

City of Texarkana, Arkansas

Comprehensive Annual Financial Report

For the Year Ended December 31, 2017



Finance Department

TyRhonda Henderson
Finance Director

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City of Texarkana, Arkansas

Year Ended December 31, 2017

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Year Ended December 31, 2017

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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, 2017, 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, 2017. 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 30,155. 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, 2017.

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 2017 and 2018 within the City. Twenty-seven certificates of occupancy were issued in 2017 and nineteen have been issued so far in 2018. Major remodeling projects are ongoing at Parkside Apartments of Texarkana, Mt. Olive Baptist Church and the Road Runner. 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 February 5, 2018, the City issued a \$2,260,000 Franchise Fee Secured Capital Improvement Revenue Bond, Series 2018. The Series 2018 bonds were issued to finance capital improvements consisting generally of fire trucks and police radios and to pay the cost of issuance.

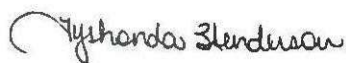
Awards and Acknowledgements

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, 2016. 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,

A handwritten signature in cursive script that reads "TyRhonda Henderson".

TyRhonda Henderson
Finance Director

June 29, 2018



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

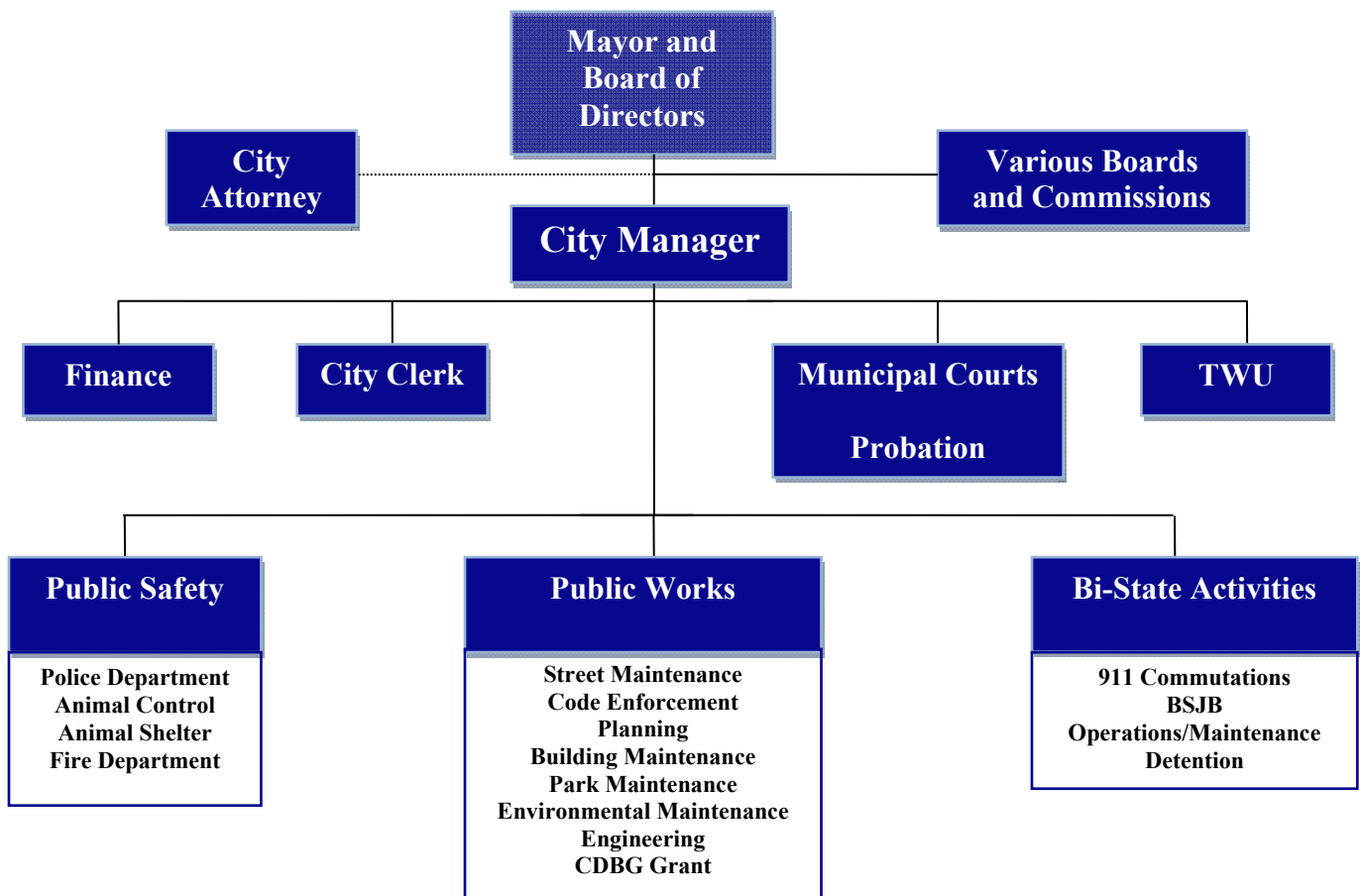
December 31, 2016

Christopher P. Morill

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, 2017, 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 \$72,756,753 and \$9,560,808, respectively, and represent 100% of the business-type activities' total assets and operating revenues, respectively, at September 30, 2017 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, 2017, is \$12,630,787, which includes a current year increase of \$2,796,580. 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, 2017, is \$1,138,698 which includes a current year increase of \$418,451. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for Texarkana, Arkansas Water Utilities, Texarkana Airport Authority and Texarkana Urban Transit District, 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, 2017, 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 and the other auditors 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, based on our audit, the procedures performed as described above, and the report of the other auditors, 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, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Little Rock, Arkansas
June 29, 2018

City of Texarkana, Arkansas

Management's Discussion and Analysis

December 31, 2017

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, 2017. 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 \$59,046,190 (net position). Of this amount, \$5,679,201 (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 \$2,838,050 during fiscal year 2017.
- As of the close of the current fiscal year, the City of Texarkana, Arkansas' governmental funds reported combined ending fund balances of \$8,918,261.
- At the end of the current fiscal year, unassigned fund balance was \$3,683,406.

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 16 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 14 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, 2017, 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 three 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 \$59,046,190 as of December 31, 2017. The largest portion of the City's net position, 76.2% (\$45,022,505), reflects its investment 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, \$5,679,021, 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			
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 29,497,700	\$ 24,980,107	\$ 14,281,490	\$ 14,668,184	\$ 43,779,190	\$ 39,648,291
Capital assets	33,328,216	34,503,437	56,855,649	57,781,435	90,183,865	92,284,872
Other assets	-	-	1,615,654	1,389,923	1,615,654	1,389,923
Total assets	62,825,916	59,483,544	72,752,793	73,839,542	135,578,709	133,323,086
Deferred outflows of resources	4,828,078	6,010,936	769,500	934,684	5,597,578	6,945,620
Long-term liabilities	49,842,298	50,758,835	27,261,564	28,454,632	77,103,862	79,213,467
Other liabilities	2,160,463	1,719,416	2,320,546	2,713,778	4,481,009	4,433,194
Total liabilities	52,002,761	52,478,251	29,582,110	31,168,410	81,584,871	83,646,661
Deferred inflows of resources	256,580	14,066	288,646	399,839	545,226	413,905
Net position:						
Net investment in capital assets	12,173,375	12,228,378	32,849,130	32,066,618	45,022,505	44,294,996
Restricted	3,085,466	2,948,305	5,259,198	5,271,993	8,344,664	8,220,298
Unrestricted	135,812	(2,174,520)	5,543,209	5,867,366	5,679,021	3,692,846
Total net position	\$ 15,394,653	\$ 13,002,163	\$ 43,651,537	\$ 43,205,977	\$ 59,046,190	\$ 56,208,140

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, 2017. Governmental activities increased the City's net position by \$2,392,490. From 2016 to the 2017 revenues increased by \$3,895,489 and expenses increased by \$1,672,917. The increase in revenues can be attributed to an increase in the City's joint ventures of \$3,295,798. The increase in expenses can be attributed to an increase in Police and Fire expenses of \$2,533,212 due primarily to the changes in the associated pension balances (see *Note 11* for details regarding these pensions). The decrease in expenses for public services is due to the associated joint ventures having a decrease in 2016 but an increase in 2017 (expense vs. revenue). Business-type activities increased the City's net position by \$445,560. For the business type activities, the revenues from 2016 to 2017 decreased by \$26,498. Expenses (excluding transfers out) from 2016 to 2017 increased by \$291,874 due to an overall increase in operating expenses.

In addition, deferred outflows for the governmental-type activities decreased by \$1,182,858 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 decreased by \$1,193,068 due to annual payments. 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	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 8,458,140	\$ 5,485,953	\$ 9,560,808	\$ 9,590,596	\$ 18,018,948	\$ 15,076,549
Operating grants and contributions	3,673,664	3,320,465	-	-	3,673,664	3,320,465
Capital grants and contributions	851,360	1,078,636	-	-	851,360	1,078,636
General revenues:						
Property taxes	4,161,676	3,902,704	-	-	4,161,676	3,902,704
Other taxes	12,437,320	12,344,738	-	-	12,437,320	12,344,738
Other revenue	551,989	106,164	156,212	152,922	708,201	259,086
Total revenues	<u>30,134,149</u>	<u>26,238,660</u>	<u>9,717,020</u>	<u>9,743,518</u>	<u>39,851,169</u>	<u>35,982,178</u>
Expenses:						
General administration	\$2,272,254	2,582,956	-	-	2,272,254	2,582,956
Police department	8,535,330	6,351,864	-	-	8,535,330	6,351,864
Fire department	5,930,240	4,577,604	-	-	5,930,240	4,577,604
Other public safety	2,106,118	2,877,212	-	-	2,106,118	2,877,212
Protective inspection	473,860	567,880	-	-	473,860	567,880
Public works	6,145,067	6,365,907	-	-	6,145,067	6,365,907
Public services	31,950	541,432	-	-	31,950	541,432
Health and welfare	573,179	459,236	-	-	573,179	459,236
Cultural and recreation	1,138,931	1,171,381	-	-	1,138,931	1,171,381
Interest on long-term debt	773,234	811,774	-	-	773,234	811,774
Water and sewer	-	-	9,016,083	8,724,209	9,016,083	8,724,209
Total expenses	<u>27,980,163</u>	<u>26,307,246</u>	<u>9,016,083</u>	<u>8,724,209</u>	<u>36,996,246</u>	<u>35,031,455</u>
Increase (decrease) in net position before transfers	2,153,986	(68,586)	700,937	1,019,309	2,854,923	950,723
Transfers	<u>238,504</u>	<u>335,094</u>	<u>(255,377)</u>	<u>(227,751)</u>	<u>(16,873)</u>	<u>107,343</u>
Increase in net position	2,392,490	266,508	445,560	791,558	2,838,050	1,058,066
Net position - beginning of year	<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>
Net position - end of year	<u>\$ 15,394,653</u>	<u>\$ 13,002,163</u>	<u>\$ 43,651,537</u>	<u>\$ 43,205,977</u>	<u>\$ 59,046,190</u>	<u>\$ 56,208,140</u>

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 \$8,918,261.

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 \$3,684,175. Unassigned fund balance represents approximately 20.97% of the total General Fund expenditures. There are 77 days of expenditures in unassigned fund balance, representing an increase of four days from 2016.

For the City's General Fund, from 2016 to 2017, total revenue increased by 2.73% and total expenditures increased by 2.94%. The City's General Fund balance decreased by \$1,712 and resulted in an ending fund balance of \$3,752,306.

For the City's Public Works Fund, from 2016 to 2017, total revenue increased by .50%, total expenditures increased by 5.32% due to an overall increase in Park's capital projects. The change in total revenue over total expenditures decreased by 33.15%. Therefore, the Public Works Fund reported a net increase and change in fund balance of \$173,065, which resulted in an ending fund balance of \$1,929,673.

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 \$5,397,761. Unrestricted net position of Texarkana, Arkansas Union Water Utilities at the end of the year amounted to \$118,730. The total growth in net position for Texarkana, Arkansas Water Utilities was \$263,342. The increase in net position for Texarkana, Arkansas Union Water Utilities was \$161,031. 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 decrease and negative change in fund balance of \$1,712 or ending fund balance of \$3,752,306. 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 \$968,739. This is mostly a result of expenditures being under budget by \$899,823. Other Public Safety expenditures were under budget by \$1,763,864. This is primarily due to contributions to the Bi-State Justice Center being under budget by \$595,877 and professional services being under budget by \$751,000. General government expenses were over budget by \$360,610 and police department expenses were over budget by \$392,152 primarily due to an increase in personnel expenses driven by several vacant positions being filled within those departments. Fines and forfeitures were under budget by \$218,237 due to a decrease in arrests and citations issued. In addition, intergovernmental revenues were over budget by \$304,463 due to turn back revenues being higher than originally projected.

Capital Assets

The City of Texarkana, Arkansas' investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounts to \$90,183,865 (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	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,563,907	\$ 2,563,907	\$ 857,819	\$ 857,519	\$ 3,421,726	\$ 3,421,426
Buildings	6,714,120	7,175,401	1,756,604	1,840,214	8,470,724	9,015,615
Improvements other than buildings	4,948,022	5,517,050	33,911,739	34,814,172	38,859,761	40,331,222
Machinery and equipment	1,373,029	1,187,806	2,037,112	2,044,472	3,410,141	3,232,278
Infrastructure	17,324,304	17,904,906	-	-	17,324,304	17,904,906
Water rights	-	-	17,784,128	17,784,128	17,784,128	17,784,128
Construction in progress	404,834	154,367	508,247	440,930	913,081	595,297
Total	<u>\$ 33,328,216</u>	<u>\$ 34,503,437</u>	<u>\$ 56,855,649</u>	<u>\$ 57,781,435</u>	<u>\$ 90,183,865</u>	<u>\$ 92,284,872</u>

Major capital asset additions for the governmental activities during 2017 included approximately \$500 thousand for various equipment, including vehicles and radios. 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 \$21,095,824. Of this amount, \$8,661,660 comprises bonded debt backed by the full faith and credit of the government and \$12,434,224 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 \$9,192,660 represents bonds secured solely by water and sewer revenues.

General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total
	2017	2016	2017	2016	
General obligation bonds	\$ 8,661,600	\$ 9,135,064	\$ -	\$ -	\$ 8,661,600 \$ 9,135,064
Revenue bonds	12,434,224	12,834,303	9,192,660	10,359,438	21,626,884 23,193,741
Total	<u>\$ 21,095,824</u>	<u>\$ 21,969,367</u>	<u>\$ 9,192,660</u>	<u>\$ 10,359,438</u>	<u>\$ 30,288,484</u> <u>\$ 32,328,805</u>

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 2018 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.

Basic Financial Statements

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City of Texarkana, Arkansas
Statement of Net Position
December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Texarkana Advertising & Promotion
Assets				
Cash	\$ 1,769,522	\$ 2,167,481	\$ 3,937,003	\$ 452,901
Investments	1,490,880	1,734,604	3,225,484	-
Accounts receivable, net of allowance				
Property taxes	4,677,262	-	4,677,262	-
Accounts	269,837	1,499,480	1,769,317	94
Other government agencies	3,024,954	109,874	3,134,828	-
Accrued interest	-	492	492	-
Other	6,508	-	6,508	110,220
Due from primary government	-	-	-	43,877
Due from component units	5,098	-	5,098	-
Inventories	-	309,461	309,461	-
Prepaid items	14,171	31,220	45,391	-
Restricted assets				
Cash	3,953,418	3,201,303	7,154,721	-
Investments	-	848,868	848,868	-
Accounts receivable	-	1,166	1,166	-
Prepaid capital improvement deposits	-	646,324	646,324	-
Net investment in direct financing lease:				
Due within one year	-	410,745	410,745	-
Due in more than one year	-	3,320,472	3,320,472	-
Investment in joint ventures	14,286,050	-	14,286,050	-
Capital assets - non-depreciable	2,968,741	1,366,066	4,334,807	-
Capital assets - depreciable, net	30,359,475	55,489,583	85,849,058	-
Net pension asset	-	1,615,654	1,615,654	-
Total assets	62,825,916	72,752,793	135,578,709	607,092
Deferred Outflows of Resources				
Deferred outflows - pension	3,170,739	505,393	3,676,132	-
Deferred outflows - pension contributions	1,657,339	264,107	1,921,446	-
Total deferred outflow of resources	4,828,078	769,500	5,597,578	-

