

City of Texarkana, Arkansas

Comprehensive Annual Financial Report

For the Year Ended December 31, 2019



Finance Department

TyRhonda Henderson
Finance Director

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City of Texarkana, Arkansas
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2019

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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, 2019, 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 unmodified opinions on the City of Texarkana, Arkansas' financial statements for the year ended December 31, 2019. 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 30,104. 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, 2019.

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 2019 and 2020 within the City. Seventy-eight certificates of occupancy were issued in 2019 and twenty-eight have been issued so far in 2020. New construction projects are ongoing for a new health clinic and a new concession stand at Ed Worrell Park. Major remodeling projects are ongoing at the Coliseum in Downtown Texarkana.

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 October 24, 2019, the City issued a note with the principal amount not to exceed \$885,000. Funds will be used to finance the acquisition, construction, rehabilitation, and equipping of a recreational facility located within the City. The note is guaranteed under section 108 of the Housing and Community Development Act.

On July 1, 2019, the City issued a General Revenue Note, Series 2019 with the principal amount of \$875,000. The funds will be used to acquire, construct, install, and equip a City Animal Shelter. The note was issued pursuant to Section 2 of Amendment 78 to the Arkansas Constitution.

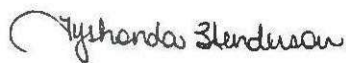
Awards and Acknowledgements

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, 2018. In order to be awarded a Certificate of Achievement, the government has to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

