,140</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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
Current:										
General administration	\$ 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	\$2,582,956
Police department	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	6,351,864
Fire department	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	4,577,604
Other public safety	-	-	-	-	3,869,368	3,639,484	3,383,828	3,053,598	3,205,227	2,877,212
Protective inspection	5,094	417,558	368,400	467,872	467,210	494,102	516,458	434,499	474,893	567,880
Public works	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	6,365,907
Public services	4,213,906	120,566	117,720	6,518	15,381	1,252	245,174	565,398	532,551	541,432
Health and welfare	99,395	241,428	286,166	347,763	361,460	436,639	394,764	426,422	410,477	459,236
Cultural and recreation	389,957	672,415	693,057	895,119	825,434	1,895,921	1,190,349	1,469,648	1,157,670	1,171,381
Administrative and general	1,624,299	1,320,080	1,384,283	-	-	-	-	-	-	-
Interest on long-term debt	662,566	669,030	672,631	1,172,912	678,252	1,683,764	908,021	894,852	933,184	811,774
Total governmental activities expenses	24,612,258	23,791,608	23,245,233	28,736,397	26,671,117	28,885,987	27,574,205	27,521,146	24,997,468	26,307,246
Business-type activities:										
Water and sewer	8,206,231	8,791,428	8,881,682	8,631,993	8,828,758	9,383,771	9,239,788	8,883,064	8,827,599	8,724,209
Total business-type activities expenses	8,206,231	8,791,428	8,881,682	8,631,993	8,828,758	9,383,771	9,239,788	8,883,064	8,827,599	8,724,209
Total primary government expenses	32,818,489	32,583,036	32,126,915	37,368,390	35,499,875	38,269,758	36,813,993	36,404,210	33,825,067	35,031,455
Program Revenues										
Governmental activities:										
Charges for services	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	5,485,953
Operating grants and contributions	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	3,320,465
Capital grants and contributions	929,494	531,767	336,363	2,246,130	1,028,843	1,309,384	1,812,264	1,260,110	1,199,000	1,078,636
Total governmental activities program revenues	9,643,015	11,385,967	10,610,633	12,085,772	11,195,754	10,886,314	10,358,682	9,894,184	9,690,824	9,885,054
Business-type activities:										
Charges for services	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	9,590,596
Capital grants and contributions	502,690	532,005	450,021	43,157	78,337	-	-	37,484	27,748	-
Total business-type activities program revenues	8,481,829	9,045,073	9,383,493	10,184,857	10,343,128	10,202,790	9,750,066	9,285,015	9,441,236	9,590,596
Total primary government program revenues	\$ 18,124,844	\$ 20,431,040	\$ 19,994,126	\$ 22,270,629	\$ 21,538,882	\$ 21,089,104	\$ 20,108,748	\$ 19,179,199	\$ 19,132,060	\$ 19,475,650