See Notes to Financial Statements

	Primary Government			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		Texarkana Advertising & Promotion
Liabilities				
Accounts payable	\$ 846,114	\$ 462,246	\$ 1,308,360	\$ 63,356
Construction contracts payable	-	151,621	151,621	-
Accrued liabilities	857,518	492,463	1,349,981	-
Due to other governments	2,344	-	2,344	-
Due to fiduciary funds	404,327	-	404,327	-
Due to component units	48,975	-	48,975	-
Customer deposits	-	556,417	556,417	-
Capital improvement deposits	-	540,123	540,123	-
Other liabilities	1,185	117,676	118,861	-
Long-term liabilities				
Due within one year:				
Bonds payable	640,000	1,209,396	1,849,396	-
Installment loans payable	55,509	-	55,509	-
Obligations under capital leases	3,508	-	3,508	-
Accrued compensated absences	133,102	30,869	163,971	-
Due in more than one year				
Bonds payable	20,455,824	7,983,264	28,439,088	-
Accrued compensated absences	2,125,309	209,515	2,334,824	-
Net pension and other				
postemployment obligations	26,429,046	3,166,013	29,595,059	-
Other long-term liabilities	-	14,662,507	14,662,507	-
Total liabilities	52,002,761	29,582,110	81,584,871	63,356
Deferred Inflows of Resources				
Deferred inflows - pension	256,580	288,646	545,226	-
Total deferred inflow of resources	256,580	288,646	545,226	-
Net Position				
Net investment in capital assets	12,173,375	32,849,130	45,022,505	-
Restricted				
General administration	76,246	-	76,246	-
Police department	3,450	-	3,450	-
Fire department	22,669	-	22,669	-
Public works	502,289	-	502,289	-
Pension	-	1,615,654	1,615,654	-
Construction	-	963,153	963,153	-
Capital maintenance	-	1,462,109	1,462,109	-
Cultural and recreation	92,679	-	92,679	543,736
Debt service	2,388,133	1,218,282	3,606,415	-
Unrestricted	135,812	5,543,209	5,679,021	-
Total net position	\$ 15,394,653	\$ 43,651,537	\$ 59,046,190	\$ 543,736

City of Texarkana, Arkansas
Statement of Activities
Year Ended December 31, 2017

Functions/Programs					Net (Expense) Revenue and Changes in Net Assets						
					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
Primary Government	Expenses										
Governmental Activities											
General administration	\$ 2,272,254	\$ 268,517	\$ 1,385,848	\$ 701,434	\$ 83,545	\$ -	\$ 83,545				
Police department	8,535,330	728,908	585,368	-	(7,221,054)	-	(7,221,054)				
Fire department	5,930,240	-	-	-	(5,930,240)	-	(5,930,240)				
Other public safety	2,106,118	-	-	-	(2,106,118)	-	(2,106,118)				
Protective inspection	473,860	-	-	-	(473,860)	-	(473,860)				
Public works	6,145,067	4,218,464	1,481,026	-	(445,577)	-	(445,577)				
Public services	31,950	3,242,251	118,309	149,926	3,478,536	-	3,478,536				
Health and welfare	573,179	-	-	-	(573,179)	-	(573,179)				
Cultural and recreation	1,138,931	-	103,113	-	(1,035,818)	-	(1,035,818)				
Interest on long-term debt	773,234	-	-	-	(773,234)	-	(773,234)				
Total governmental activities	27,980,163	8,458,140	3,673,664	851,360	(14,996,999)	-	(14,996,999)				
Business-Type Activities											
Water and sewer	9,016,083	9,560,808	-	-	-	544,725	544,725				
Total business-type activities	9,016,083	9,560,808	-	-	-	544,725	544,725				
Total primary government	\$ 36,996,246	\$ 18,018,948	\$ 3,673,664	\$ 851,360	(14,996,999)	544,725	(14,452,274)				

					Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs		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
Primary Government	Expenses							
Component Unit								
Arkansas Advertising & Promotion	\$ 1,335,882	\$ -	\$ -	\$ -				\$ (1,335,882)
	General revenues							
	Property taxes				\$ 4,161,676	\$ -	\$ 4,161,676	-
	Sales taxes				9,828,654	-	9,828,654	-
	Franchise taxes				2,528,697	-	2,528,697	-
	Other taxes				79,969	-	79,969	1,169,834
	Unrestricted investment earnings				10,570	156,212	166,782	529
	Miscellaneous				541,419	-	541,419	815
	Transfers				238,504	(255,377)	(16,873)	-
	Total general revenues and transfers				17,389,489	(99,165)	17,290,324	1,171,178
	Change in Net Position				2,392,490	445,560	2,838,050	(164,704)
	Net Position, Beginning of Year				13,002,163	43,205,977	56,208,140	708,440
	Net Position, End of Year				\$ 15,394,653	\$ 43,651,537	\$ 59,046,190	\$ 543,736

City of Texarkana, Arkansas

Balance Sheet

Governmental Funds

December 31, 2017

	General	Public Works	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 1,769,522	\$ 1,894,616	\$ 2,058,802	\$ 5,722,940
Investments	592,093	-	898,787	1,490,880
Receivables				
Property taxes, net of allowance for uncollectible accounts of \$127,265	2,985,657	87,120	1,604,485	4,677,262
Accounts	269,837	-	-	269,837
Other government agencies	2,459,160	519,394	46,400	3,024,954
Other	93	6,135	280	6,508
Due from other funds	14,931	12,424	156,457	183,812
Due from component units	-	5,098	-	5,098
Prepaid items	5,087	2,042	7,042	14,171
Total assets	<u>\$ 8,096,380</u>	<u>\$ 2,526,829</u>	<u>\$ 4,772,253</u>	<u>\$ 15,395,462</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 434,490	\$ 402,231	\$ 9,393	\$ 846,114
Accrued liabilities	499,724	70,784	1,649	572,157
Due to other governments	2,344	-	-	2,344
Due to other funds	537,997	38,948	11,194	588,139
Due to component units	45,197	3,778	-	48,975
Other liabilities	-	1,185	-	1,185
Total liabilities	<u>1,519,752</u>	<u>516,926</u>	<u>22,236</u>	<u>2,058,914</u>
Deferred Inflows of Resources				
Unavailable revenue-property taxes	2,661,397	73,275	1,428,600	4,163,272
Unavailable revenue-grants	162,925	6,955	85,135	255,015
Total deferred inflows of resources	<u>2,824,322</u>	<u>80,230</u>	<u>1,513,735</u>	<u>4,418,287</u>
Fund Balances				
Nonspendable				
Prepaid items	5,087	2,042	7,042	14,171
Restricted				
General administration	-	-	69,204	69,204
Police department	-	-	4,422	4,422
Fire department	-	-	22,669	22,669
Public works	-	-	502,289	502,289
Debt service	-	-	1,820,312	1,820,312
Cultural and recreation	-	-	92,679	92,679
Committed				
Public works	-	309,211	-	309,211
Cultural and recreation	14,106	-	-	14,106
Assigned				
Police department	18,646	-	371,024	389,670
Public works	30,292	1,618,420	347,410	1,996,122
Unassigned	3,684,175	-	(769)	3,683,406
Total fund balances	<u>3,752,306</u>	<u>1,929,673</u>	<u>3,236,282</u>	<u>8,918,261</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,096,380</u>	<u>\$ 2,526,829</u>	<u>\$ 4,772,253</u>	<u>\$ 15,395,462</u>

See Notes to Financial Statements

City of Texarkana, Arkansas
Balance Sheet (Continued)
Governmental Funds
December 31, 2017

Total fund balances - total governmental funds	\$ 8,918,261
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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.	33,328,216
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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.	4,571,498
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The City's equity investment in joint ventures is not a financial resource and is, therefore, not reported in the funds.	14,286,050
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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.	4,418,287
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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	(285,361)
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Accrued compensated absences	(2,258,411)
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Net pension and other post-employment obligations	(26,429,046)
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Bonds payable, net of unamortized premiums	(21,095,824)
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Installment loans payable and obligations under capital lease	<u>(59,017)</u>
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Total net position - governmental activities	<u>\$ 15,394,653</u>
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City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2017

	General	Public Works	Other Governmental Funds	Total
Revenues				
Property taxes	\$ 2,382,379	\$ 101,114	\$ 1,329,717	\$ 3,813,210
Sales taxes	9,182,356	646,298	-	9,828,654
Other taxes	79,969	-	-	79,969
Utility franchise	2,431,741	-	-	2,431,741
Licenses and permits	43,242	140,202	-	183,444
Fines, forfeitures and penalties	621,877	-	26,264	648,141
Charges for services	252,495	4,078,262	-	4,330,757
Grants and entitlements	599,361	68,157	854,071	1,521,589
Intergovernmental	1,516,048	1,412,869	74,518	3,003,435
Investment income	2,981	1,856	5,733	10,570
Miscellaneous	148,490	196,723	196,206	541,419
	<u>17,260,939</u>	<u>6,645,481</u>	<u>2,486,509</u>	<u>26,392,929</u>
Total revenues				
Expenditures				
Current:				
General government	1,867,498	-	156,857	2,024,355
Police department	7,733,463	-	-	7,733,463
Fire department	4,777,857	-	-	4,777,857
Other public safety	2,067,789	-	36,853	2,104,642
Protective inspection	-	457,378	-	457,378
Public works	-	4,994,434	16,352	5,010,786
Public services	-	-	30,885	30,885
Health and welfare	539,384	-	-	539,384
Cultural and recreation	4,153	316,051	431,884	752,088
Capital outlay	376,087	323,605	272,124	971,816
Debt service:				
Principal retirement	246,675	-	865,000	1,111,675
Interest and fiscal charges	3,940	-	783,047	786,987
	<u>17,616,846</u>	<u>6,091,468</u>	<u>2,593,002</u>	<u>26,301,316</u>
Total expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(355,907)</u>	<u>554,013</u>	<u>(106,493)</u>	<u>91,613</u>
Other Financing Sources (Uses)				
Transfers in	1,203,556	87,771	849,392	2,140,719
Transfers out	(849,361)	(468,719)	(584,135)	(1,902,215)
	<u>354,195</u>	<u>(380,948)</u>	<u>265,257</u>	<u>238,504</u>
Total other financing sources (uses)				
Net Change in Fund Balances	<u>(1,712)</u>	<u>173,065</u>	<u>158,764</u>	<u>330,117</u>
Fund Balances, Beginning of Year	<u>3,754,018</u>	<u>1,756,608</u>	<u>3,077,518</u>	<u>8,588,144</u>
Fund Balances, End of Year	<u>\$ 3,752,306</u>	<u>\$ 1,929,673</u>	<u>\$ 3,236,282</u>	<u>\$ 8,918,261</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, 2017

Net change in fund balances - total governmental funds \$ 330,117

**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	971,816
Capital outlay items not capitalized	(16,740)
Depreciation expense	(2,130,297)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	445,422
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Gains from the change in the equity investment in joint ventures do not provide current financial resources are not reported in the funds.	3,295,797
--	-----------

The issuance of long-term debt (<i>e.g.</i> , bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,120,218
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the net change in these items this year.

Accrued interest	5,210
Accrued compensated absences	(161,119)
Net pension liability	(42,878)
Other postemployment obligation	316
Net change in deferred inflows/outflows of resources related to pensions	(1,425,372)

Change in net position of governmental activities	\$ 2,392,490
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City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes
In Fund Balances – Budget and Actual – General Fund
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 2,457,000	\$ 2,483,000	\$ 2,382,379	\$ (100,621)
Sales taxes	9,180,000	9,027,453	9,182,356	154,903
Other taxes	80,200	-	79,969	79,969
Utility franchise	2,568,000	2,561,890	2,431,741	(130,149)
Licenses and permits	39,150	47,660	43,242	(4,418)
Fines, forfeitures and penalties	583,614	840,114	621,877	(218,237)
Charges for services	304,950	376,266	252,495	(123,771)
Grants and entitlements	302,467	604,794	599,361	(5,433)
Intergovernmental	1,517,450	1,211,585	1,516,048	304,463
Investment income	3,000	-	2,981	2,981
Miscellaneous	65,266	112,737	148,490	35,753
Total revenues	<u>17,101,097</u>	<u>17,265,499</u>	<u>17,260,939</u>	<u>(4,560)</u>
Expenditures				
Current:				
General government	1,852,393	1,456,888	1,817,498	(360,610)
Police department	8,002,952	7,341,311	7,733,463	(392,152)
Fire department	4,787,834	4,780,502	4,777,857	2,645
Other public safety	2,995,913	3,831,653	2,067,789	1,763,864
Health and welfare	607,409	381,618	539,384	(157,766)
Cultural and recreation	5,600	-	4,153	(4,153)
Capital outlay	36,000	497,157	376,087	121,070
Debt service:				
Principal retirement	250,957	177,540	246,675	(69,135)
Interest and fiscal charges	3,970	-	3,940	(3,940)
Total expenditures	<u>18,543,028</u>	<u>18,466,669</u>	<u>17,566,846</u>	<u>899,823</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,441,931)</u>	<u>(1,201,170)</u>	<u>(305,907)</u>	<u>895,263</u>
Other Financing Sources (Uses)				
Transfers in	1,293,100	1,128,680	1,203,556	74,876
Transfers out	<u>(897,961)</u>	<u>(897,961)</u>	<u>(899,361)</u>	<u>(1,400)</u>
Total other financing sources (uses)	<u>395,139</u>	<u>230,719</u>	<u>304,195</u>	<u>73,476</u>
Net Change in Fund Balances	<u>(1,046,792)</u>	<u>(970,451)</u>	<u>(1,712)</u>	<u>968,739</u>
Fund Balances, Beginning of Year	<u>3,754,018</u>	<u>3,754,018</u>	<u>3,754,018</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 2,707,226</u></u>	<u><u>\$ 2,783,567</u></u>	<u><u>\$ 3,752,306</u></u>	<u><u>\$ 968,739</u></u>

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund
Balances – Budget and Actual - Public Works Fund
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 101,800	\$ 101,500	\$ 101,114	\$ (386)
Sales taxes	630,000	-	646,298	646,298
Licenses and permits	145,700	138,755	140,202	1,447
Charges for services	4,080,350	4,155,500	4,078,262	(77,238)
Grants and entitlements	571,525	-	68,157	68,157
Intergovernmental	1,352,000	2,065,000	1,412,869	(652,131)
Investment income	900	-	1,856	1,856
Miscellaneous	320,144	260,980	196,723	(64,257)
Total revenues	<u>7,202,419</u>	<u>6,721,735</u>	<u>6,645,481</u>	<u>(76,254)</u>
Expenditures				
Current:				
Protective inspection	579,320	495,257	457,378	37,879
Public works	5,519,256	5,856,961	4,994,434	862,527
Cultural and recreation	472,096	491,649	316,051	175,598
Capital outlay	<u>1,247,228</u>	<u>324,614</u>	<u>323,605</u>	<u>1,009</u>
Total expenditures	<u>7,817,900</u>	<u>7,168,481</u>	<u>6,091,468</u>	<u>1,077,013</u>
Excess of Revenues Over Expenditures	<u>(615,481)</u>	<u>(446,746)</u>	<u>554,013</u>	<u>1,000,759</u>
Other Financing Sources (Uses)				
Transfers in	88,000	-	87,771	87,771
Transfers out	<u>(497,000)</u>	<u>-</u>	<u>(468,719)</u>	<u>(468,719)</u>
Total other financing sources (uses)	<u>(409,000)</u>	<u>-</u>	<u>(380,948)</u>	<u>(380,948)</u>
Net Change in Fund Balances	<u>(1,024,481)</u>	<u>(446,746)</u>	<u>173,065</u>	<u>619,811</u>
Fund Balances, Beginning of Year	<u>1,756,608</u>	<u>1,756,608</u>	<u>1,756,608</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 732,127</u>	<u>\$ 1,309,862</u>	<u>\$ 1,929,673</u>	<u>\$ 619,811</u>

City of Texarkana, Arkansas
Statement of Fund Net Position
Proprietary Funds
September 30, 2017

	Texarkana Water Utilities			Total
	Water	Union	Mandeville	Enterprise
	Utilities	Utilities	Utilities	Funds
			(Non Major)	
Assets				
Current assets				
Cash	\$ 2,048,100	\$ 87,394	\$ 31,987	\$ 2,167,481
Investments	1,692,233	42,371	-	1,734,604
Receivables:				
Accounts (net of allowance for uncollectible)	1,426,457	60,580	12,443	1,499,480
Accrued interest	491	1	-	492
Due from other funds	3,960	-	-	3,960
Due from other governments	109,874	-	-	109,874
Inventories	309,461	-	-	309,461
Prepaid items	31,090	104	26	31,220
Net investment in direct financing leases - current	410,745	-	-	410,745
Total current assets	6,032,411	190,450	44,456	6,267,317
Noncurrent assets				
Restricted assets				
Cash	2,771,596	270,683	159,024	3,201,303
Investments	750,000	98,868	-	848,868
Receivables				
Interest	1,163	3	-	1,166
Total restricted assets	3,522,759	369,554	159,024	4,051,337
Capital assets (net of accumulated depreciation)				
Land	810,307	13,749	1,697	825,753
Buildings	1,290,842	851	270	1,291,963
Improvements other than buildings	22,734,691	2,000,539	198,120	24,933,350
Machinery and equipment	2,017,542	16,036	5,285	2,038,863
Property under capital leases	9,473,347	-	-	9,473,347
Water rights	17,784,128	-	-	17,784,128
Construction in progress	507,762	367	116	508,245
Net capital assets	54,618,619	2,031,542	205,488	56,855,649
Other assets				
Prepaid capital improvement deposits	643,185	1,475	1,664	646,324
Net pension asset	1,615,654	-	-	1,615,654
Net investment in direct financing leases - noncurrent	3,320,472	-	-	3,320,472
Total other assets	5,579,311	1,475	1,664	5,582,450
Total noncurrent assets	63,720,689	2,402,571	366,176	66,489,436
Total assets	69,753,100	2,593,021	410,632	72,756,753
Deferred Outflows of Resources				
Deferred outflows - pension	497,180	6,570	1,643	505,393
Deferred outflows - pension contributions	259,816	3,433	858	264,107
Total deferred outflow of resources	756,996	10,003	2,501	769,500