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

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

Respectively submitted,



TyRhonda Henderson
Finance Director

July 23, 2020



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

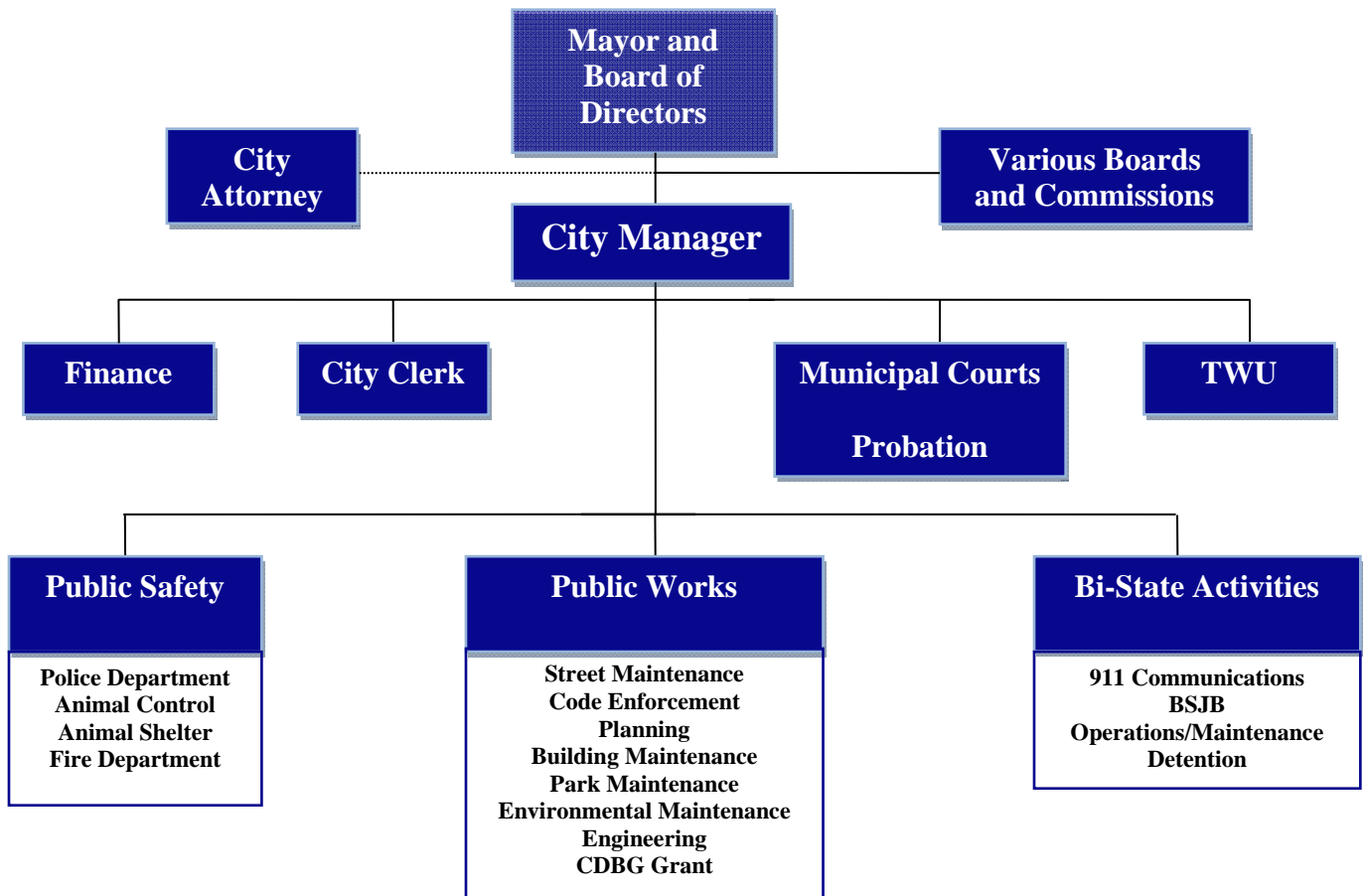
December 31, 2018

Christopher P. Morill

Executive Director/CEO



CITY OF TEXARKANA, ARKANSAS ORGANIZATIONAL CHART



City of Texarkana, Arkansas

Elected Officials:

Allen L. Brown	Mayor
Linda Teeters	Assistant Mayor, Director – Ward 1
Laney J. Harris	Director – Ward 2
Steven Hollibush	Director – Ward 3
Ulysses Brewer	Director – Ward 4
Barbara S. Miner	Director – Ward 5
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, 2019, 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 Airport Authority, a joint venture of the City included in the governmental activities opinion unit. The City's investment in Texarkana Airport Authority reported at December 31, 2019, is \$12,267,314, which includes a current year decrease of \$100,337. We also did not audit the financial statements of Texarkana Urban Transit District, a joint venture of the City included in the governmental activities opinion unit. The City's investment in Texarkana Urban Transit District reported at December 31, 2019, is \$960,003 which includes a current year decrease of \$127,536. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Texarkana Airport Authority and Texarkana Urban Transit District, is based solely on the report 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 report 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, 2019 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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 introductory section, the combining and individual fund financial statements and schedules, the statistical section and the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The 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 also have issued our report dated July 23, 2020, 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

Rogers, Arkansas
July 23, 2020

City of Texarkana, Arkansas

Management's Discussion and Analysis

December 31, 2019

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, 2019. 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 \$52,696,379 (net position).
- The City's total net position decreased by \$1,479,353 from operations during fiscal year 2019.
- As of the close of the current fiscal year, the City of Texarkana, Arkansas' governmental funds reported combined ending fund balances of \$12,646,302.
- At the end of the current fiscal year, unassigned fund balance was \$6,652,827.