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

Table 2

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (16,422,192)
Business-type activities	275,598	253,645	501,811	1,552,864	1,514,370	819,019	510,278	401,951	613,637	866,387
Total primary government net expense	<u>(14,693,645)</u>	<u>(12,151,996)</u>	<u>(12,132,789)</u>	<u>(15,097,761)</u>	<u>(13,960,993)</u>	<u>(17,180,654)</u>	<u>(16,705,245)</u>	<u>(17,225,011)</u>	<u>(14,693,007)</u>	<u>(15,555,805)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	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	3,902,704
Sales taxes	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	9,646,473
Franchise taxes	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	2,640,381
Other taxes	68,339	52,032	125,195	136,636	76,338	76,764	81,189	70,308	67,975	57,884
Unrestricted investment earnings	112,427	75,282	35,744	27,651	14,105	59,233	12,775	9,603	15,444	5,885
Gain(loss) on sale of capital assets	-	-	25,936	-	47,145	18,426	-	-	-	-
Miscellaneous	54,864	310,036	102,837	153,869	248,202	146,005	257,213	182,129	289,351	100,279
Transfers	198,466	217,655	226,672	-	-	832,090	246,723	237,539	183,034	335,094
Total governmental activities	<u>12,827,685</u>	<u>14,522,371</u>	<u>14,339,021</u>	<u>14,916,135</u>	<u>14,928,584</u>	<u>15,902,547</u>	<u>16,319,909</u>	<u>16,640,172</u>	<u>17,042,200</u>	<u>16,688,700</u>
Business-type activities:										
Unrestricted investment earnings	658,790	403,158	282,956	414,316	318,080	299,162	291,104	266,596	267,423	152,922
Gain on sale of capital assets	-	-	-	1,178	(7,050)	-	-	-	-	-
Miscellaneous	-	737	-	-	-	-	1,723	-	-	-
Transfers	(177,293)	(210,100)	(220,578)	(240,599)	(255,035)	(853,170)	(249,864)	(236,198)	(233,566)	(227,751)
Total business-type activities	<u>481,497</u>	<u>193,795</u>	<u>62,378</u>	<u>174,895</u>	<u>55,995</u>	<u>(554,008)</u>	<u>42,963</u>	<u>30,398</u>	<u>33,857</u>	<u>(74,829)</u>
Total primary government general revenues and other changes in net position	<u>13,309,182</u>	<u>14,716,166</u>	<u>14,401,399</u>	<u>15,091,030</u>	<u>14,984,579</u>	<u>15,348,539</u>	<u>16,362,872</u>	<u>16,670,570</u>	<u>17,076,057</u>	<u>16,613,871</u>
Change in Net Position										
Governmental activities	(2,141,558)	2,116,730	1,704,421	(1,734,490)	(546,779)	(2,097,126)	(895,614)	(986,790)	1,735,556	266,508
Business-type activities	757,095	447,440	564,189	1,727,759	1,570,365	265,011	553,241	432,349	647,494	791,558
Total primary government changes in net position	<u>\$ (1,384,463)</u>	<u>\$ 2,564,170</u>	<u>\$ 2,268,610</u>	<u>\$ (6,731)</u>	<u>\$ 1,023,586</u>	<u>\$ (1,832,115)</u>	<u>\$ (342,373)</u>	<u>\$ (554,441)</u>	<u>\$ 2,383,050</u>	<u>\$ 1,058,066</u>

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

Table 3

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function/ Program										
Governmental activities:										
General administration	\$ 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	\$ 2,309,740
Police department	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	1,174,511
Fire department	82,524	14,942	16,416	3,981	7,782	5,694	1,600	8,740	7,481	5,870
Other public safety	-	-	-	-	1,501	1,501	1,501	1,501	1,501	178,555
Public works	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	5,862,094
Public services	542,406	1,270,098	1,747,617	962,988	1,334,235	993,090	826,299	418,254	263,869	274,870
Cultural and recreation	192,441	83,521	98,779	80,254	68,283	86,884	80,398	85,182	78,800	79,414
Subtotal governmental activities	<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>	<u>9,885,054</u>
Business-type activities:										
Water and sewer	<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>	<u>9,590,596</u>
Subtotal business-type activities	<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>	<u>9,590,596</u>
Total primary government	<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>	<u>\$ 19,475,650</u>