See Notes to Financial Statements

	Texarkana Water Utilities			Total Enterprise Funds
	Water Utilities	Union Utilities	Mandeville Utilities (Non Major)	
Liabilities				
Current liabilities				
Accounts payable	\$ 460,623	\$ 1,241	\$ 382	\$ 462,246
Construction contracts payable	151,621	-	-	151,621
Accrued liabilities	127,982	4,732	353	133,067
Accrued interest payable	330,426	25,437	3,533	359,396
Due to other funds	-	3,200	760	3,960
Other payables	108,937	6,898	1,841	117,676
Compensated absences - current portion	30,869	-	-	30,869
Bonds payable - current portion	983,760	199,384	26,252	1,209,396
Total current liabilities	2,194,218	240,892	33,121	2,468,231
Noncurrent liabilities				
Customer deposits	515,226	31,688	9,503	556,417
Capital improvement deposits	540,123	-	-	540,123
Contracts payable	14,662,237	270	-	14,662,507
Compensated absences	209,515	-	-	209,515
Net pension and OPEB obligations	3,126,040	31,831	8,142	3,166,013
Revenue bonds	6,263,999	1,508,390	210,875	7,983,264
Total noncurrent liabilities	25,317,140	1,572,179	228,520	27,117,839
Total liabilities	27,511,358	1,813,071	261,641	29,586,070
Deferred Inflows of Resources				
Deferred inflows - pension	284,115	3,609	922	288,646
Total deferred inflow of resources	284,115	3,609	922	288,646
Net Position				
Net investment in capital assets	32,557,002	323,767	(31,639)	32,849,130
Restricted for construction	963,153	-	-	963,153
Restricted for capital acquisitions	1,176,755	143,132	142,222	1,462,109
Restricted for debt service	1,004,298	200,715	13,269	1,218,282
Restricted for pensions	1,615,654	-	-	1,615,654
Unrestricted	5,397,761	118,730	26,718	5,543,209
Total net position	\$ 42,714,623	\$ 786,344	\$ 150,570	\$ 43,651,537

City of Texarkana, Arkansas
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended September 30, 2017

	Texarkana Water Utilities			Total Enterprise Funds
	Water Utilities	Union Utilities	Mandeville Utilities (Non Major)	
Operating Revenues				
Water sales	\$ 3,832,936	\$ 437,521	\$ 81,659	\$ 4,352,116
Wholesale water sales	35,665	-	-	35,665
Water connection fees	2,755	675	150	3,580
Sewer charges	3,909,580	-	-	3,909,580
Penalties and service charges	424,369	21,993	5,408	451,770
Other income	799,242	6,200	2,655	808,097
Total operating revenues	9,004,547	466,389	89,872	9,560,808
Operating Expenses				
Administrative	176,567	-	-	176,567
Finance	484,121	8,977	2,350	495,448
Customer service	306,545	34,479	8,635	349,659
Water production	1,155,740	66,906	19,654	1,242,300
Waster distribution	418,821	6,212	5,567	430,600
Sewer collection	402,651	-	-	402,651
Wastewater treatment	1,439,104	-	-	1,439,104
Environmental service	134,813	-	-	134,813
Engineer design	212,100	-	-	212,100
Geographical information systems	128,318	-	-	128,318
Composting	110,750	-	-	110,750
Operations administration	94,766	-	-	94,766
Service center	343,141	-	-	343,141
Safety/security	28,088	-	-	28,088
Field service	197,532	21,996	5,504	225,032
Construction oversight	448,347	4,996	1,537	454,880
Depreciation	1,961,211	103,588	17,135	2,081,934
Other expenses	15,587	1,206	409	17,202
Total operating expenses	8,058,202	248,360	60,791	8,367,353
Operating Income	946,345	218,029	29,081	1,193,455
Nonoperating Revenues (Expenses)				
Interest income - investments	29,952	534	78	30,564
Interest income - capital leases	125,648	-	-	125,648
Interest expense and paying agent fees	(581,248)	(57,462)	(7,949)	(646,659)
Gain on disposal of capital assets	(1,978)	(70)	(23)	(2,071)
Total nonoperating revenues (expenses)	(427,626)	(56,998)	(7,894)	(492,518)
Income Before Transfers	518,719	161,031	21,187	700,937
Transfers Out	(255,377)	-	-	(255,377)
Changes in Net Position	263,342	161,031	21,187	445,560
Net Position, Beginning of Year	42,451,281	625,313	129,383	43,205,977
Net Position, End of Year	\$ 42,714,623	\$ 786,344	\$ 150,570	\$ 43,651,537

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City of Texarkana, Arkansas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2017

	Texarkana Water Utilities			
	Water Utilities	Union Utilities	Mandeville Utilities (Non Major)	Total Enterprise Funds
Operating Activities				
Cash received from customers	\$ 9,249,591	\$ 455,856	\$ 90,090	\$ 9,795,537
Cash paid to suppliers	(4,060,216)	(105,123)	(35,646)	(4,200,985)
Cash paid to employees	(2,078,741)	(36,443)	(8,870)	(2,124,054)
Net cash provided by operating activities	3,110,634	314,290	45,574	3,470,498
Noncapital Financing Activities				
Transfers to City general fund	(255,377)	-	-	(255,377)
Net cash used for noncapital financing activities	(255,377)	-	-	(255,377)
Capital and Related Financing Activities				
Acquisition and construction of capital assets	(1,053,896)	(40,383)	1,537	(1,092,742)
Principal paid on bonds	(947,749)	(193,059)	(25,420)	(1,166,228)
Interest paid on bonds	(321,076)	(60,219)	(8,328)	(389,623)
Principal received on direct financing leases	401,726	-	-	401,726
Interest received on direct financing leases	125,648	-	-	125,648
Capital improvement deposits paid	(488,642)	(13,063)	(4,826)	(506,531)
Capital improvement deposits received	125,497	-	-	125,497
Proceeds from sale of capital assets	1,499	-	-	1,499
Net cash used for capital and related financing activities	(2,156,993)	(306,724)	(37,037)	(2,500,754)
Investing Activities				
Purchase of investments	(2,476,997)	(141,257)	-	(2,618,254)
Proceeds from sale and maturities of investments	622,868	141,186	-	764,054
Interest received on investments	24,448	464	54	24,966
Net cash provided by (used for) investing activities	(1,829,681)	393	54	(1,829,234)
Increase (Decrease) in Cash	(1,131,417)	7,959	8,591	(1,114,867)
Cash, Beginning of Year	5,951,113	350,118	182,420	6,483,651
Cash, End of Year	<u>\$ 4,819,696</u>	<u>\$ 358,077</u>	<u>\$ 191,011</u>	<u>\$ 5,368,784</u>
Cash of Proprietary Funds, as Presented, on the "Statement of Net Position - Proprietary Funds" is as follows:				
Cash	\$ 2,048,100	\$ 87,394	\$ 31,987	\$ 2,167,481
Restricted cash	2,771,596	270,683	159,024	3,201,303
	<u>\$ 4,819,696</u>	<u>\$ 358,077</u>	<u>\$ 191,011</u>	<u>\$ 5,368,784</u>

See Notes to Financial Statements

**Reconciliation of Operating Income to
Cash Flows from Operating Activities**

	Texarkana Water Utilities			Total
	Water Utilities	Union Utilities	Mandeville Utilities (Non Major)	Enterprise Funds
Operating income	\$ 946,345	\$ 218,029	\$ 29,081	\$ 1,193,455
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	1,961,211	103,588	17,135	2,081,934
(Increase) decrease in assets:				
Accounts receivable	(4,160)	(10,255)	394	(14,021)
Due from other governments	52,160	-	29	52,189
Allowance for doubtful accounts	(5,434)	-	-	(5,434)
Due from other funds	224,429	-	-	224,429
Inventories	19,452	-	-	19,452
Prepaid expenses	4,797	551	138	5,486
Net pension asset	(225,731)	-	-	(225,731)
Decrease in deferred outflows	163,082	1,628	474	165,184
Increase (decrease) in liabilities:				
Accounts payable	(58,065)	145	2	(57,918)
Accrued liabilities	1,775	189	41	2,005
Due to other funds	28,958	2,333	(1,086)	30,205
Accrued compensated absences	21,568	-	-	21,568
Customer deposits	(21,952)	(279)	(205)	(22,436)
Net pension and postemployment liabilities	103,389	83	21	103,493
Other payables	8,301	(368)	(102)	7,831
Decrease in deferred inflows:	(109,491)	(1,354)	(348)	(111,193)
Net cash provided by operating activities	<u>\$ 3,110,634</u>	<u>\$ 314,290</u>	<u>\$ 45,574</u>	<u>\$ 3,470,498</u>

City of Texarkana, Arkansas
Statement of Fiduciary Net Position – Fiduciary Funds
December 31, 2017

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 303,307	\$ 177,870
Investments		
U. S. government obligations	371,271	-
Mortgage backed securities	213,194	-
Corporate bonds and notes	626,915	-
Mutual funds and other investments	9,672,561	-
Interest receivable	45,263	3,556
Due from other funds	404,327	-
	<hr/>	<hr/>
Total assets	11,636,838	181,426
	<hr/>	<hr/>
Liabilities		
Accounts payable	8,924	5,386
Escrow deposits	-	176,040
	<hr/>	<hr/>
Total liabilities	8,924	181,426
	<hr/>	<hr/>
Net Position		
Net position restricted for pensions	\$ 11,627,914	\$ -
	<hr/> <hr/>	<hr/> <hr/>

City of Texarkana, Arkansas
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2017

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 664,610
Employee	16,340
Intergovernmental	322,319
Other	31,279
	<hr/>
Total contributions	1,034,548
	<hr/>
Investment income	
Net increase in fair value of investments	793,312
Interest and dividends	266,396
	<hr/>
	1,059,708
Less investment expense	23,068
	<hr/>
Net investment income	1,036,640
	<hr/>
Total additions	2,071,188
	<hr/>
Deductions	
Benefits paid directly to participants	1,812,715
Administrative expenses	74,216
	<hr/>
Total deductions	1,886,931
	<hr/>
Net Increase in Net Position	184,257
Net Position Restricted for Pensions, Beginning of Year	11,443,657
	<hr/>
Net Position Restricted for Pensions, End of Year	\$ 11,627,914
	<hr/> <hr/>

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2017

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.

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

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

Discretely Presented Component 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, 2017, totaled \$1,169,834. The Commission does not have separately issued financial statements.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2017

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, 2016, consisted of \$1,775,589 by Texarkana, Arkansas and \$1,771,126 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 \$12,630,787 at December 31, 2016, 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 annual budget is underwritten by the participating entities based on a formula which uses floor space occupied, one third each for 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, 2017, was \$516,565. 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, 2017

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, 2017, 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, 2016, which is the latest information available, was \$1,138,698.

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017, 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, 2017

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, 2017

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, 2018. 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 and the difference in investment experience between actual earnings and projected earnings on pension plan investments as well as the changes in proportion for cost-sharing plans. These amounts are amortized over future periods as shown within *Note 11*.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2017

Long-term Obligations

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

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

Compensated Absences

City employees earn sick pay and vacation leave benefits on the basis of length of service time. Subject to certain restrictions, City employees are compensated (historically from the fund which the employee is assigned) for unused sick and vacation time upon leaving the City's employment. All vacation and 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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2017

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

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

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

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

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

Restricted by Enabling Legislation

The government-wide Statement of Net Position reports \$543,736 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

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2017

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.

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, 2017:

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. 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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2017

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.

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.

GASB Statement No. 87 – *Leases* (GASB 87): GASB 87 addresses the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognizing inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activity. This statement is effective for periods beginning after December 15, 2019, with earlier application encouraged.

GASB Statement No. 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (GASB 88): GASB 88 improves the information disclosed in notes to the governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liability governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date of the contraction obligation is established. This Statement requires additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. This statement is effective for periods beginning after June 15, 2018, 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, 2017

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, 2017 and September 30, 2017, 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, 2017

At December 31, 2017, 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	\$ 59,752	\$ -	\$ -	\$ 59,752	\$ -
U.S. government obligations	311,519	-	145,005	86,748	79,766
Corporate bonds	626,915	79,937	393,811	76,501	76,666
Money market mutual funds	1,910,608	1,910,608	-	-	-
Mortgage backed securities	213,194	162	2,479	41,998	168,555
Bond mutual funds	3,656,802	499,452	1,907,670	384,362	865,318
		<u>\$ 2,490,159</u>	<u>\$ 2,448,965</u>	<u>\$ 649,361</u>	<u>\$ 1,190,305</u>
Equity mutual funds	<u>6,015,759</u>				
	<u>\$ 12,794,549</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, 2017

The City has the following recurring fair value measurements as of December 31, 2017:

- U.S. Treasury obligations and U.S. government obligations of \$59,753 and \$311,519, 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 \$626,915 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 \$1,910,608 are valued at amortized cost and are not considered a fair value measurement
- Mortgage backed securities of \$213,193 are valued using a matrix pricing technique, which values the securities based on the securities' relationship to benchmark quoted prices (Level 2 inputs)
- Bond and equity mutual funds of \$3,656,802 and \$5,981,576, respectively, 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, 2017, 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, 2017

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	\$ 13,732,460	\$ 452,901
Cash on hand	4,185	-
Investments	<u>12,794,549</u>	<u>-</u>
	<u><u>\$ 26,531,194</u></u>	<u><u>\$ 452,901</u></u>
Included in the following statement of net position captions		
Cash	\$ 3,937,003	\$ 452,901
Investments	3,225,484	-
Restricted cash	7,154,721	-
Restricted investments	848,868	-
Included in the following fiduciary net position captions		
Cash and cash equivalents - Agency Funds	177,870	-
Cash and cash equivalents - Pension Trust Funds	303,307	-
Investments-Pension Trust Funds		
U.S. government obligations	371,271	-
Mortgage backed securities	213,194	-
Corporate bonds and notes	626,915	-
Mutual funds and other investments	<u>9,672,561</u>	<u>-</u>
	<u><u>\$ 26,531,194</u></u>	<u><u>\$ 452,901</u></u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2017

Note 3: Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2017, was as follows:

Governmental Activities	Balance, December 31, 2016	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2017
Capital assets, non-depreciable:				
Land	\$ 2,563,907	\$ -	\$ -	\$ 2,563,907
Construction in progress	154,367	340,667	(90,200)	404,834
Total capital assets, non-depreciable	2,718,274	340,667	(90,200)	2,968,741
Capital assets, depreciable				
Buildings	23,468,476	114,658	-	23,583,134
Improvements other than buildings	12,082,614	17,580	-	12,100,194
Machinery and equipment	7,963,090	546,596	(330,531)	8,179,155
Infrastructure	44,040,503	25,775	-	44,066,278
Total capital assets, depreciable	87,554,683	704,609	(330,531)	87,928,761
Less accumulated depreciation				
Buildings	16,293,075	575,939		16,869,014
Improvements other than buildings	6,565,564	586,608		7,152,172
Machinery and equipment	6,775,284	361,373	(330,531)	6,806,126
Infrastructure	26,135,597	606,377	-	26,741,974
Total accumulated depreciation	55,769,520	2,130,297	(330,531)	57,569,286
Total capital assets, depreciable	31,785,163	(1,425,688)	-	30,359,475
Total governmental activities, net	\$ 34,503,437	\$ (1,085,021)	\$ (90,200)	\$ 33,328,216

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2017

Capital asset activity in the business-type activities for the year ended September 30, 2017, was as follows:

Business-Type Activities	Balance September 30, 2016	Additions and Transfers, Net	Retirements and Transfers, Net	Balance September 30, 2017
Capital Assets, non-depreciable				
Land	\$ 857,519	\$ 300	\$ -	\$ 857,819
Construction in progress	440,930	1,364,900	(1,297,583)	508,247
Total capital assets, non-depreciable	1,298,449	1,365,200	(1,297,583)	1,366,066
Capital assets, depreciable				
Buildings and improvements	4,357,411	-	-	4,357,411
Improvements other than buildings	63,326,191	713,335	(10,713)	64,028,813
Machinery and equipment	7,817,554	378,767	(180,816)	8,015,505
Water rights	17,784,128	-	-	17,784,128
Total capital assets, depreciable	93,285,284	1,092,102	(191,529)	94,185,857
Less accumulated depreciation				
Buildings and improvements	2,517,197	83,610	-	2,600,807
Improvements other than buildings	28,512,019	1,613,304	(8,249)	30,117,074
Machinery and equipment	5,773,082	385,020	(179,709)	5,978,393
Water rights	-	-	-	-
Total accumulated depreciation	36,802,298	2,081,934	(187,958)	38,696,274
Total capital assets, depreciable	56,482,986	(989,832)	(3,571)	55,489,583
Total business-type activities, net	\$ 57,781,435	\$ 375,368	\$ (1,301,154)	\$ 56,855,649

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2017

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

Governmental Activities

General government	
General government	\$ 131,755
Police department	498,060
Fire department	147,302
Public works	980,183
Health	13,611
Culture and recreation	359,386
	<u>2,130,297</u>
Total depreciation expense – governmental activities	<u>\$ 2,130,297</u>

Business-Type Activities

Water and sewer	<u>\$ 2,081,934</u>
Total depreciation expense - business-type activities	<u>\$ 2,081,934</u>