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 18 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Public Works Fund, both of which are considered to be major funds. Data from the other 16 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, 2019, 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 \$52,696,379 as of December 31, 2019. The largest portion of the City's net position, 88.88% (\$46,838,775), 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. 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			
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 32,640,970	\$ 30,952,940	\$ 11,827,145	\$ 13,541,062	\$ 44,468,115	\$ 44,494,002
Capital assets	34,100,317	34,594,721	54,844,400	56,102,617	88,944,717	90,697,338
Other assets	-	-	1,805,922	1,624,537	1,805,922	1,624,537
Total assets	<u>66,741,287</u>	<u>65,547,661</u>	<u>68,477,467</u>	<u>71,268,216</u>	<u>135,218,754</u>	<u>136,815,877</u>
Deferred outflows of resources	<u>8,929,435</u>	<u>8,221,383</u>	<u>951,718</u>	<u>605,074</u>	<u>9,881,153</u>	<u>8,826,457</u>
Long-term liabilities	62,358,064	57,837,936	24,695,387	25,660,392	87,053,451	83,498,328
Other liabilities	<u>2,136,004</u>	<u>2,179,476</u>	<u>1,970,046</u>	<u>2,593,509</u>	<u>4,106,050</u>	<u>4,772,985</u>
Total liabilities	<u>64,494,068</u>	<u>60,017,412</u>	<u>26,665,433</u>	<u>28,253,901</u>	<u>91,159,501</u>	<u>88,271,313</u>
Deferred inflows of resources	<u>340,366</u>	<u>2,212,191</u>	<u>903,661</u>	<u>983,098</u>	<u>1,244,027</u>	<u>3,195,289</u>
Net investment in capital assets	11,887,149	12,149,281	34,951,626	33,457,909	46,838,775	45,607,190
Restricted	3,778,615	3,575,927	1,805,922	5,027,526	5,584,537	8,603,453
Unrestricted	<u>(4,829,476)</u>	<u>(4,185,767)</u>	<u>5,102,543</u>	<u>4,150,856</u>	<u>273,067</u>	<u>(34,911)</u>
Total net position	<u>\$ 10,836,288</u>	<u>\$ 11,539,441</u>	<u>\$ 41,860,091</u>	<u>\$ 42,636,291</u>	<u>\$ 52,696,379</u>	<u>\$ 54,175,732</u>

Analysis of the City's Operations - The following table provides a summary of the City's operations for the year ended December 31, 2019. Governmental activities decreased the City's net position by \$703,153. From 2018 to the 2019 revenues increased by \$1,503,463 and expenses increased by \$1,333,237. The increase in revenue can be attributed to the increases in general property taxes, intergovernmental transfers, fines and forfeitures, and grant entitlements. The increase in expenses can be attributed to an increase in Public Works expenses of \$647,365 due primarily to an increase in pension expense and an increase in Health and Welfare expenses due primarily to increased expenditures for the animal shelter. Business-type activities decreased the City's net position by \$776,200. For the business type activities, the revenues from 2018 to 2019 decreased by \$308,130. Expenses (excluding transfers out) from 2018 to 2019 increased by \$410,594 (4.2%).