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

Table 4

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Nonspendable										
Prepaid items					\$ 276,177	\$ 339,756	\$ 7,922	\$ 124,629	\$ 180,061	\$ 263,696
Restricted										
Police department					-	-	4,885	330	-	19,105
Committed										
Cultural and recreation					13,855	14,956	15,101	16,998	17,723	17,254
Assigned										
Police department					164,470	210,776	77,016	38,594	33,090	18,646
Public works					194,394	30,292	30,292	30,292	30,292	30,292
Unassigned					2,991,764	2,068,121	3,122,556	3,010,595	3,397,384	3,405,025
Reserved	\$ -	\$ -	\$ 20,837	\$ 291,361						
Unreserved, designated	-	876,277	1,691,943	1,744,280						
Unreserved	2,744,213	2,941,100	3,142,175	2,000,819						
Total general fund	<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>	<u>\$ 3,754,018</u>
All Other Governmental Funds										
Nonspendable										
Prepaid items					\$ 36,249	\$ 45,966	\$ 2,346	\$ 6,125	\$ 35,044	\$ 32,878
Restricted										
General administration					92,050	63,547	64,023	73,662	76,600	74,710
Police department					9,192	10,512	9,163	11,845	15,332	6,167
Fire department					110,312	103,798	44,678	46,185	29,607	20,322
Public works					2,326,807	9,622,070	4,217,938	3,019,336	302,180	356,038
Debt service					1,567,579	1,151,164	1,539,365	1,689,089	1,734,277	1,768,212
Cultural and recreation					2,358	6,163	57,454	70,830	91,864	98,952
Committed										
Public works					260,346	277,816	215,191	284,701	307,575	240,855
Assigned										
General administration					156,683	-	-	-	-	-
Police department					287,796	214,670	155,086	316,855	321,472	406,223
Fire department					10,000	-	-	-	-	-
Public works					256,227	813,527	563,078	1,181,131	1,397,208	1,829,769
Unassigned					(4,390)	-	-	-	-	-
Reserved	\$ -	\$ -	\$ 6,428	\$ 30,738						
Unreserved, reported in:										
Special revenue fund	263,715	245,982	399,160	367,851						
Debt service fund	1,404,969	1,335,009	1,368,202	1,537,546						
Capital projects fund	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>\$ 3,032,975</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>	<u>\$ 4,834,126</u>

The 2007 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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Property taxes	\$ 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	\$ 3,800,773
Sales taxes	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	9,646,473
Other taxes	68,339	52,032	125,194	136,636	76,338	76,764	81,189	70,308	67,975	57,884
Utility franchise	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	2,627,570
Licenses and permits	202,439	333,753	199,428	184,973	183,504	242,339	184,516	187,247	204,483	179,075
Fines, forfeitures and penalties	858,745	950,226	837,383	753,442	774,149	752,300	676,331	716,361	619,982	609,268
Charges for services	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	4,350,491
Grants and entitlements	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	1,581,993
Intergovernmental	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	2,750,738
Investment income	112,428	74,683	35,384	27,651	14,105	59,233	12,775	9,603	15,444	5,885
Miscellaneous	54,863	342,153	172,285	446,488	493,117	418,828	452,206	366,519	499,274	354,056
Total revenues	21,845,196	24,548,679	23,538,083	25,571,829	24,963,244	25,768,590	26,286,665	26,591,872	26,586,921	25,964,206
Expenditures										
Current:										
General government	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	2,165,381
Police department	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	7,064,815
Fire department	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	4,485,336
Other public safety	-	-	-	-	2,817,739	2,808,193	2,963,397	3,052,005	3,188,823	2,864,078
Protective inspection	395,301	415,423	368,400	433,139	428,681	456,482	480,399	456,148	449,576	505,396
Public works	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	4,731,277
Public services	194,040	124,860	126,444	6,856	14,869	785	353	125,813	37,511	57,434
Health and welfare	84,449	226,482	271,220	312,181	321,430	395,843	352,719	396,664	379,360	388,328
Cultural and recreation	250,754	536,355	629,001	777,069	713,788	1,689,146	1,019,833	1,309,632	758,175	736,245
Administrative and general	1,297,117	1,264,712	1,237,304	-	-	-	-	-	-	-
Capital outlay	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	735,436
Debt service:										
Principal retirement	732,307	742,874	749,414	822,448	830,337	1,770,728	484,585	876,214	4,765,324	1,112,724
Interest and fiscal charges	662,566	669,030	672,631	723,961	761,548	972,791	887,829	908,628	873,139	834,415
Bond issuance costs	-	415,186	-	129,073	-	-	-	-	75,684	-
Total expenditures	22,264,858	24,473,211	25,515,940	26,539,941	25,833,296	31,021,810	32,443,951	27,034,308	32,505,039	25,680,865
Excess (deficiency) of revenues over expenditures	(419,662)	75,468	(1,977,857)	(968,112)	(870,052)	(5,253,220)	(6,157,286)	(442,436)	(5,918,118)	283,341