Note 4: Construction Projects

At December 31, 2017, 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, 2017	Required Future Financing
Detention Pond - Crossroads Parkway	\$ 40,000	\$ 24,500	\$ 15,500
Drainage Improvements	50,000	23,547	26,453
Ed Worrell Creek Washout	14,000	13,415	585
Highway 71 Bridge Lights	94,400	33,452	60,948
Traffic Signal Project	350,000	17,500	332,500
U of A Road Improvement	150,000	39,180	110,820
Nix Creek - Jackson St. Trail	92,140	4,500	87,640
Pinson Sidewalk - E. 47th to E. 50th	53,427	4,404	49,023
Pinson Sidewalk - E. 42nd	29,301	2,371	26,930
Sidewalks - E. 5th Street	123,016	3,000	120,016
Lauren Drive Improvements	24,100	24,100	30,000
	<u>\$ 1,020,384</u>	<u>\$ 189,969</u>	<u>\$ 830,415</u>
Total	<u>\$ 1,020,384</u>	<u>\$ 189,969</u>	<u>\$ 830,415</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2017

Note 5: Long-term Liabilities

Changes in long-term liabilities in the governmental activities for the year ended December 31, 2017, and for the business-type activities for the year ended September 30, 2017, were as follows:

Governmental Activities	Balance December 31, 2016	Increases	Decreases	Balance December 31, 2017	Amounts Due in One Year
Bonds payable					
Revenue bonds	\$ 12,835,000	\$ -	\$ 400,000	\$ 12,435,000	\$ 415,000
Less issuance discounts	38,412	-	1,635	36,777	-
Add issuance premiums	37,715	-	1,714	36,001	-
	<u>12,834,303</u>	<u>-</u>	<u>400,079</u>	<u>12,434,224</u>	<u>415,000</u>
General obligation bonds	8,915,000	-	465,000	8,450,000	225,000
Add issuance premiums	220,064	-	8,464	211,600	-
	<u>9,135,064</u>	<u>-</u>	<u>473,464</u>	<u>8,661,600</u>	<u>225,000</u>
Bonds payable, net	21,969,367	-	873,543	21,095,824	640,000
Notes payable	283,498	-	227,989	55,509	55,509
Capital lease obligation	22,194	-	18,686	3,508	3,508
Compensated absences	2,097,292	1,047,757	886,638	2,258,411	133,102
Net pension liability	26,247,429	42,878	-	26,290,307	-
Net OPEB obligation	139,055	-	316	138,739	-
Total governmental activities long-term liabilities	<u>\$ 50,758,835</u>	<u>\$ 1,090,635</u>	<u>\$ 2,007,172</u>	<u>\$ 49,842,298</u>	<u>\$ 832,119</u>
Business-Type Activities	Balance September 30, 2016	Increases	Decreases	Balance September 30, 2017	Amounts Due in One Year
Bonds payable					
Revenue bonds	\$ 10,353,437	\$ -	\$ 1,166,105	\$ 9,187,332	\$ 1,209,396
Plus issuance premiums	6,001	-	673	5,328	-
Bonds payable, net	10,359,438	-	1,166,778	9,192,660	1,209,396
Compensated absences	218,816	217,744	196,176	240,384	30,869
Net pension liability	2,565,806	3,035	-	2,568,841	-
Net OPEB obligation	499,714	112,114	14,656	597,172	-
Total business-type activities long-term liabilities	<u>\$ 13,643,774</u>	<u>\$ 332,893</u>	<u>\$ 1,377,610</u>	<u>\$ 12,599,057</u>	<u>\$ 1,240,265</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2017

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.

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, 2017

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, 2017, 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, 2017

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, 2017 for governmental activities and September 30, 2017 for business-type activities.

Year	Primary Government			
	Governmental Activities		Business-Type Activities	
	General Obligation Bonds and Revenue Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 640,000	\$ 805,892	\$ 1,210,396	\$ 337,697
2019	650,000	792,226	1,254,059	292,716
2020	665,000	775,426	1,298,891	246,080
2021	685,000	757,145	1,176,207	197,771
2022	715,000	738,191	1,044,535	157,080
2023-2027	3,950,000	3,309,365	3,203,244	237,110
2028-2032	4,810,000	2,510,596	-	-
2033-2037	5,765,000	1,576,087	-	-
2038-2042	3,005,000	491,945	-	-
	<u>\$ 20,885,000</u>	<u>\$ 11,756,873</u>	<u>\$ 9,187,332</u>	<u>\$ 1,468,454</u>

	Notes Payable	
	Principal	Interest
2018	\$ 55,509	\$ 192
	<u>\$ 55,509</u>	<u>\$ 192</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, 2017, 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, 2017

The following is a summary of pledged revenues of the City for the year ended December 31, 2017.

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	\$ 2,528,697	\$ 615,558	24.3%	\$ 12,955,604	Until 2038
2015 Franchise Fee Secured Refunding Revenue Bonds	Franchise Taxes	2,528,697	229,813	9.1%	5,332,430	Until 2040
Business-Type Activities:						
1998 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	\$ 9,004,547	\$ 293,224	3.3%	\$ 1,026,299	Until 2021
1998B City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	9,004,547	53,638	0.6%	188,198	Until 2021
2001 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	9,004,547	68,390	0.8%	410,320	Until 2023
2004A City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Bonds	Revenues of the Enterprise Fund	556,261	148,406	26.7%	1,038,815	Until 2024
2004B City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Bonds	Revenues of the Enterprise Fund	556,261	261,932	47.1%	2,226,410	Until 2025
2007 City of Texarkana, Arkansas Public Facilities Board Waterworks and Sewer Facilities Revenue Refunding Bonds	Revenues of the Enterprise Fund	9,004,547	721,709	8.0%	5,765,744	Until 2025

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2017

Note 6: Interfund Balances and Transfers

Interfund receivables and payables as of December 31, 2017, are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 14,931	\$ 537,997
Public Works	12,424	38,948
Non-major governmental funds	156,457	11,194
	<hr/>	<hr/>
Total governmental funds	183,812	588,139
	<hr/>	<hr/>
Texarkana, Arkansas Water Utilities	3,960	-
Texarkana, Arkansas Union Water Utilities	-	3,200
Non-major proprietary funds	-	760
	<hr/>	<hr/>
Total proprietary funds	3,960	3,960
	<hr/>	<hr/>
Fiduciary Funds:		
Pension trust funds	404,327	-
	<hr/>	<hr/>
Total fiduciary funds	404,327	-
	<hr/>	<hr/>
Total	\$ 592,099	\$ 592,099
	<hr/> <hr/>	<hr/> <hr/>

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, 2017, are as follows:

Fund	Transfer In	Transfer Out
General	\$ 1,203,556	\$ 849,361
Public Works	87,771	468,719
Other Nonmajor Governmental Funds	849,392	584,135
	<hr/>	<hr/>
Total governmental funds	\$ 2,140,719	\$ 1,902,215
	<hr/> <hr/>	<hr/> <hr/>

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2017

Transfers recorded in the Statement of Changes in Fiduciary Net Position as of December 31, 2017, are as follow:

Transfers recorded in the Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds as of September 30, 2017, are as follows:

Proprietary Funds		
Texarkana, Arkansas Water Utilities	\$ -	\$ 255,377
	<u>\$ -</u>	<u>\$ 255,377</u>
Total proprietary funds	<u>\$ -</u>	<u>\$ 255,377</u>
Total primary government	<u>\$ 2,140,719</u>	<u>\$ 2,157,592</u>

The difference in the transfer in/out of \$27,290 is due to the different year end of the Texarkana, Arkansas Water Utilities (September 30, 2017) and the TAPERS and TWUPERS pension trust funds (June 30, 2017).

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, Union and Mandeville Utilities made total transfers to the Texas Utilities for water purchases of \$594,405, \$42,205 and \$12,493 for 2017, respectively.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2017

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 \$646,282 for 2017.

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 2017, the Texas Utilities made total transfers to the Arkansas Utilities for debt service of \$417,816. 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, 2017

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

Notes to Financial Statements

December 31, 2017

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 2017, the Texas Utilities made transfers to the Arkansas Utilities for debt service in the amounts of \$101,839. 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.

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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 2017. 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. The balance at September 30, 2017, of this liability was \$14,662,507.

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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, 2017. 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:

	<u>June 30, 2017</u>		<u>December 31, 2017</u>
	<u>TAPERS</u>	<u>TWUPERS</u>	<u>PRPF</u>
Retirees and beneficiaries			
receiving benefits	28	10	40
Active plan members	19	25	-
Terminated members	38	22	-
Transitioned members	19	-	-
	<u>104</u>	<u>57</u>	<u>40</u>

City of Texarkana, Arkansas

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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, 2017		December 31, 2017	
	TAPERS	TWUPERS	PRPF	Total
Assets				
Cash and cash equivalents	\$ 57,414	\$ 68,640	\$ 177,253	\$ 303,307
Investments	3,562,450	2,724,808	4,596,683	10,883,941
Receivables	22,426	7,206	15,631	45,263
Due from other funds	-	-	404,327	404,327
Total assets	3,642,290	2,800,654	5,193,894	11,636,838
Liabilities				
Accounts payable	5,622	1,324	1,978	8,924
Total liabilities	5,622	1,324	1,978	8,924
Net Position				
Net position restricted for pensions	\$ 3,636,668	\$ 2,799,330	\$ 5,191,916	\$ 11,627,914

Statement of Changes in Fiduciary Net Position				
Additions				
Contributions	\$ 140,622	\$ -	\$ 893,926	\$ 1,034,548
Net investment income (loss)	336,470	230,631	469,539	1,036,640
Total additions	477,092	230,631	1,363,465	2,071,188
Deductions				
Benefits paid directly to participants	284,717	121,267	1,406,731	1,812,715
Administrative expenses and other	46,899	21,467	5,850	74,216
Total deductions	331,616	142,734	1,412,581	1,886,931
Net Increase (Decrease) in Net Position	145,476	87,897	(49,116)	184,257
Net Position Restricted For Pensions, Beginning of Year	3,491,192	2,711,433	5,241,032	11,443,657
Net Position Restricted For Pensions, End of Year	\$ 3,636,668	\$ 2,799,330	\$ 5,191,916	\$ 11,627,914

City of Texarkana, Arkansas
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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	\$ -	\$ 6,139,036	\$ 139,242	\$ 71,588	\$ 23,439	\$ 435,719
TWUPERS	1,615,654	-	-	-	-	(177,941)
PRPF	-	8,097,307	-	-	103,422	342,563
LOPFI	-	11,527,812	2,909,988	1,585,751	128,159	2,321,526
APERS	-	78,105	19,135	-	1,560	14,202
FRPF	-	448,047	102,374	-	-	(1,067,855)
TMRS	-	2,568,841	505,393	264,107	288,646	422,260
Total	<u>\$ 1,615,654</u>	<u>\$ 28,859,148</u>	<u>\$ 3,676,132</u>	<u>\$ 1,921,446</u>	<u>\$ 545,226</u>	<u>\$ 2,290,474</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, 2017, were \$131,863.

The asset concentrations of over 5% are as follows:

Goldman Sachs Strategic Income	\$ 238,401
Vanguard Intermediate-Term Corporate Bond Index	207,884
Federated Strategic Value Dividend Cl A	230,055
Ishares Russell Midcap Value Index Fund	258,577
Ishares Russell Midcap Growth Index Fund	392,834
Ishares Russell 1000 Growth Index Fund	268,390
Ishares Russell 2000 Growth Index Fund	194,086

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

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less than \$11,040 per year and for duty-related disability cannot be less than 65% of the member's final salary. The PRPF also provides benefits for surviving spouses and dependent children in which widow's receive the same amount the member is receiving or would be eligible to receive and children receive \$1,500 per year until age 18 (23, if still in school). No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the Deferred Retirement Option Plan (DROP) for up to 10 years. All policemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981. Therefore, the PRPF is effectively closed to new members.

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 2017 contributions to the Policemen's Fund were \$893,926. The City's share of contributions was \$893,926 and included \$380,199 in property taxes, 28,281 in other taxes and \$322,319 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:

Eaton Vance Floating Rate Advantage	\$ 400,810
Federated Ultrashort Bond Fund	499,452
Goldman Sachs Core Fixed Income Fund	457,550
Metropolitan West Total Return Bond Fund	461,813
Harbor Capital Appreciation Fund	739,799
The Hartford Equity Income Fund	743,127

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 \$1,394,501.

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

City of Texarkana, Arkansas

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reduction is $1/360^{\text{th}}$ for each month or part thereof by which the payment commencement date precedes the normal retirement date. Participants who are 60 years of age and have completed 20 years of vesting service or who are 55 years of age and have completed 30 years of vesting service, have no reduction of their accrued benefit. The benefit is paid as a monthly life annuity. Other options may be elected. Late retirement, pre-retirement death benefits and disability benefits are also available in an amount actuarially equivalent to the present value of accrued benefits. There are no automatic Cost of Living Adjustments (COLA) in this plan. No ad hoc COLA's have been given in the past. An amendment froze the plan as of November 15, 2000, and made all active participants 100% vested. Due to the plan freeze, no employee will become a participant after November 15, 2000.

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	\$ 328,303
MFS Value Fund CL A	321,386
Vanguard Midcap Index Fund	141,266
American EuroPacific Growth F-2	142,556

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, 2017. Actuarial assumptions used in evaluating the fund and applicable to the PRPF include the following:

Valuation date	December 31, 2017
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	2.50%
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	6/30/2017	6/30/2017
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%	0.5%
Cost-of-living adjustments	None	None
Mortality table	RP-2000	2017 Funding Target
Experience Study	N/A	N/A

Net Pension Asset/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)	6/30/2017	\$ 9,775,704	\$ 3,636,668	\$ (6,139,036)	37.20%
Police Relief and Pension Fund (PRPF)	12/31/2017	13,289,223	5,191,916	(8,097,307)	39.07%
Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)	6/30/2017	1,183,676	2,799,330	1,615,654	236.49%

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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%	5.50%
Foreign Equity	6.60%		5.50%
Fixed Income	1.40%		2.70%
Real Estate (REIT)	4.30%		
Cash	0.00%	0.25%	0.10%

Targeted Asset Allocation			
Asset Class	TAPERS	PRPF	TWUPERS
Domestic Fixed Income		80.00%	
Domestic Equity	48.00%	10.00%	35.50%
Foreign Equity	6.00%		10.00%
Fixed Income	39.00%		49.10%
Real Estate (REIT)	2.00%		
Cash	5.00%	10.00%	5.40%
Total	100.00%	100.00%	100.00%

Discount Rate

Texarkana, Arkansas Public Employees Retirement System (TAPERS)

In the June 30, 2017 actuarial valuation, a blended discount rate of 3.83% (3.18% 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 3.56% (based on the Bond Buyer 20-year Municipal Bond Index as of June 30, 2017). 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 2027 fiscal year. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2027 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, 2017 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, 2017 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, 2017	\$ 9,879,614	\$ 3,491,192	\$ 6,388,422
Changes for the year:			
Service cost	190,741	-	190,741
Interest	312,689	-	312,689
Differences between expected and actual experience	244,662	-	244,662
Assumption changes	(567,285)	-	(567,285)
Contributions - employer	-	124,282	(124,282)
Contributions - employee	-	16,340	(16,340)
Net investment income	-	336,470	(336,470)
Benefit payments, including refunds of employee contributions	(284,717)	(284,717)	-
Administrative expense	-	(46,899)	46,899
Net changes	(103,910)	145,476	(249,386)
Balances at December 31, 2017	\$ 9,775,704	\$ 3,636,668	\$ 6,139,036

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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, 2017	<u>\$ 13,841,110</u>	<u>\$ 5,241,032</u>	<u>\$ 8,600,078</u>
Changes for the year:			
Service cost	-	-	-
Interest	659,269	-	659,269
Differences between expected and actual experience	195,575	-	195,575
Contributions - employer	-	893,926	(893,926)
Contributions - employee	-	-	-
Net investment income	-	469,539	(469,539)
Benefit payments, including refunds of employee contributions	(1,406,731)	(1,406,731)	-
Administrative expense	-	(5,850)	5,850
Benefit Change	-	-	-
Other changes	-	-	-
Net changes	<u>(551,887)</u>	<u>(49,116)</u>	<u>(502,771)</u>
Balances at December 31, 2017	<u><u>\$ 13,289,223</u></u>	<u><u>\$ 5,191,916</u></u>	<u><u>\$ 8,097,307</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, 2017	<u>\$ 1,273,720</u>	<u>\$ 2,711,433</u>	<u>\$ (1,437,713)</u>
Changes for the year:			
Interest	42,459	-	42,459
Differences between expected and actual experience	(14,236)	-	(14,236)
Assumption changes	3,000	-	3,000
Net investment income	-	230,631	(230,631)
Benefit payments, including refunds of employee contributions	(121,267)	(121,267)	-
Administrative expense	-	(21,467)	21,467
Net changes	<u>(90,044)</u>	<u>87,897</u>	<u>(177,941)</u>
Balances at December 31, 2017	<u><u>\$ 1,183,676</u></u>	<u><u>\$ 2,799,330</u></u>	<u><u>\$ (1,615,654)</u></u>

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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 2.83%	Current Blended Rate Assumption 3.83%	1% Increase 4.83%
TAPERS	Net Pension Liability	\$ 7,572,185	\$ 6,139,036	\$ 4,964,874
		1% Decrease 4.00%	Current Single Rate Assumption 5.00%	1% Increase 6.00%
PRPF	Net Pension Liability	\$ 9,033,532	\$ 8,097,307	\$ 6,919,790
		1% Decrease 2.50%	Current Single Rate Assumption 3.50%	1% Increase 4.50%
TWUPERS	Net Pension Asset	\$ 1,478,654	\$ 1,615,654	\$ 1,728,654

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)	6/30/2017	9.70%
Police Relief and Pension Fund (PRPF)	12/31/2017	10.91%
Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)	6/30/2017	8.63%

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2017

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

For the year ended December 31, 2017, the City recognized pension expense from all single-employer defined benefit pension plans of \$600,341. At December 31, 2017, 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	\$ 10,109	\$ 23,439
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	129,133	103,422
Contributions subsequent to the measurement date	71,588	-
Total	<u>\$ 210,830</u>	<u>\$ 126,861</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$71,588 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	
2018	\$ 67,193
2019	80,522
2020	(56,344)
2021	(78,990)
Total	<u>\$ 12,381</u>

City of Texarkana, Arkansas

Notes to Financial Statements

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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, 2017 to June 30, 2017 and 14.75% of covered employees' salaries from July 1, 2017 to December 31, 2017. Contributions made to the plan the City for the year ended December 31, 2017, amounted to \$8,488. There were no contributions made by the Member.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2017

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

At December 31, 2017, the City reported a liability of \$78,105 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City's proportion was .00302246 percent, which was an increase of .00008848 percent from the prior year.