In addition, deferred outflows for the governmental-type activities increased by \$708,052 while the deferred inflows decreased \$1,871,825, due to the annual activity within the various pension and other postemployment benefit plans of the City, which are shown in detail within *Note 11* and *13*. Long term liabilities for the governmental activities increased \$4,520,128 due to issuance of new bonds less annual payments and increases in net pension and OPEB liabilities and for the business-type activities decreased by \$965,005 due to annual payments and a decrease in the net OPEB liability of \$770,129. 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	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 5,571,532	\$ 5,154,080	\$ 9,285,223	\$ 9,598,816	\$ 14,856,755	\$ 14,752,896
Operating grants and contributions	3,944,769	3,625,951	-	-	3,944,769	3,625,951
Capital grants and contributions	724,333	750,793	-	-	724,333	750,793
General revenues:						
Property taxes	4,490,963	3,752,005	-	-	4,490,963	3,752,005
Other taxes	13,275,563	13,399,430	-	-	13,275,563	13,399,430
Other revenue	669,525	490,963	179,535	174,072	849,060	665,035
Total revenues	<u>28,676,685</u>	<u>27,173,222</u>	<u>9,464,758</u>	<u>9,772,888</u>	<u>38,141,443</u>	<u>36,946,110</u>
Expenses:						
General administration	2,431,094	2,128,025	-	-	2,431,094	2,128,025
Police department	9,147,662	9,082,042	-	-	9,147,662	9,082,042
Fire department	6,424,089	6,369,763	-	-	6,424,089	6,369,763
Other public safety	1,807,769	1,909,304	-	-	1,807,769	1,909,304
Protective inspection	542,856	433,700	-	-	542,856	433,700
Public works	6,931,855	6,284,490	-	-	6,931,855	6,284,490
Public services	61,695	32,746	-	-	61,695	32,746
Health and welfare	609,728	386,403	-	-	609,728	386,403
Cultural and recreation	1,214,342	1,119,164	-	-	1,214,342	1,119,164
Interest on long-term debt	769,576	861,792	-	-	769,576	861,792
Water and sewer	-	-	9,631,871	9,221,277	9,631,871	9,221,277
Total expenses	<u>29,940,666</u>	<u>28,607,429</u>	<u>9,631,871</u>	<u>9,221,277</u>	<u>39,572,537</u>	<u>37,828,706</u>
Increase (decrease) in net position before transfers	(1,263,981)	(1,434,207)	(167,113)	551,611	(1,431,094)	(882,596)
Transfers	<u>560,828</u>	<u>1,036,864</u>	<u>(609,087)</u>	<u>(853,431)</u>	<u>(48,259)</u>	<u>183,433</u>
Decrease in net position	<u>(703,153)</u>	<u>(397,343)</u>	<u>(776,200)</u>	<u>(301,820)</u>	<u>(1,479,353)</u>	<u>(699,163)</u>
Net position - beginning of year as previously reported	11,539,441	15,394,653	42,636,291	43,651,537	54,175,732	59,046,190
Adoption of GASB 75	<u>-</u>	<u>(3,457,869)</u>	<u>-</u>	<u>(713,426)</u>	<u>-</u>	<u>(4,171,295)</u>
Net position - beginning of year as restated	<u>11,539,441</u>	<u>11,936,784</u>	<u>42,636,291</u>	<u>42,938,111</u>	<u>54,175,732</u>	<u>54,874,895</u>
Net position - end of year	<u>\$ 10,836,288</u>	<u>\$ 11,539,441</u>	<u>\$ 41,860,091</u>	<u>\$ 42,636,291</u>	<u>\$ 52,696,379</u>	<u>\$ 54,175,732</u>

*The cumulative effect of applying GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* resulted in the beginning net position for 2018 being restated.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the current fiscal year, the City of Texarkana, Arkansas' governmental funds reported combined ending fund balances of \$12,646,302.

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 \$6,652,827. Unassigned fund balance represents approximately 37.02% of the total General Fund expenditures. There are 135 days of expenditures in unassigned fund balance, representing an increase of 23 days from 2018.

For the City's General Fund, from 2018 to 2019, total revenue increased by 2.25% due to an increase in property tax, sales tax, fines and forfeitures, and intergovernmental revenues and total expenditures increased by 3.41%. The City's General Fund balance increased by \$1,452,924 and resulted in an ending fund balance of \$6,856,008.

For the City's Public Works Fund, from 2018 to 2019, total revenue increased by 5.43% primarily due to an increase in sales tax, charges for services, and grant entitlement. Total expenditures increased by 5.92% due to an overall increase in public works and cultural and recreation. The Public Works Fund reported a net increase and change in fund balance of \$135,073, which resulted in an ending fund balance of \$2,012,619.

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 \$4,652,525. Unrestricted net position of Texarkana, Arkansas Union Water Utilities at the end of the year amounted to \$288,070. The total decrease in net position for Texarkana, Arkansas Water Utilities was \$932,546. The increase in net position for Texarkana, Arkansas Union Water Utilities was \$139,356. The decrease for the Texarkana, Arkansas Water Utilities was primarily attributable to a mild, wet summer. The increase in net position is primarily attributable to operating revenues exceeding operating expenses for Texarkana, Arkansas Union Water Utilities.