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

Table 5

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Other Financing Sources (Uses)										
Transfers in	\$ 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	\$ 2,232,441
Transfers out	(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)	(1,897,347)
Proceeds from issuance of debt	-	-	-	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>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>	<u>335,094</u>
Net change in fund balances	<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>	<u>\$ 618,435</u>
Debt Service as a percentage of noncapital expenditures	6.8%	6.4%	6.6%	6.5%	6.6%	10.5%	5.6%	7.1%	19.5%	7.8%

Unaudited -see accompanying auditors' report

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
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
2016	3,800,773	9,646,473	57,884	2,627,570	16,132,700
Percentage change from 2007 to current year	41.95%	38.13%	-15.30%	12.88%	33.80%

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
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
2017	2016	259,217,677	108,560,385	367,778,062	0.1050	3,861,670	1,792,736	896,368	358,547	358,547	358,547	96,924

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 Governments
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				
Real Property Tax Rates:										
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	
2016	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
Personal Property Tax Rates:										
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	
2016	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, 2016

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 2016, the city sales tax generated revenue of \$6,744,768. The City's portion of the county sales tax generated revenue of \$2,288,414 and the municipal four-lane highway tax received from the State of Arkansas totaled \$613,291.

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	2016			2007		
	Rank	2016 Assessed Valuation (1) (2)	Percentage of Total Assessed Valuation	Rank	2007 Assessed Valuation (1) (3)	Percentage of Total Assessed Valuation
Southwestern Electric Power Co.	1	\$ 11,466,550	3.12%	3	\$ 4,626,660	1.85%
Union Pacific System	2	11,204,460	3.05%	6	3,630,150	1.45%
Southwest AR Electric Co-op	3	9,772,740	2.66%	2	5,724,860	2.28%
Cooper Tire & Rubber Co. - Plant	4	7,527,640	2.05%	1	20,073,850	8.01%
Valor Telecommunications	5	4,412,800	1.20%	4	3,520,850	1.41%
Wal-Mart Stores Inc. #01-0468	6	4,232,076	1.15%	5	3,280,492	1.31%
Southwest Ark Telephone CO-OP	7	4,170,349	1.13%			
Garland Farms, Inc.	8	2,842,964	0.77%			
Tyson Foods, Inc.	9	2,794,986	0.76%	8	2,997,790	1.20%
Centerpoint Energy Arkla	10	2,252,510	0.61%			
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>\$ 60,677,075</u>	<u>16.50%</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, 2007

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

Table 10

Fiscal Year	Tax Roll Year	Total Tax Levy(2)(3)	Current Taxes Collected(1)	Percent of Current Taxes Collected	Delinquent Taxes Collected(1)	Total Tax Collections	Percent Total Tax Collections to Tax Levy(3)	Outstanding Delinquent Taxes	Percent Delinquent Taxes to Tax Levy
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%
2016	2015	3,778,814	3,219,125	85.19%	481,402	3,700,527	97.93%	78,287	2.07%

(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

Year	City Direct Rate	Miller County Rate
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%
2016	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			
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
2016	9,135,064	12,834,303	283,498	22,194	10,359,438	-	32,634,497	5.08%	1,083

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
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	352,115,229	9,623,528	767,335	8,856,193	2.52%	295
2016	30,127	367,778,062	9,135,064	830,435	8,304,629	2.26%	276