For the year ended December 31, 2017, the City recognized pension expense of \$14,202. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,514	\$ 1,536
Change of assumptions	12,567	-
Changes in proportion	1,781	24
Net difference between projected and actual earnings on pension plan investments	<u>3,273</u>	<u>-</u>
Total	<u><u>\$ 19,135</u></u>	<u><u>\$ 1,560</u></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:

Year Ending June 30	
2018	\$ 4,183
2019	7,502
2020	4,805
2021	<u>1,085</u>
Total	<u><u>\$ 17,575</u></u>

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2017

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 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, 2017 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, 2017 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	37%	5.97%
International Equity	24%	6.54%
Real Assets	16%	4.59%
Absolute Return	5%	3.15%
Domestic Fund	18%	0.83%
Total	100%	

City of Texarkana, Arkansas

Notes to Financial Statements

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Discount Rate

In the June 30, 2017 actuarial valuation, a single discount rate of 7.15% (7.50% in 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 7.15%. 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 7.15 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.15%	Current Single Rate Assumption 7.15%	1% Increase 8.15%
City's proportionate share of the net pension liability	\$ 118,943	\$ 78,105	\$ 44,194

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

Notes to Financial Statements

December 31, 2017

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 17.13% of covered employee's salaries to the plan for policeman and 24.76% of covered employees' salaries to the plan for firemen for the year ended December 31, 2017. Contributions made to the plan by employees and the City for the year ended December 31, 2017 amounted to \$663,022 and \$1,585,751, respectively.

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

At December 31, 2017, the City reported a liability of \$11,527,812 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 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 2.0205 percent, which was a decrease of .3597 percent from the prior year.

For the year ended December 31, 2017, the City recognized pension expense of \$2,321,526. At December 31, 2017, 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	\$ 401,592	\$ 2,712
Change of assumptions	614,348	-
Net difference between projected and actual earnings on pension plan investments	1,830,517	-
Changes in proportion	63,531	125,447
Contributions subsequent to the measurement date	1,585,751	-
Total	<u>\$ 4,495,739</u>	<u>\$ 128,159</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 \$1,585,751 will be recognized as a reduction of the net pension liability for the year ending December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as:

Year Ending December 31	
2018	\$ 906,286
2019	906,513
2020	834,756
2021	<u>134,274</u>
Total	<u><u>\$ 2,781,829</u></u>

Actuarial Assumptions

The total pension liability in the December 31, 2016 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
Wage inflation	3.75 percent
Salary increases	4.25 to 18.75 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 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, 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. The rates were built on a target allocation for all pension funds; the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The long-term expected rates of return are shown in the table below:

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2017

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	100%	

Discount Rate

In the December 31, 2016 actuarial valuation, a single discount rate of 7.75% 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	\$ 18,051,165	\$ 11,527,812	\$ 6,183,928

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2017

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, 2016).

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.

City of Texarkana, Arkansas

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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. As the administration of the Plan was transferred to LOPFI in 2016, contributions from that point forth will now be actuarially determined annually. There was no required contribution to the plan during 2017 and therefore, no contributions made by the City.

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

Retirees and beneficiaries	32
DROP members	-
Active members	-
	<hr/>
Total	<u>32</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.

Actuarial Assumptions

Valuation date	December 31, 2016
Cost method	Individual entry-age normal
Asset valuation method	Market value of assets
Amortization method	Closed amortization period
Amortization period	15 years
Assumptions:	
Inflation rate	3.00%
Investment rate of return	7.75%
Projected salary increases	N/A

Mortality rates for retirees, beneficiaries, and DROP members were based on the RP-2000 Combined Projected to 2017 Table, set forward two years for men.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in FRPF was for the period January 1, 2008 through December 31, 2011, first used in the December 31, 2012 valuation. Assumptions are reviewed annually. No additional changes were made for the 2016 valuation.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2017

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments is 7.75%. 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 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:

Asset Allocation		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	30.00%	2.97%
International Fixed Income	6.00%	1.50%
Domestic Equity	33.00%	5.88%
Foreign Equity	7.00%	6.25%
Index	11.00%	6.73%
Alternative Investments	10.00%	6.13%
Cash	3.00%	-0.40%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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
Notes to Financial Statements
December 31, 2017

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2016	\$ 7,080,359	\$ 6,586,646	\$ 493,713
Changes for the year:			
Interest	575,430	-	575,430
Differences between expected and actual experience	(967,290)	-	(967,290)
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	(340,441)	340,441
Benefit payments, including refunds of employee contributions	(552,369)	(552,369)	-
Administrative expense	-	(5,753)	5,753
Other changes	-	-	-
Net changes	<u>(944,229)</u>	<u>(898,563)</u>	<u>(45,666)</u>
Balances at December 31, 2016	<u>\$ 6,136,130</u>	<u>\$ 5,688,083</u>	<u>\$ 448,047</u>

Sensitivity of the Net Pension Asset/Liability 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 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
FRPF Net Pension Liability (Asset)	<u>\$ 969,706</u>	<u>\$ 448,047</u>	<u>\$ (5,521)</u>

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, 2017, the City recognized a reduction to pension expense of \$1,067,855 related to this plan.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2017

At December 31, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 102,374
Total	<u>\$ 102,374</u>

The amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>
2018	\$ (25,593)
2019	(25,593)
2020	(25,594)
2021	<u>(25,594)</u>
Total	<u>\$ (102,374)</u>

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.

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.

City of Texarkana, Arkansas

Notes to Financial Statements

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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, 2016 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	105
Inactive employees entitled to but not yet receiving benefits	41
Active Employees	<u>153</u>
Total	<u><u>299</u></u>

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

Employees for the Utility were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Utility were 15.83% and 16.20% in calendar years 2016 and 2017, respectively. The Utility's contributions to TMRS for the year ended September 30, 2016, were \$386,487, and were equal to the required contributions.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2017

Actuarial Assumptions

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

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

Actuarial assumptions used in the December 31, 2016 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 2016 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

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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%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
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, 2017

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2016	\$ 13,048,601	\$ 10,485,795	\$ 2,562,806
Changes for the year:			
Service cost	358,959	-	358,959
Interest	869,957	-	869,957
Differences between expected and actual experience	(22,844)	-	(22,844)
Assumption changes	-	-	-
Contributions - employer	-	347,118	(347,118)
Contributions - employee	-	153,495	(153,495)
Net investment income	-	707,849	(707,849)
Benefit payments, including refunds of employee contributions	(655,406)	(655,406)	-
Administrative expense	-	(7,994)	7,994
Other changes	-	(431)	431
Net changes	<u>550,666</u>	<u>544,631</u>	<u>6,035</u>
Balances at December 31, 2016	<u>\$ 13,599,267</u>	<u>\$ 11,030,426</u>	<u>\$ 2,568,841</u>

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	<u>\$ 4,475,370</u>	<u>\$ 2,568,841</u>	<u>\$ 1,006,598</u>

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

For the year ended September 30, 2017, the Utility recognized pension expense of \$422,260.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2017

At September 30, 2017, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 288,646
Change of assumptions	26,649	-
Net difference between projected and actual earnings on pension plan investments	478,744	-
Contributions subsequent to the measurement date	<u>264,107</u>	<u>-</u>
Total	<u><u>\$ 769,500</u></u>	<u><u>\$ 288,646</u></u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$264,107 will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	
2018	\$ 45,394
2019	68,193
2020	109,192
2021	<u>(6,032)</u>
Total	<u><u>\$ 216,747</u></u>

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2017

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, 2017.

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, 2017, there are 27 retirees participating in the post employment health benefit program. Participant contributions totaled \$155,188 in 2017.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2017

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	7,648
Adjustment to annual required contribution	<u>(9,069)</u>
Annual OPEB Cost	106,910
Total annual contribution	<u>(107,226)</u>
Decrease in net OPEB obligation	(316)
Net OPEB obligation - beginning of year	<u>139,055</u>
Net OPEB obligation - end of year	<u><u>\$ 138,739</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 2017 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2017	\$ 106,910	100.3%	\$ 138,739
12/31/2016	\$ 106,829	100.0%	\$ 139,055
12/31/2015	\$ 106,829	107.5%	\$ 139,055

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2017

Funded Status and Funding Progress: As of December 31, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,642,109, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,642,109.

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, 2016, 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, 2017

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

Normal costs	\$ 65,507
Amortization of UAAL	<u>55,421</u>
Annual required contribution	120,928
Interest on prior year net OPEB obligation	19,775
Annual required contribution adjustment	<u>(28,589)</u>
Annual OPEB cost	112,114
Total annual contribution	<u>(14,656)</u>
Increase in net OPEB obligation	97,458
Net OPEB obligation – beginning of year	<u>499,714</u>
Net OPEB obligation – end of year	<u><u>\$ 597,172</u></u>

The TWU's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/17	\$ 112,114	13.07%	\$ 597,172
9/30/16	\$ 116,242	9.43%	\$ 499,714
9/30/15	\$ 121,640	13.20%	\$ 394,433

Funded Status and Funding Progress: As of October 1, 2017, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$968,721, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$968,721.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2017

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 5.10% initially, increasing in increments to a rate of 5.70% for the year 2058 to 2060 and then decreasing thereafter to a rate of 4.50% for the year 2094 and beyond. 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, 2017

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 2016 to 2017; 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, 2017, property taxes receivable and related deferred inflows of resources of \$4,163,272 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, 2017

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, 2017, 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, 2017, the City made an annual contribution of \$250,000 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, 2017

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 2017 audit for shared costs of the Texarkana Water Utilities (business-type activities and enterprise fund) in the fiscal year 2018. The new funding ratio adopted will be 62.75% Texas and 37.25% Arkansas. The rates used for fiscal year 2016 were 62.63% for Texas and 37.37% for Arkansas.

The City issued Franchise Fee Secured Capital Improvement Revenue Bonds, Series 2018, dated February 5, 2018, subsequent to year end. The principal amount of the bonds issued was \$2,260,000 and are being used to finance the costs of capital improvements, provide a debt service reserve and pay expenses of authorizing and issuing the Series 2018 Bonds. The bonds have interest rates ranging from 2.00% to 3.625% and are pledged by franchise fees. The final maturity of the bonds is April 1, 2032.

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,	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ -	\$ -	\$ -	\$ -
Interest	659,269	751,303	878,014	888,913
Benefit Changes	-	-	(378,000)	-
Difference Between Actual & Expected Experience	195,575	(1,311,299)	(476,658)	14,625
Assumption Changes	-	-	-	-
Benefit Payments	(1,406,731)	(1,164,092)	(1,162,333)	(1,177,920)
Refunds	-	-	-	-
Net Change in Total Pension Liability	(551,887)	(1,724,088)	(1,138,977)	(274,382)
Total Pension Liability - Beginning	13,841,110	15,565,198	16,704,175	16,978,557
Total Pension Liability - Ending (a)	\$ 13,289,223	\$ 13,841,110	\$ 15,565,198	\$ 16,704,175
Plan Fiduciary Net Position				
Contributions - Employee	\$ -	\$ -	\$ -	\$ -
Contributions - Employer	893,926	895,983	854,698	827,917
Net Investment Income	469,539	365,678	(229,837)	201,657
Benefit Payments	(1,406,731)	(1,164,092)	(1,162,333)	(1,177,920)
Administrative Expense	(5,850)	(5,750)	(5,650)	(4,500)
Reconciliation Adjustment	-	-	-	-
Net Change in Plan Fiduciary Net Position	(49,116)	91,819	(543,122)	(152,846)
Plan Fiduciary Net Position - Beginning	5,241,032	5,149,213	5,692,335	5,845,181
Plan Fiduciary Net Position - Ending (b)	\$ 5,191,916	\$ 5,241,032	\$ 5,149,213	\$ 5,692,335
Net Pension Liability (a) - (b)	\$ 8,097,307	\$ 8,600,078	\$ 10,415,985	\$ 11,011,840
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	39.07%	37.87%	33.08%	34.08%
Covered Payroll	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Payroll	N/A	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
2017	2,034,940	893,926	1,141,014	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%
2017	10.91%

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,	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 190,741	\$ 148,947	\$ 157,063	\$ 146,612
Interest	312,689	352,380	383,918	437,404
Difference Between Actual & Expected Experience	244,662	(12,438)	(303,978)	(680,274)
Assumption Changes	(567,285)	1,176,834	533,271	285,779
Benefit Payments	(284,717)	(427,407)	(599,657)	(1,134,456)
Net Change in Total Pension Liability	(103,910)	1,238,316	170,617	(944,935)
Total Pension Liability - Beginning	9,879,614	8,641,298	8,470,681	9,415,616
Total Pension Liability - Ending (a)	<u>\$ 9,775,704</u>	<u>\$ 9,879,614</u>	<u>\$ 8,641,298</u>	<u>\$ 8,470,681</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 124,282	\$ 162,438	\$ 100,142	\$ 118,862
Contributions - Member	16,340	16,870	18,255	22,989
Net Investment Income	336,470	(23,036)	74,808	577,706
Benefit Payments	(284,717)	(427,407)	(599,657)	(1,134,456)
Administrative Expense	(46,899)	(29,946)	(59,688)	(54,386)
Net Change in Plan Fiduciary Net Position	145,476	(301,081)	(466,140)	(469,285)
Plan Fiduciary Net Position - Beginning	3,491,192	3,792,273	4,258,413	4,727,698
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,636,668</u>	<u>\$ 3,491,192</u>	<u>\$ 3,792,273</u>	<u>\$ 4,258,413</u>
Net Pension Liability (a) - (b)	<u>\$ 6,139,036</u>	<u>\$ 6,388,422</u>	<u>\$ 4,849,025</u>	<u>\$ 4,212,268</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	37.20%	35.34%	43.89%	50.27%
Covered Payroll	\$ 807,499	\$ 817,749	\$ 823,930	\$ 943,584
Net Pension Liability as a Percentage of Covered Payroll	760.25%	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%
2017	\$ 416,373	\$ 121,286	\$ 295,087	\$ 817,749	14.83%

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%
2017	9.70%

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,	2017	2016	2015	2014
Total Pension Liability				
Interest	\$ 42,459	\$ 48,445	\$ 48,440	59,393
Difference Between Actual & Expected Experience	(14,236)	(113,096)	(17,519)	(26,078)
Assumption Changes	3,000	3,000	3,000	166,000
Benefit Payments	(121,267)	(87,302)	(66,248)	(128,315)
Net Change in Total Pension Liability	(90,044)	(148,953)	(32,327)	71,000
Total Pension Liability - Beginning	1,273,720	1,422,673	1,455,000	1,384,000
Total Pension Liability - Ending (a)	<u>\$ 1,183,676</u>	<u>\$ 1,273,720</u>	<u>\$ 1,422,673</u>	<u>\$ 1,455,000</u>
Plan Fiduciary Net Position				
Net Investment Income	\$ 230,631	\$ 30,416	\$ 87,231	334,568
Benefit Payments	(121,267)	(87,302)	(66,248)	(128,315)
Administrative Expense	(21,467)	(44,277)	(19,991)	(26,642)
Net Change in Plan Fiduciary Net Position	87,897	(101,163)	992	179,611
Plan Fiduciary Net Position - Beginning	2,711,433	2,812,596	2,811,604	2,631,993
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,799,330</u>	<u>\$ 2,711,433</u>	<u>\$ 2,812,596</u>	<u>\$ 2,811,604</u>
Net Pension Asset (a) - (b)	<u>\$ (1,615,654)</u>	<u>\$ (1,437,713)</u>	<u>\$ (1,389,923)</u>	<u>\$ (1,356,604)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	236.49%	212.88%	197.70%	193.24%
Covered Payroll	N/A	N/A	N/A	N/A
Net Pension Asset as a Percentage of Covered Payroll	N/A	N/A	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
2014	13.10%
2015	3.15%
2016	1.11%
2017	8.63%

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

City Fiscal year ended December 31,	2017	2016	2015
City's proportion of the net pension liability	0.00302246%	0.00293398%	0.00292311%
City's proportionate share of the net pension liability	\$ 78,105	\$ 70,162	\$ 53,836
City's covered payroll	54,473	53,158	51,863
City's proportionate share of the net pension liability as a percentage of its covered payroll	143.38%	131.99%	103.80%
Plan fiduciary net position as a percentage of the total pension liability	75.65%	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,	2017	2016	2015
Contractually required contribution	\$ 7,899	\$ 7,808	\$ 7,686
Contributions in relate to the contractually required contribution	<u>(7,899)</u>	<u>(7,808)</u>	<u>(7,686)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 55,168	\$ 53,849	\$ 52,545
Contributions as a percentage of covered payroll	14.32%	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

City Fiscal year ended December 31,	2017	2016	2015
City's proportion of the net pension liability	2.02054000%	2.03802867% (1)	2.00463000%
City's proportionate share of the net pension liability	\$ 11,527,812	\$ 10,695,056	\$ 7,256,932
City's covered payroll	7,484,833	7,516,626	7,527,269
City's proportionate share of the net pension liability as a percentage of its covered payroll	154.02%	142.29%	96.41%
Plan fiduciary net position as a percentage of the total pension liability	72.90%	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,	2017	2016	2015
Contractually required contribution	\$ 1,585,751	\$ 1,334,945 (1)	\$ 1,262,355
Contributions in relate to the contractually required contribution	<u>(1,585,751)</u>	<u>(1,334,945)</u>	<u>(1,262,355)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 7,800,263	\$ 7,484,833	\$ 7,516,626
Contributions as a percentage of covered payroll	20.33%	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,	2017	2016**	2015**
Total Pension Liability			
Service Cost	\$ -	\$ -	\$ -
Interest	575,430	426,648	425,030
Benefit Changes	-	-	-
Difference Between Actual & Expected Experience	(967,290)	(635,022)	123,866
Assumption Changes	-	-	-
Benefit Payments	(552,369)	(594,250)	(611,404)
Net Change in Total Pension Liability	(944,229)	(802,624)	(62,508)
Total Pension Liability - Beginning	7,080,359	7,882,983	7,945,491
Total Pension Liability - Ending (a)	<u>\$ 6,136,130</u>	<u>\$ 7,080,359</u>	<u>\$ 7,882,983</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ -	\$ 431,342	\$ 435,704
Contributions - Member	-	7,732	7,134
Net Investment Income	(340,441)	(258,063)	269,654
Benefit Payments	(552,369)	(594,250)	(611,404)
Administrative Expense	(5,753)	(5,650)	(4,500)
Reconciliation Adjustment	-	-	-
Net Change in Plan Fiduciary Net Position	(898,563)	(418,889)	96,588
Plan Fiduciary Net Position - Beginning	6,586,646	7,005,535	6,908,947
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,688,083</u>	<u>\$ 6,586,646</u>	<u>\$ 7,005,535</u>
Net Pension Liability (a) - (b)	<u>\$ 448,047</u>	<u>\$ 493,713</u>	<u>\$ 877,448</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.70%	93.03%	88.87%
Covered Payroll	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A

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

**As noted within *Note 11*, this plan was transferred to the administration of LOPFI in 2016. Therefore, all data shown above for 2016 and prior were previously reported for the plan as a Single-Employer plan. All data from 2017 onward will be reported as an Agent Multiple-Employer Plan.

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
2017	-	-	-	N/A	N/A

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Closed
Remaining Amortization	15 Years
Asset Valuation	Market Value
Investment Rate of Return	7.75%
Mortality	RP-2000 Combined Mortality Table, Projected to 2017

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

**As noted within *Note 11*, this plan was transferred to the administration of LOPFI in 2016. Therefore, all data shown above for 2016 and prior were previously reported for the plan as a Single-Employer plan. All data from 2017 onward will be reported as an Agent Multiple-Employer Plan.

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,	2016	2015	2015
Total Pension Liability			
Service cost	\$ 358,959	\$ 351,625	\$ 341,893
Interest	869,957	871,573	849,350
Difference between actual & expected experience	(22,844)	(267,852)	(338,578)
Assumption Changes	-	55,137	-
Benefit payments	(655,406)	(503,086)	(548,171)
Net Change in Total Pension Liability	550,666	507,397	304,494
Total Pension Liability - Beginning	13,048,601	12,541,204	12,236,710
Total Pension Liability - Ending (a)	<u>\$ 13,599,267</u>	<u>\$ 13,048,601</u>	<u>\$ 12,541,204</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 347,118	\$ 378,344	\$ 408,640
Contributions - employee	153,495	158,492	161,609
Net investment income	707,849	15,397	564,425
Benefit payments	(655,406)	(503,086)	(548,171)
Administrative expense	(7,994)	(9,378)	(5,893)
Other	(431)	(463)	(484)
Net Change in Plan Fiduciary Net Position	544,631	39,306	580,126
Plan Fiduciary Net Position - Beginning	10,485,795	10,446,489	9,866,363
Plan Fiduciary Net Position - Ending (b)	<u>\$ 11,030,426</u>	<u>\$ 10,485,795</u>	<u>\$ 10,446,489</u>
Net Pension Liability (a) - (b)	<u>\$ 2,568,841</u>	<u>\$ 2,562,806</u>	<u>\$ 2,094,715</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.11%	80.36%	83.30%
Covered Payroll	\$ 2,192,788	\$ 2,194,045	\$ 2,308,702
Net Pension Liability as a Percentage of Covered Payroll	117.15%	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.

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	-	2,194,045	17.24%
2017	386,487	386,487	-	2,192,788	17.63%

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization	29 Years
Asset Valuation	10 Year Smoothed Market, 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
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, 2017

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						
12/31/2012	-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
12/31/2016	-0-	\$ 1,642,109	\$ 1,642,109	0%	N/A	N/A
Proprietary Funds						
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%
10/1/2017	-0-	\$ 968,721	\$ 968,721	0%	\$ 6,317,454*	15.33%

*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 5.10% initially, increasing in increments to a rate of 5.70% for the year 2058 to 2060 and then decreasing thereafter to a rate of 4.50% for the year 2094 and beyond, 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.

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City of Texarkana, Arkansas
Combining Balance Sheet
Governmental Funds – Nonmajor
December 31, 2017

	Special Revenue				
	Community Development Block Grant	Police Fund	Kline Park Monument	Front Street Project	Domestic Violence
Assets					
Cash	\$ 22,905	\$ 265	\$ 51	\$ 14,075	\$ 203
Investments	-	-	-	-	-
Receivables (net of allowance)					
Property taxes	-	-	-	-	-
Other government agencies	2,135	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 25,040</u>	<u>\$ 265</u>	<u>\$ 51</u>	<u>\$ 14,075</u>	<u>\$ 203</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 1,034	\$ 35	\$ 87	\$ -
Accrued liabilities	1,649	-	-	-	-
Due to other funds	11,194	-	-	-	-
Total liabilities	<u>12,843</u>	<u>1,034</u>	<u>35</u>	<u>87</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue-property taxes	-	-	-	-	-
Unavailable revenue-grants	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficit)					
Nonspendable					
Prepaid items	-	-	-	-	-
Restricted					
General administration	-	-	16	-	-
Police department	-	-	-	-	203
Fire department	-	-	-	-	-
Public works	12,197	-	-	-	-
Debt Service	-	-	-	-	-
Culture and recreation	-	-	-	13,988	-
Assigned					
Police department	-	-	-	-	-
Public works	-	-	-	-	-
Unassigned	-	(769)	-	-	-
Total fund balances (deficit)	<u>12,197</u>	<u>(769)</u>	<u>16</u>	<u>13,988</u>	<u>203</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 25,040</u>	<u>\$ 265</u>	<u>\$ 51</u>	<u>\$ 14,075</u>	<u>\$ 203</u>

Special Revenue					
Bail Bond	Library	Court Automation	North Texarkana Redevelopment District	Public Safety	Total
\$ 1	\$ 55,590	\$ 68,893	\$ 480,434	\$ 3,938	\$ 646,355
-	-	-	-	-	-
-	426,522	-	111,657	-	538,179
-	-	-	-	-	2,135
280	-	-	-	-	280
-	-	371	-	-	371
-	-	7,042	-	-	7,042
<u>\$ 281</u>	<u>\$ 482,112</u>	<u>\$ 76,306</u>	<u>\$ 592,091</u>	<u>\$ 3,938</u>	<u>\$ 1,194,362</u>
\$ -	\$ 68	\$ 76	\$ -	\$ -	\$ 1,300
-	-	-	-	-	1,649
-	-	-	-	-	11,194
-	68	76	-	-	14,143
-	380,199	-	97,902	-	478,101
-	23,154	-	4,097	-	27,251
-	403,353	-	101,999	-	505,352
-	-	7,042	-	-	7,042
-	-	69,188	-	-	69,204
281	-	-	-	3,938	4,422
-	-	-	-	-	-
-	-	-	490,092	-	502,289
-	-	-	-	-	-
-	78,691	-	-	-	92,679
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(769)
281	78,691	76,230	490,092	3,938	674,867
<u>\$ 281</u>	<u>\$ 482,112</u>	<u>\$ 76,306</u>	<u>\$ 592,091</u>	<u>\$ 3,938</u>	<u>\$ 1,194,362</u>

City of Texarkana, Arkansas
Combining Balance Sheet
Governmental Funds – Nonmajor (Continued)
December 31, 2017

	Debt Service			
	2012 Franchise Fee Refunding Revenue	2012 Cap Imp & Refunding Limited Tax GO Bonds	2015 Franchise Fee Refunding Revenue	Total
Assets				
Cash	\$ 365,515	\$ 82,655	\$ 260,231	\$ 708,401
Investments	-	898,787	-	898,787
Receivables (net of allowance)				
Property taxes	-	1,066,306	-	1,066,306
Other government agencies	-	-	-	-
Other	-	-	-	-
Due from other funds	155,201	-	-	155,201
Prepaid items	-	-	-	-
Total assets	<u>\$ 520,716</u>	<u>\$ 2,047,748</u>	<u>\$ 260,231</u>	<u>\$ 2,828,695</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue-property taxes	-	950,499	-	950,499
Unavailable revenues-grants	-	57,884	-	57,884
Total deferred inflows of resources	<u>-</u>	<u>1,008,383</u>	<u>-</u>	<u>1,008,383</u>
Fund Balances				
Nonspendable				
Prepaid items	-	-	-	-
Restricted				
General administration	-	-	-	-
Police department	-	-	-	-
Fire department	-	-	-	-
Public works	-	-	-	-
Debt service	520,716	1,039,365	260,231	1,820,312
Culture and recreation	-	-	-	-
Assigned				
Police department	-	-	-	-
Public works	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>520,716</u>	<u>1,039,365</u>	<u>260,231</u>	<u>1,820,312</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 520,716</u>	<u>\$ 2,047,748</u>	<u>\$ 260,231</u>	<u>\$ 2,828,695</u>

Capital Projects Funds		
Capital Improvement Fund	Total	Total Nonmajor Governmental Funds
\$ 704,046	\$ 704,046	\$ 2,058,802
-	-	898,787
-	-	1,604,485
44,265	44,265	46,400
-	-	280
885	885	156,457
-	-	7,042
<u>\$ 749,196</u>	<u>\$ 749,196</u>	<u>\$ 4,772,253</u>
\$ 8,093	\$ 8,093	\$ 9,393
-	-	1,649
-	-	11,194
<u>8,093</u>	<u>8,093</u>	<u>22,236</u>
-	-	1,428,600
-	-	85,135
-	-	1,513,735
-	-	7,042
-	-	69,204
-	-	4,422
22,669	22,669	22,669
-	-	502,289
-	-	1,820,312
-	-	92,679
371,024	371,024	371,024
347,410	347,410	347,410
-	-	(769)
<u>741,103</u>	<u>741,103</u>	<u>3,236,282</u>
<u>\$ 749,196</u>	<u>\$ 749,196</u>	<u>\$ 4,772,253</u>

City of Texarkana, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds – Nonmajor
Year Ended December 31, 2017

	Special Revenue				
	Community Development Block Grant	Police Fund	Kline Park Monument	Front Street Project	Domestic Violence
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Fines, forfeitures and penalties	-	-	-	-	1,402
Grants and entitlements	149,926	5,995	-	-	-
Intergovernmental	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	1	7,664	-	1,953	-
Total revenues	149,927	13,659	-	1,953	1,402
Expenditures					
Current					
General government	51,469	-	-	-	-
Other public safety	-	5,908	-	-	1,200
Public works	16,352	-	-	-	-
Public services	30,885	-	-	-	-
Cultural and recreation	6,596	-	420	1,764	-
Capital outlay	36,958	-	-	-	-
Total expenditures	142,260	5,908	420	1,764	1,200
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,667	7,751	(420)	189	202
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(10,100)	-	-	-
Total other financing sources (uses)	-	(10,100)	-	-	-
Net Change in Fund Balances	7,667	(2,349)	(420)	189	202
Fund Balances, Beginning of Year	4,530	1,580	436	13,799	1
Fund Balances (Deficit), End of Year	\$ 12,197	\$ (769)	\$ 16	\$ 13,988	\$ 203

Special Revenue					
Bail Bond	Library	Court Automation	North Texarkana Redevelopment District	Public Safety	Total
\$ -	\$ 340,340	\$ -	\$ 138,528	\$ -	\$ 478,868
5,120	-	19,484	-	258	26,264
-	71,234	-	-	-	227,155
-	-	-	-	-	-
-	68	31	18	-	117
-	-	93	-	-	9,711
5,120	411,642	19,608	138,546	258	742,115
-	-	24,373	-	-	75,842
5,745	-	-	-	-	12,853
-	-	-	-	-	16,352
-	-	-	-	-	30,885
-	423,104	-	-	-	431,884
-	-	-	-	-	36,958
5,745	423,104	24,373	-	-	604,774
(625)	(11,462)	(4,765)	138,546	258	137,341
-	5,000	-	-	-	5,000
-	-	-	-	-	(10,100)
-	5,000	-	-	-	(5,100)
(625)	(6,462)	(4,765)	138,546	258	132,241
906	85,153	80,995	351,546	3,680	542,626
\$ 281	\$ 78,691	\$ 76,230	\$ 490,092	\$ 3,938	\$ 674,867

City of Texarkana, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds – Nonmajor (Continued)
Year Ended December 31, 2017

	Debt Service			
	2012 Franchise Fee Refunding Revenue	2012 Cap Imp & Refunding Limited Tax GO Bonds	2015 Franchise Fee Refunding Revenue	Total
Revenues				
Property taxes	\$ -	\$ 850,849	\$ -	\$ 850,849
Fines, forfeitures and penalties	-	-	-	-
Grants and entitlements	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	2,390	1,086	1,461	4,937
Miscellaneous	-	-	-	-
Total revenues	2,390	851,935	1,461	855,786
Expenditures				
Current				
General government	-	-	-	-
Other public safety	-	-	-	-
Public works	-	-	-	-
Public services	-	-	-	-
Cultural and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal retirement	290,000	465,000	110,000	865,000
Interest and fiscal charges	326,603	334,641	121,803	783,047
Total expenditures	616,603	799,641	231,803	1,648,047
Excess (Deficiency) of Revenues Over (Under) Expenditures	(614,213)	52,294	(230,342)	(792,261)
Other Financing Sources (Uses)				
Transfers in	618,002	-	226,390	844,392
Transfers out	-	-	(31)	(31)
Total other financing sources (uses)	618,002	-	226,359	844,361
Net Change in Fund Balances	3,789	52,294	(3,983)	52,100
Fund Balances, Beginning of Year	516,927	987,071	264,214	1,768,212
Fund Balances, End of Year	\$ 520,716	\$ 1,039,365	\$ 260,231	\$ 1,820,312