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, 2016

Table 14

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Percentage of Debt Applicable to City of Texarkana</u>	<u>Amount Applicable to City of Texarkana</u>
Direct:			
City of Texarkana, Arkansas	\$ 22,275,059	100.00%	<u>\$ 22,275,059</u>
Overlapping:			
Texarkana, Arkansas School District	30,205,000 (1)	78.78%	<u>23,795,499</u>
Subtotal - Overlapping debt			<u>23,795,499</u>
Total direct and overlapping			<u><u>\$ 46,070,558</u></u>
Per capita overlapping debt			<u><u>\$ 1,529.21</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) Source - Texarkana Arkansas School District

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

Table 15

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 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	\$ 91,944,516
Total net debt applicable to limit	<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>8,856,193</u>	<u>8,147,993</u>
Legal debt margin	<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>\$ 81,115,558</u>	<u>\$ 83,796,523</u>
Total net debt applicable to the limit as a percentage of debt limit	5.51%	4.78%	3.17%	2.05%	1.09%	13.86%	13.16%	12.45%	10.92%	9.72%

Legal Debt Margin Calculation for 2016

Assessed value	\$ 367,778,062
Debt limit - 25% of assessed value:	
General obligation debt limitation	91,944,516
Debt applicable to limit:	
General obligation bonds	9,135,064
Less: Amount set aside for repayment in debt services funds	<u>987,071</u>
Total net debt applicable to limit	<u>8,147,993</u>
Legal debt margin	<u>\$ 83,796,523</u>

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

Table 16

Fiscal Year Ended 30-Sep	Gross Revenue(1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)	Coverage
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	3,485,813	1,543,099	2.26
2015	9,948,542	6,215,070	3,733,472	1,542,258	2.42
2016	10,127,143	6,027,246	4,099,897	1,546,698	2.56

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

Fiscal Year	Population (1)	Personal Income (3)	Median Age (1)	Per Capita Income(1)	Unemployment Rate(2)
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%
2016	30,127	642,247,386	37.3	21,318	3.9%

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

Employer	2016			2007		
	Employees	Rank	Percentage of Total MSA Employment (1)	Employees	Rank	Percentage of Total MSA Employment (2)
Red River Army Depot & Tenants	4,872	1	8.00%	3,500	1	5.60%
Christus St. Michael Health Care	1,777	2	2.92%	1,680	3	2.69%
Cooper Tire & Rubber	1,653	3	2.71%	2,000	2	3.20%
Southern Refrigerated Transport	1,230	4	2.02%	670	10	1.07%
Texarkana, TX ISD	1,219	5	2.00%	787	8	1.26%
Wal-Mart Department Store	1,100	6	1.81%	1,100	5	1.76%
Domtar, Inc.	975	7	1.60%	1,201	4	1.92%
Texarkana, AR ISD	792	8	1.30%	785	9	1.26%
International Paper Company	777	9	1.28%	865	7	1.38%
Wadley Regional Medical	750	10	1.23%	1,000	6	1.60%
Total	15,145		24.87%	13,588		21.74%

Source:
Chamber of Commerce
Texas Workforce Commission LMI Tracer

Notes:
(1) MSA employment for 2016 is 60,900
(2) MSA employment for 2007 is 62,500