Capital Projects Funds		
Capital Improvement Fund	Total	Total Nonmajor Governmental Fund
\$ -	\$ -	\$ 1,329,717
-	-	26,264
626,916	626,916	854,071
74,518	74,518	74,518
679	679	5,733
<u>186,495</u>	<u>186,495</u>	<u>196,206</u>
<u>888,608</u>	<u>888,608</u>	<u>2,486,509</u>
81,015	81,015	156,857
24,000	24,000	36,853
-	-	16,352
-	-	30,885
-	-	431,884
235,166	235,166	272,124
-	-	865,000
<u>-</u>	<u>-</u>	<u>783,047</u>
<u>340,181</u>	<u>340,181</u>	<u>2,593,002</u>
<u>548,427</u>	<u>548,427</u>	<u>(106,493)</u>
-	-	849,392
<u>(574,004)</u>	<u>(574,004)</u>	<u>(584,135)</u>
<u>(574,004)</u>	<u>(574,004)</u>	<u>265,257</u>
(25,577)	(25,577)	158,764
<u>766,680</u>	<u>766,680</u>	<u>3,077,518</u>
<u>\$ 741,103</u>	<u>\$ 741,103</u>	<u>\$ 3,236,282</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Community Development Block Grant Fund
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants and entitlements	\$ 389,193	\$ 147,000	\$ 149,926	\$ 2,926
Miscellaneous	-	1	1	-
Total revenues	<u>389,193</u>	<u>147,001</u>	<u>149,927</u>	<u>2,926</u>
Expenditures				
Current:				
General government	46,101	47,001	51,469	(4,468)
Public works	41,353	54,000	16,352	37,648
Public services	92,056	36,000	30,885	5,115
Cultural and recreation	22,508	10,000	6,596	3,404
Capital outlay	<u>187,175</u>	<u>-</u>	<u>36,958</u>	<u>(36,958)</u>
Total expenditures	<u>389,193</u>	<u>147,001</u>	<u>142,260</u>	<u>4,741</u>
Net Change in Fund Balances	-	-	7,667	7,667
Fund Balances, Beginning of Year	<u>4,530</u>	<u>4,530</u>	<u>4,530</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 4,530</u></u>	<u><u>\$ 4,530</u></u>	<u><u>\$ 12,197</u></u>	<u><u>\$ 7,667</u></u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Police Fund
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants and entitlements	\$ 724	\$ 10,869	\$ 5,995	\$ (4,874)
Miscellaneous	<u>9,200</u>	<u>7,600</u>	<u>7,664</u>	<u>64</u>
Total revenues	<u>9,924</u>	<u>18,469</u>	<u>13,659</u>	<u>(4,810)</u>
Expenditures				
Current:				
Other public safety	<u>5,789</u>	<u>9,397</u>	<u>5,908</u>	<u>3,489</u>
Total expenditures	<u>5,789</u>	<u>9,397</u>	<u>5,908</u>	<u>3,489</u>
Excess of Revenues Over Expenditures	<u>4,135</u>	<u>9,072</u>	<u>7,751</u>	<u>(1,321)</u>
Other Financing Uses				
Transfers out	<u>(10,100)</u>	<u>(10,100)</u>	<u>(10,100)</u>	<u>-</u>
Total other financing uses	<u>(10,100)</u>	<u>(10,100)</u>	<u>(10,100)</u>	<u>-</u>
Net Change in Fund Balances (Deficit)	<u>(5,965)</u>	<u>(1,028)</u>	<u>(2,349)</u>	<u>(1,321)</u>
Fund Balances, Beginning of Year	<u>1,580</u>	<u>1,580</u>	<u>1,580</u>	<u>-</u>
Fund Balances (Deficit), End of Year	<u><u>\$ (4,385)</u></u>	<u><u>\$ 552</u></u>	<u><u>\$ (769)</u></u>	<u><u>\$ (1,321)</u></u>

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Kline Park Monument Fund

Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Investment income	\$ 1	\$ 1	\$ -	\$ (1)
Total revenues	1	1	-	(1)
Expenditures				
Current:				
Cultural and recreation	427	430	420	10
Total expenditures	427	430	420	10
Net Change in Fund Balances	(426)	(429)	(420)	9
Fund Balances, Beginning of Year	436	436	436	-
Fund Balances, End of Year	\$ 10	\$ 7	\$ 16	\$ 9

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Domestic Violence Fund

Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 1,200	\$ 1,300	\$ 1,402	\$ 102
Total revenues	1,200	1,300	1,402	102
Expenditures				
Current:				
Other public safety	1,200	1,200	1,200	-
Total expenditures	1,200	1,200	1,200	-
Net Change in Fund Balances	-	100	202	102
Fund Balances, Beginning of Year	1	1	1	-
Fund Balances, End of Year	\$ 1	\$ 101	\$ 203	\$ 102

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Front Street Project Fund

Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Miscellaneous	\$ 8,000	\$ 1,953	\$ 1,953	\$ -
Total revenues	8,000	1,953	1,953	-
Expenditures				
Current:				
Cultural and recreation	19,334	5,320	1,764	3,556
Total expenditures	19,334	5,320	1,764	3,556
Net Change in Fund Balances	(11,334)	(3,367)	189	3,556
Fund Balances, Beginning of Year	13,799	13,799	13,799	-
Fund Balances, End of Year	\$ 2,465	\$ 10,432	\$ 13,988	\$ 3,556

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Bail Bond Fund
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 5,975	\$ 5,500	\$ 5,120	\$ (380)
Total revenues	5,975	5,500	5,120	(380)
Expenditures				
Current:				
Other public safety	6,659	6,300	5,745	555
Total expenditures	6,659	6,300	5,745	555
Net Change in Fund Balances	(684)	(800)	(625)	175
Fund Balances, Beginning of Year	906	906	906	-
Fund Balances, End of Year	<u>\$ 222</u>	<u>\$ 106</u>	<u>\$ 281</u>	<u>\$ 175</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Court Automation Fund
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 26,000	\$ 20,300	\$ 19,484	\$ (816)
Investment income	30	30	31	1
Miscellaneous	-	93	93	-
	<u>26,030</u>	<u>20,423</u>	<u>19,608</u>	<u>(815)</u>
Expenditures				
Current:				
General government	<u>29,000</u>	<u>23,580</u>	<u>24,373</u>	<u>(793)</u>
	<u>29,000</u>	<u>23,580</u>	<u>24,373</u>	<u>(793)</u>
Net Change in Fund Balances	(2,970)	(3,157)	(4,765)	(1,608)
Fund Balances, Beginning of Year	<u>80,995</u>	<u>80,995</u>	<u>80,995</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 78,025</u>	<u>\$ 77,838</u>	<u>\$ 76,230</u>	<u>\$ (1,608)</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
North Texarkana Redevelopment District
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 132,000	\$ 93,000	\$ 138,528	\$ 45,528
Investment income	-	20	18	(2)
Total revenues	<u>132,000</u>	<u>93,020</u>	<u>138,546</u>	<u>45,526</u>
Expenditures				
Current:				
Public works	-	-	-	-
Capital outlay	<u>376,650</u>	<u>376,650</u>	<u>-</u>	<u>376,650</u>
Total expenditures	<u>376,650</u>	<u>376,650</u>	<u>-</u>	<u>376,650</u>
Net Change in Fund Balances	(244,650)	(283,630)	138,546	422,176
Fund Balances, Beginning of Year	<u>351,546</u>	<u>351,546</u>	<u>351,546</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 106,896</u></u>	<u><u>\$ 67,916</u></u>	<u><u>\$ 490,092</u></u>	<u><u>\$ 422,176</u></u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Library Fund
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 314,500	\$ 332,000	\$ 340,340	\$ 8,340
Grants and entitlements	70,000	73,000	71,234	(1,766)
Investment income	25	50	68	18
	<u>384,525</u>	<u>405,050</u>	<u>411,642</u>	<u>6,592</u>
Total revenues				
	<u>384,525</u>	<u>405,050</u>	<u>411,642</u>	<u>6,592</u>
Expenditures				
Current:				
Cultural and recreation	389,525	410,050	423,104	(13,054)
	<u>389,525</u>	<u>410,050</u>	<u>423,104</u>	<u>(13,054)</u>
Total expenditures				
	<u>389,525</u>	<u>410,050</u>	<u>423,104</u>	<u>(13,054)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,000)</u>	<u>(5,000)</u>	<u>(11,462)</u>	<u>(6,462)</u>
Other Financing Sources				
Transfers in	5,000	5,000	5,000	-
	<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	-	-	(6,462)	(6,462)
Fund Balances, Beginning of Year	<u>85,153</u>	<u>85,153</u>	<u>85,153</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 85,153</u>	<u>\$ 85,153</u>	<u>\$ 78,691</u>	<u>\$ (6,462)</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Public Safety Fund
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 275	\$ 275	\$ 258	\$ (17)
Total revenues	275	275	258	(17)
Expenditures				
Current:				
Other public safety	1,388	1,388	-	1,388
Total expenditures	1,388	1,388	-	1,388
Net Change in Fund Balances	(1,113)	(1,113)	258	1,371
Fund Balances, Beginning of Year	3,680	3,680	3,680	-
Fund Balances, End of Year	<u>\$ 2,567</u>	<u>\$ 2,567</u>	<u>\$ 3,938</u>	<u>\$ 1,371</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, 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, 2017

	<u>June 30, 2017</u>		<u>December 31, 2017</u>	
	City	Water		
	Employee	Utilities	Policemen's	
	Retirement	Employee	Relief and	
	System	Retirement	Pension	Total
		System		
Assets				
Cash and cash equivalents	\$ 57,414	\$ 68,640	\$ 177,253	\$ 303,307
Investments				
U. S. government obligations	59,753	311,518	-	371,271
Mortgage backed securities	-	213,194	-	213,194
Corporate bonds and notes	83,413	543,502	-	626,915
Mutual funds and other investments	3,419,284	1,656,594	4,596,683	9,672,561
Interest receivable	22,426	7,206	15,631	45,263
Due from other funds	-	-	404,327	404,327
Total assets	<u>3,642,290</u>	<u>2,800,654</u>	<u>5,193,894</u>	<u>11,636,838</u>
Liabilities				
Accounts payable	<u>5,622</u>	<u>1,324</u>	<u>1,978</u>	<u>8,924</u>
Total liabilities	<u>5,622</u>	<u>1,324</u>	<u>1,978</u>	<u>8,924</u>
Net Position				
Net position restricted for pensions	<u>\$ 3,636,668</u>	<u>\$ 2,799,330</u>	<u>\$ 5,191,916</u>	<u>\$ 11,627,914</u>

City of Texarkana, Arkansas
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended December 31, 2017

	<u>June 30, 2017</u>		<u>December 31, 2017</u>	
	City Employee Retirement System	Water Utilities Employee Retirement System	Policemen's Relief and Pension	Total
Additions				
Contributions				
Employer	\$ 121,284	\$ -	\$ 543,326	\$ 664,610
Employee	16,340	-	-	16,340
Intergovernmental	-	-	322,319	322,319
Other	2,998	-	28,281	31,279
Total contributions	140,622	-	893,926	1,034,548
Investment income				
Net increase in fair value of investments	242,636	147,308	403,368	793,312
Interest and dividends	93,834	83,323	89,239	266,396
	336,470	230,631	492,607	1,059,708
Less investment expense	-	-	23,068	23,068
Net investment income (loss)	336,470	230,631	469,539	1,036,640
Total additions	477,092	230,631	1,363,465	2,071,188
Deductions				
Benefits paid directly to participants	284,717	121,267	1,406,731	1,812,715
Administrative expenses	46,899	21,467	5,850	74,216
Total deductions	331,616	142,734	1,412,581	1,886,931
Net Increase (Decrease) in Net Position	145,476	87,897	(49,116)	184,257
Net Position Restricted for Pensions, Beginning of Year	3,491,192	2,711,433	5,241,032	11,443,657
Net Position Restricted for Pensions, End of Year	<u>\$ 3,636,668</u>	<u>\$ 2,799,330</u>	<u>\$ 5,191,916</u>	<u>\$ 11,627,914</u>

City of Texarkana, Arkansas
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended December 31, 2017

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Police Bond Fund				
Assets				
Cash and cash equivalents	\$ 171,131	\$ 1,379,105	\$ 1,418,455	\$ 131,781
Interest receivable	3,556	-	-	3,556
Total assets	174,687	1,379,105	1,418,455	135,337
Liabilities				
Escrow deposits	174,687	1,379,105	1,418,455	135,337
Total liabilities	174,687	1,379,105	1,418,455	135,337
Net position	\$ -	\$ -	\$ -	\$ -
Drug Seizure Fund				
Assets				
Cash and cash equivalents	\$ 40,684	\$ 19	\$ -	\$ 40,703
Total assets	40,684	19	-	40,703
Liabilities				
Escrow deposits	40,684	19	-	40,703
Total liabilities	40,684	19	-	40,703
Net position	\$ -	\$ -	\$ -	\$ -
Municipal Court Operations Fund				
Assets				
Cash and cash equivalents	\$ 8,614	\$ 32,492	\$ 35,720	\$ 5,386
Total assets	8,614	32,492	35,720	5,386
Liabilities				
Accounts payable	8,614	32,492	35,720	5,386
Total liabilities	8,614	32,492	35,720	5,386
Net position	\$ -	\$ -	\$ -	\$ -
Total Agency Funds				
Assets				
Cash and cash equivalents	\$ 220,429	\$ 1,411,616	\$ 1,454,175	\$ 177,870
Interest receivable	3,556	-	-	3,556
Total assets	223,985	1,411,616	1,454,175	181,426
Liabilities				
Accounts payable	8,614	32,492	35,720	5,386
Escrow deposits	215,371	1,379,124	1,418,455	176,040
Total liabilities	223,985	1,411,616	1,454,175	181,426
Net position	\$ -	\$ -	\$ -	\$ -

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.	129
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.	134
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.	141
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.	146
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.	148

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

Table 1

	2008	2009	2010	2011	2012	2013	2014	2015*	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 12,173,375
Restricted	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	3,085,466
Unrestricted	<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>	<u>135,812</u>
Total governmental activities net position	<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>	<u>15,394,653</u>
Business-type activities:										
Net investment in capital assets	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	32,849,130
Restricted	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	5,259,198
Unrestricted	<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>	<u>5,543,209</u>
Total business-type activities net position	<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>	<u>43,651,537</u>
Primary government										
Net investment in capital assets	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	45,022,505
Restricted	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	8,344,664
Unrestricted	<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>	<u>5,679,021</u>
Total primary government net position	<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>	<u>\$ 59,046,190</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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
Current:										
General administration	\$ 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	\$ 2,272,254
Police department	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	8,535,330
Fire department	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	5,930,240
Other public safety	-	-	-	3,869,368	3,639,484	3,383,828	3,053,598	3,205,227	2,877,212	2,106,118
Protective inspection	417,558	368,400	467,872	467,210	494,102	516,458	434,499	474,893	567,880	473,860
Public works	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	6,145,067
Public services	120,566	117,720	6,518	15,381	1,252	245,174	565,398	532,551	541,432	31,950
Health and welfare	241,428	286,166	347,763	361,460	436,639	394,764	426,422	410,477	459,236	573,179
Cultural and recreation	672,415	693,057	895,119	825,434	1,895,921	1,190,349	1,469,648	1,157,670	1,171,381	1,138,931
Administrative and general	1,320,080	1,384,283	-	-	-	-	-	-	-	-
Interest on long-term debt	669,030	672,631	1,172,912	678,252	1,683,764	908,021	894,852	933,184	811,774	773,234
Total governmental activities expenses	<u>23,791,608</u>	<u>23,245,233</u>	<u>28,736,397</u>	<u>26,671,117</u>	<u>28,885,987</u>	<u>27,574,205</u>	<u>27,521,146</u>	<u>24,997,468</u>	<u>26,307,246</u>	<u>27,980,163</u>
Business-type activities:										
Water and sewer	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	9,016,083
Total business-type activities expenses	<u>8,791,428</u>	<u>8,881,682</u>	<u>8,631,993</u>	<u>8,828,758</u>	<u>9,383,771</u>	<u>9,239,788</u>	<u>8,883,064</u>	<u>8,827,599</u>	<u>8,724,209</u>	<u>9,016,083</u>
Total primary government expenses	<u>32,583,036</u>	<u>32,126,915</u>	<u>37,368,390</u>	<u>35,499,875</u>	<u>38,269,758</u>	<u>36,813,993</u>	<u>36,404,210</u>	<u>33,825,067</u>	<u>35,031,455</u>	<u>36,996,246</u>
Program Revenues										
Governmental activities:										
Charges for services	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	8,458,140
Operating grants and contributions	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	3,673,664
Capital grants and contributions	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	851,360
Total governmental activities program revenues	<u>11,385,967</u>	<u>10,610,633</u>	<u>12,085,772</u>	<u>11,195,754</u>	<u>10,886,314</u>	<u>10,358,682</u>	<u>9,894,184</u>	<u>9,690,824</u>	<u>9,885,054</u>	<u>12,983,164</u>
Business-type activities:										
Charges for services	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	9,560,808
Capital grants and contributions	532,005	450,021	43,157	78,337	-	-	37,484	27,748	-	-
Total business-type activities program revenues	<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>	<u>9,560,808</u>
Total primary government program revenues	<u>\$ 20,431,040</u>	<u>\$ 19,994,126</u>	<u>\$ 22,270,629</u>	<u>\$ 21,538,882</u>	<u>\$ 21,089,104</u>	<u>\$ 20,108,748</u>	<u>\$ 19,179,199</u>	<u>\$ 19,132,060</u>	<u>\$ 19,475,650</u>	<u>\$ 22,543,972</u>

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

Table 2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (14,996,999)
Business-type activities	253,645	501,811	1,552,864	1,514,370	819,019	510,278	401,951	613,637	866,387	544,725
Total primary government net expense	(12,151,996)	(12,132,789)	(15,097,761)	(13,960,993)	(17,180,654)	(16,705,245)	(17,225,011)	(14,693,007)	(15,555,805)	(14,452,274)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	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	4,161,676
Sales taxes	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	9,828,654
Franchise taxes	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	2,528,697
Other taxes	52,032	125,195	136,636	76,338	76,764	81,189	70,308	67,975	57,884	79,969
Unrestricted investment earnings	75,282	35,744	27,651	14,105	59,233	12,775	9,603	15,444	5,885	10,570
Gain(loss) on sale of capital assets	-	25,936	-	47,145	18,426	-	-	-	-	-
Miscellaneous	310,036	102,837	153,869	248,202	146,005	257,213	182,129	289,351	100,279	541,419
Transfers	217,655	226,672	-	-	832,090	246,723	237,539	183,034	335,094	238,504
Total governmental activities	14,522,371	14,339,021	14,916,135	14,928,584	15,902,547	16,319,909	16,640,172	17,042,200	16,688,700	17,389,489
Business-type activities:										
Unrestricted investment earnings	403,158	282,956	414,316	318,080	299,162	291,104	266,596	267,423	152,922	156,212
Gain on sale of capital assets	-	-	1,178	(7,050)	-	-	-	-	-	-
Miscellaneous	737	-	-	-	-	1,723	-	-	-	-
Transfers	(210,100)	(220,578)	(240,599)	(255,035)	(853,170)	(249,864)	(236,198)	(233,566)	(227,751)	(255,377)
Total business-type activities	193,795	62,378	174,895	55,995	(554,008)	42,963	30,398	33,857	(74,829)	(99,165)
Total primary government general revenues and other changes in net position	14,716,166	14,401,399	15,091,030	14,984,579	15,348,539	16,362,872	16,670,570	17,076,057	16,613,871	17,290,324
Change in Net Position										
Governmental activities	2,116,730	1,704,421	(1,734,490)	(546,779)	(2,097,126)	(895,614)	(986,790)	1,735,556	266,508	2,392,490
Business-type activities	447,440	564,189	1,727,759	1,570,365	265,011	553,241	432,349	647,494	791,558	445,560
Total primary government changes in net position	\$ 2,564,170	\$ 2,268,610	\$ (6,731)	\$ 1,023,586	\$ (1,832,115)	\$ (342,373)	\$ (554,441)	\$ 2,383,050	\$ 1,058,066	\$ 2,838,050