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

Table 19

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government										
Administration	2	3	3	4	4	4	3	3	3	5
Finance	7	8	8	8	8	8	8	9	9	8
City Clerk	3	3	3	3	3	3	2	2	2	2
Courts	5	4	4	4	5	5	5	5	5	5
Marketing & Communications	0	0	0	0	0	1	2	2	1	0
Police department										
Police General	73	72	70	71	71	71	76	76	76	76
Police Housing	2	3	3	3	3	3	2	2	2	2
Cops in School	2	2	2	1	1	1	1	1	1	1
Police Narcotics	5	5	5	5	5	5	5	5	5	5
Police Support	9	9	10	10	11	11	11	11	11	11
Police Animal	1	2	2	2	2	2	2	0	0	0
Probation	3	3	3	3	4	4	4	4	4	4
Police CHRP	0	0	0	0	4	4	0	0	0	0
Fire department										
Fire	57	59	59	59	59	59	59	59	59	59
Public works										
Street	16	14	17	18	17	17	17	17	17	13
Environmental	5	3	3	3	4	4	4	4	4	4
Engineering	1	1	1	1	1	1	1	1	1	1
Planning	2	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	4	6	4	5	5	4	4	4
Building maintenance	2	2	2	2	2	1	1	1	1	1
ADC	0	0	0	0	3	3	3	3	3	9
Refuse Operator	0	0	0	0	0	0	1	1	1	1
Public services										
HCD	3	3	1	1	0	0	0	0	0	0
RSVP - Arkansas	1	1	1	1	1	1	1	1	1	0
RSVP - Texas	1	1	1	1	1	1	1	1	1	0
Other										
Bi-State Maintenance	14	13	13	13	13	13	13	13	13	13
Bi-State CRC	1	1	1	1	1	1	1	1	1	1
Animal Shelter	0	11	7	8	8	7	7	7	5	5
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>3</u>	<u>3</u>
Total	<u>224</u>	<u>234</u>	<u>231</u>	<u>236</u>	<u>243</u>	<u>243</u>	<u>243</u>	<u>243</u>	<u>241</u>	<u>241</u>

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

Table 20

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Function/Program</u>										
Public safety										
Police										
Uniformed employees	90	91	89	90	90	88	84	84	84	84
Fire										
Firefighters	56	58	58	58	58	57	58	58	58	58
Public works										
Building permits issued	1,758	3,679	1,944	477	507	510	426	368	454	464
Building permits (\$)	\$ 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	\$ 24,230,960
Water										
Average daily consumption (millions of gallons)	6.728	5.147	4.846	3.675	4.016	4.134	4.902	4.437	4.703	6.317
Raw water production (millions of gallons)	7.010	5.373	5.056	4.056	6.430	5.509	5.509	4.941	5.076	6.563

Source: Various City Departments

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

Table 21

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Police										
Stations	1	1	1	1	1	1	1	2	2	2
Total units	96	96	96	82	101	110	111	117	117	117
Fire										
Stations	5	5	5	5	5	5	5	5	5	5
Public works										
Streets (miles)	290	290	291	291	250 ⁽¹⁾	250	252	252	252	252
Recreation										
Number of parks	16	16	16	20	24	24	24	24	24	24
Acres	280	280	280	281	288.3	288.3	288.3	296.3	296.3	296.3
Pools	1	1	1	1	1	1	1	1	1	1
Ball Fields	12	12	12	12	15	15	15	15	15	15
Tennis courts:										
Lighted	3	3	3	3	3	3	3	3	3	3
Unlighted	3	3	3	3	1	1	1	1	1	1
Community centers	4	4	4	4	4	4	4	4	4	4
Soccer fields	0	0	0	0	1	1	1	1	1	1
Walking/biking trails (miles)	3.65	3.65	3.65	5.2	7.5	7.5	7.5	7.66	13.91	13.91
Utilities										
Plant capacity										
(million gallon average per day)	15	15	15	15	15	15	15	15	15	15
Water mains (miles)	417	424	412	409	408	406	395	416	407	412
Number of water meters	10,167	10,217	10,203	10,184	10,103	10,134	10,155	10,126	10,154	10,169
Sewer mains (miles)	211	213	216	216	212	219	214	213	216	233
Number of fire hydrants	1,372	1,384	1,392	1,427	1,438	1,441	1,431	1,450	1,469	1,409
Number of Mandeville water meters	337	339	333	328	322	327	321	318	316	315
Number of Union water meters	1,080	1,088	1,107	1,129	1,135	1,162	1,178	1,200	1,231	1,246

⁽¹⁾ 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, 2016.

- (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 its assertion. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with the requirements mentioned above, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with the requirements mentioned above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the requirements mentioned above, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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, 2016.

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

Rogers, Arkansas
June 29, 2017

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2017, which contained a reference to the report of other auditors. 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.

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

Rogers, Arkansas
June 29, 2017