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

Table 3

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function/ Program										
Governmental activities:										
General administration	\$ 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	\$ 2,355,799
Police department	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	1,314,276
Fire department	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	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	5,699,490
Public services	1,270,098	1,747,617	962,988	1,334,235	993,090	826,299	418,254	263,869	274,870	3,510,486
Cultural and recreation	83,521	98,779	80,254	68,283	86,884	80,398	85,182	78,800	79,414	103,113
Subtotal governmental activities	<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>	<u>12,983,164</u>
Business-type activities:										
Water and sewer	<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>	<u>9,560,808</u>
Subtotal business-type activities	<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>	<u>9,560,808</u>
Total primary government	<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>	<u>\$ 22,543,972</u>

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

Table 4

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable										
Prepaid items				\$ 276,177	\$ 339,756	\$ 7,922	\$ 124,629	\$ 180,061	\$ 263,696	\$ 5,087
Restricted										
Police department				-	-	4,885	330	-	19,105	-
Committed										
Cultural and recreation				13,855	14,956	15,101	16,998	17,723	17,254	14,106
Assigned										
Police department				164,470	210,776	77,016	38,594	33,090	18,646	18,646
Public works				194,394	30,292	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	3,684,175
Reserved	\$ -	\$ 20,837	\$ 291,361							
Unreserved, designated	876,277	1,691,943	1,744,280							
Unreserved	2,941,100	3,142,175	2,000,819							
Total general fund	<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>	<u>\$ 3,752,306</u>
All Other Governmental Funds										
Nonspendable										
Prepaid items				\$ 36,249	\$ 45,966	\$ 2,346	\$ 6,125	\$ 35,044	\$ 32,878	\$ 9,084
Restricted										
General administration				92,050	63,547	64,023	73,662	76,600	74,710	69,204
Police department				9,192	10,512	9,163	11,845	15,332	6,167	4,422
Fire department				110,312	103,798	44,678	46,185	29,607	20,322	22,669
Public works				2,326,807	9,622,070	4,217,938	3,019,336	302,180	356,038	502,289
Debt service				1,567,579	1,151,164	1,539,365	1,689,089	1,734,277	1,768,212	1,820,312
Cultural and recreation				2,358	6,163	57,454	70,830	91,864	98,952	92,679
Committed										
Public works				260,346	277,816	215,191	284,701	307,575	240,855	309,211
Assigned										
General administration				156,683	-	-	-	-	-	-
Police department				287,796	214,670	155,086	316,855	321,472	406,223	371,024
Fire department				10,000	-	-	-	-	-	-
Public works				256,227	813,527	563,078	1,181,131	1,397,208	1,829,769	1,965,830
Unassigned				(4,390)	-	-	-	-	-	(769)
Reserved	\$ -	\$ 6,428	\$ 30,738							
Unreserved, reported in:										
Special revenue fund	245,982	399,160	367,851							
Debt service fund	1,335,009	1,368,202	1,537,546							
Capital projects fund	3,013,168	(7,244)	3,510,284							
Unreserved, designated for, reported in:										
Special revenue fund	108,775	147,625	139,042							
Total all other governmental funds	<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>	<u>\$ 5,165,955</u>

The 2008 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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Property taxes	\$ 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	\$3,813,210
Sales taxes	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	9,828,654
Other taxes	52,032	125,194	136,636	76,338	76,764	81,189	70,308	67,975	57,884	79,969
Utility franchise	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	2,431,741
Licenses and permits	333,753	199,428	184,973	183,504	242,339	184,516	187,247	204,483	179,075	183,444
Fines, forfeitures and penalties	950,226	837,383	753,442	774,149	752,300	676,331	716,361	619,982	609,268	648,141
Charges for services	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	4,330,757
Grants and entitlements	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	1,521,589
Intergovernmental	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	3,003,435
Investment income	74,683	35,384	27,651	14,105	59,233	12,775	9,603	15,444	5,885	10,570
Miscellaneous	342,153	172,285	446,488	493,117	418,828	452,206	366,519	499,274	354,056	541,419
Total revenues	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	26,392,929
Expenditures										
Current:										
General government	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	2,024,355
Police department	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	7,733,463
Fire department	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	4,777,857
Other public safety	-	-	-	2,817,739	2,808,193	2,963,397	3,052,005	3,188,823	2,864,078	2,098,897
Protective inspection	415,423	368,400	433,139	428,681	456,482	480,399	456,148	449,576	505,396	457,378
Public works	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	5,010,786
Public services	124,860	126,444	6,856	14,869	785	353	125,813	37,511	57,434	30,885
Health and welfare	226,482	271,220	312,181	321,430	395,843	352,719	396,664	379,360	388,328	539,384
Cultural and recreation	536,355	629,001	777,069	713,788	1,689,146	1,019,833	1,309,632	758,175	736,245	757,833
Administrative and general	1,264,712	1,237,304	-	-	-	-	-	-	-	-
Capital outlay	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	971,816
Debt service:										
Principal retirement	742,874	749,414	822,448	830,337	1,770,728	484,585	876,214	4,765,324	1,112,724	1,111,675
Interest and fiscal charges	669,030	672,631	723,961	761,548	972,791	887,829	908,628	873,139	834,415	786,987
Bond issuance costs	415,186	-	129,073	-	-	-	-	75,684	-	-
Total expenditures	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	26,301,316
Excess (deficiency) of revenues over expenditures	75,468	(1,977,857)	(968,112)	(870,052)	(5,253,220)	(6,157,286)	(442,436)	(5,918,118)	283,341	91,613

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

Table 5

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other Financing Sources (Uses)										
Transfers in	\$ 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	\$ 2,140,719
Transfers out	(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)	(1,902,215)
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>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>	<u>238,504</u>
Net change in fund balances	<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>	<u>\$ 330,117</u>
Debt Service as a percentage of noncapital expenditures	6.4%	6.6%	6.5%	6.6%	10.5%	5.6%	7.1%	19.5%	7.8%	7.5%

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
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
2017	3,813,210	9,828,654	79,969	2,431,741	16,153,574
Percentage change from 2008 to current year	42.99%	18.94%	40.88%	-11.30%	18.57%

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
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
2018	2017	263,840,379	117,889,390	381,729,769	0.1050	4,008,163	1,862,495	931,247	372,499	372,499	372,499	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:																
2008	\$	5.00	\$	2.50	\$	1.00	\$	1.00	\$	10.50	\$	38.90	\$	5.50	\$	54.90
2009		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2010		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2011		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2012		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2013		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2014		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2015		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2016		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2017		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
Personal Property Tax Rates:																
2008	\$	5.00	\$	2.50	\$	1.00	\$	1.00	\$	10.50	\$	38.90	\$	5.50	\$	54.90
2009		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2010		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2011		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2012		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2013		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2014		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2015		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2016		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2017		5.00		2.50		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, 2017

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 2017, the city sales tax generated revenue of \$6,805,023. The City's portion of the county sales tax generated revenue of \$2,377,333 and the municipal four-lane highway tax received from the State of Arkansas totaled \$646,298.

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	2017			2008		
	Rank	2017 Assessed Valuation (1) (2)	Percentage of Total Assessed Valuation	Rank	2008 Assessed Valuation (1) (3)	Percentage of Total Assessed Valuation
Southwestern Electric Power Co.	1	\$ 12,582,660	3.30%	3	\$ 4,626,660	1.59%
Union Pacific System	2	11,688,520	3.06%	6	3,630,150	1.25%
Southwest AR Electric Co-op	3	10,106,500	2.65%	2	5,724,860	1.97%
Cooper Tire & Rubber Co. - Plant	4	9,299,000	2.44%	1	20,073,850	6.89%
Wal-Mart Stores Inc. #01-0468	5	4,178,059	1.09%	5	3,280,492	1.13%
Southwest Ark Telephone CO-OP	6	4,088,606	1.07%			
Valor Telecommunications	7	3,755,300	0.98%	4	3,520,850	1.21%
Garland Farms, Inc.	8	3,065,270	0.80%			
Tyson Foods, Inc.	9	2,906,281	0.76%	8	2,997,790	1.03%
Natural Gas Pipe Line Co.	10	2,691,080	0.70%	7	3,708,860	1.27%
The Links at Texarkana				9	2,397,586	0.82%
Smith-Blair, Inc.				10	2,073,850	0.71%
Total principal taxpayers		<u>\$ 64,361,276</u>	<u>16.86%</u>		<u>\$ 52,034,948</u>	<u>17.87%</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, 2008

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
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%
2017	2016	3,861,670	3,329,353	86.22%	483,855	3,813,208	98.75%	48,462	1.25%

(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
2008	2.50%	1.50%
2009	2.50%	1.50%
2010	2.50%	1.50%
2011	2.50%	1.50%
2012	2.50%	1.50%/1.25% (1)
2013	2.50%	1.25%
2014	2.50%	1.25%
2015	2.50%	1.25%
2016	2.50%	1.25%
2017	2.50%	1.25%

Source: Arkansas Department of Finance and Administration

(1) 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			
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
2017	8,661,600	12,434,224	55,509	3,508	9,192,660	-	30,347,501	4.72%	1,006

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
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
2017	30,155	381,729,769	8,661,600	898,787	7,762,813	2.03%	257

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, 2017

Table 14

Jurisdiction	Debt Outstanding	Percentage of Debt Applicable to City of Texarkana	Amount Applicable to City of Texarkana
Direct:			
City of Texarkana, Arkansas	\$ 21,154,841	100.00%	<u>\$ 21,154,841</u>
Overlapping:			
Texarkana, Arkansas School District	78,457,931 (1)	78.62%	<u>61,683,625</u>
Subtotal - Overlapping debt			<u>61,683,625</u>
Total direct and overlapping			<u><u>\$ 82,838,466</u></u>
Per capita overlapping debt			<u><u>\$ 2,747.09</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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 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	\$ 95,432,442
Total net debt applicable to limit	<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>	<u>7,762,813</u>
Legal debt margin	<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>	<u>\$ 87,669,629</u>
Total net debt applicable to the limit as a percentage of debt limit	4.78%	3.17%	2.05%	1.09%	13.86%	13.16%	12.45%	10.92%	9.72%	8.85%

Legal Debt Margin Calculation for 2016

Assessed value	\$ 381,729,769
Debt limit - 25% of assessed value:	
General obligation debt limitation	95,432,442
Debt applicable to limit:	
General obligation bonds	8,661,600
Less: Amount set aside for repayment in debt services funds	<u>898,787</u>
Total net debt applicable to limit	<u>7,762,813</u>
Legal debt margin	<u>\$ 87,669,629</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
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
2017	10,118,750	6,285,420	3,833,330	1,498,806	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)
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%
2017	30,155	642,572,895	37.6	21,309	3.7%

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	2017			2008		
	Employees	Rank	Percentage of Total MSA Employ- ment (1)	Employees	Rank	Percentage of Total MSA Employ- ment (2)
Red River Army Depot & Tenants	4,135	1	6.77%	3,500	1	5.49%
Christus St. Michael Health Care	1,800	2	2.95%	1,680	3	2.64%
Cooper Tire & Rubber	1,750	3	2.86%	2,000	2	3.14%
AECOM/URS	1,300	4	2.13%			
Southern Refrigerated Transport	1,235	5	2.02%	670	10	1.05%
Wal-Mart Department Store	1,200	6	1.96%	1,100	5	1.73%
Texarkana, TX ISD	1,150	7	1.88%	787	8	1.24%
Domtar, Inc.	900	8	1.47%	1,201	4	1.89%
International Paper Company	800	9	1.31%	865	7	1.36%
Wadley Regional Medical	755	10	1.24%	1,000	6	1.57%
Texarkana, AR ISD				785	9	1.23%
Total	15,025		24.59%	13,588		21.33%

Source:
Chamber of Commerce
Texas Workforce Commission LMI Tracer

Notes:
(1) MSA employment for 2017 is 61,100
(2) MSA employment for 2008 is 63,700

City of Texarkana, Arkansas

Full-time Equivalent City Government Employees by Function

Last Ten Years

Table 19

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Administration	3	3	4	4	4	3	3	3	5	4
Finance	8	8	8	8	8	8	9	9	8	8
City Clerk	3	3	3	3	3	2	2	2	2	2
Courts	4	4	4	5	5	5	5	5	5	5
Marketing & Communications	0	0	0	0	1	2	2	1	0	0
Police department										
Police General	72	70	71	71	71	76	76	76	76	77
Police Housing	3	3	3	3	3	2	2	2	2	2
Cops in School	2	2	1	1	1	1	1	1	1	0
Police Narcotics	5	5	5	5	5	5	5	5	5	5
Police Support	9	10	10	11	11	11	11	11	11	26
Police Animal	2	2	2	2	2	2	0	0	0	0
Probation	3	3	3	4	4	4	4	4	4	4
Police CHRP	0	0	0	4	4	0	0	0	0	0
Fire department										
Fire	59	59	59	59	59	59	59	59	59	59
Public works										
Street	14	17	18	17	17	17	17	17	13	13
Environmental	3	3	3	4	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	4	6	4	5	5	4	4	4	4
Building maintenance	2	2	2	2	1	1	1	1	1	1
ADC	0	0	0	3	3	3	3	3	9	9
Refuse Operator	0	0	0	0	0	1	1	1	1	1
Public services										
HCD	3	1	1	0	0	0	0	0	0	0
RSVP - Arkansas	1	1	1	1	1	1	1	1	0	0
RSVP - Texas	1	1	1	1	1	1	1	1	0	0
Other										
Bi-State Maintenance	13	13	13	13	13	13	13	13	13	13
Bi-State CRC	1	1	1	1	1	1	1	1	1	1
Animal Shelter	11	7	8	8	7	7	7	5	5	5
	0	0	0	0	0	0	2	3	3	3
Total	234	231	236	243	243	243	243	241	241	255

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

Table 20

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Function/Program</u>										
Public safety										
Police										
Uniformed employees	91	89	90	90	88	84	84	84	84	84
Fire										
Firefighters	58	58	58	58	57	58	58	58	58	58
Public works										
Building permits issued	3,679	1,944	477	507	510	426	368	454	464	501
Building permits (\$)	\$ 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	\$ 28,894,884
Water										
Average daily consumption (millions of gallons)	5.147	4.846	3.675	4.016	4.134	4.902	4.437	4.703	6.317	4.372
Raw water production (millions of gallons)	5.373	5.056	4.056	6.430	5.509	5.509	4.941	5.076	6.563	4.481

Source: Various City Departments

City of Texarkana, Arkansas

Capital Asset Statistics by Function

Last Ten Years

Table 21

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Police										
Stations	1	1	1	1	1	1	2	2	2	2
Total units	96	96	82	101	110	111	117	117	117	96
Fire										
Stations	5	5	5	5	5	5	5	5	5	5
Public works										
Streets (miles)	290	291	291	250 ⁽¹⁾	250	252	252	252	252	252
Recreation										
Number of parks	16	16	20	24	24	24	24	24	24	24
Acres	280	280	281	288.3	288.3	288.3	296.3	296.3	296.3	311
Pools	1	1	1	1	1	1	1	1	1	1
Ball Fields	12	12	12	15	15	15	15	15	15	16
Tennis courts:										
Lighted	3	3	3	3	3	3	3	3	3	4
Unlighted	3	3	3	1	1	1	1	1	1	1
Community centers	4	4	4	4	4	4	4	4	4	4
Soccer fields	0	0	0	1	1	1	1	1	1	1
Walking/biking trails (miles)	3.65	3.65	5.2	7.5	7.5	7.5	7.66	13.91	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)	424	412	409	408	406	395	416	407	412	405
Number of water meters	10,217	10,203	10,184	10,103	10,134	10,155	10,126	10,154	10,169	10,155
Sewer mains (miles)	213	216	216	212	219	214	213	216	233	218
Number of fire hydrants	1,384	1,392	1,427	1,438	1,441	1,431	1,450	1,469	1,409	1,447
Number of Mandeville water meters	339	333	328	322	327	321	318	316	315	315
Number of Union water meters	1,088	1,107	1,129	1,135	1,162	1,178	1,200	1,231	1,246	1,252

⁽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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**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***

Independent Auditor's Report

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 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, 2017, 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, 2018, 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

In planning and performing our audit, we considered the City's internal control over financial reporting (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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Little Rock, Arkansas
June 29, 2018

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, 2017.

- (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, 2017.

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

BKD, LLP

Little Rock, Arkansas
June 29, 2017

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