General Fund Budgetary Highlights

The City made revisions to the original appropriations approved by the Board of Directors. Overall, actual results reflected a net increase and positive change in fund balance of \$1,452,924 or ending fund balance of \$6,856,008. 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 \$2,292,071. This is mostly a result of expenditures being under budget by \$2,020,881. Capital Outlay expenditures were under budget by \$1,103,906. This is primarily due various budgeted capital outlay projects that were not completed during 2019 due to time constraints or planned multi-year projects. Other Public Safety expenditures were under budget by \$693,229. This is primarily due to contributions to the Bi-State Justice Center being under budget by \$300,890.

Capital Assets

The City of Texarkana, Arkansas' investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$88,944,717 (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	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,563,907	\$ 2,563,907	\$ 864,911	\$ 860,389	\$ 3,428,818	\$ 3,424,296
Buildings	5,683,908	6,246,395	1,608,101	1,675,837	7,292,009	7,922,232
Improvements other than buildings	3,942,204	4,500,276	32,349,037	32,836,335	36,291,241	37,336,611
Machinery and equipment	3,570,206	3,542,048	1,882,863	2,096,037	5,453,069	5,638,085
Infrastructure	16,906,415	17,364,041	-	-	16,906,415	17,364,041
Water rights	-	-	17,784,128	17,784,128	17,784,128	17,784,128
Construction in progress	1,433,677	378,054	355,360	849,891	1,789,037	1,227,945
Total	\$ 34,100,317	\$ 34,594,721	\$ 54,844,400	\$ 56,102,617	\$ 88,944,717	\$ 90,697,338

Major capital asset additions for the governmental activities during 2019 included approximately \$1 million for various construction in progress projects. The decrease in business-type activities capital assets is due to depreciation expense exceeding capital purchases in the current year. 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 \$21,237,042. Of this amount, \$7,509,672 comprises bonded debt backed by the full faith and credit of the government and \$13,727,370 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 \$6,728,413 represents bonds secured solely by water and sewer revenues.

General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 7,509,672	\$ 8,118,136	\$ -	\$ -	\$ 7,509,672	\$ 8,118,136
Revenue bonds	13,727,370	14,282,725	6,728,413	7,982,470	20,455,783	22,265,195
Total	\$ 21,237,042	\$ 22,400,861	\$ 6,728,413	\$ 7,982,470	\$ 27,965,455	\$ 30,383,331

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 2020 and beyond. In addition, the costs of jointly operating the Bi-State Justice Center with other agencies continue to rise.

The coronavirus began to impact the United States population in or about February 2020. There is no doubt this pandemic will negatively impact economic conditions in 2020. The specific impact on the financial position of the City will be determined by the length and magnitude of the pandemic, which will in result in the overall economic results experienced by the City.

REQUEST FOR INFORMATION

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

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Basic Financial Statements

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City of Texarkana, Arkansas
Statement of Net Position
December 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Texarkana Advertising & Promotion
Assets				
Cash	\$ 2,999,651	\$ 2,517,000	\$ 5,516,651	\$ 350,417
Investments	1,545,800	2,237,731	3,783,531	-
Accounts receivable, net of allowance				
Property taxes	4,815,184	-	4,815,184	-
Accounts	378,881	1,681,119	2,060,000	-
Other government agencies	4,302,748	112,580	4,415,328	-
Accrued interest	-	1,197	1,197	-
Other	843	-	843	131,790
Due from fiduciary funds	13,343	-	13,343	-
Due from component units	3,114	-	3,114	-
Inventories	-	317,010	317,010	-
Prepaid items	132,666	77,321	209,987	-
Restricted assets				
Cash	4,731,292	1,241,672	5,972,964	-
Investments	-	100,592	100,592	-
Accounts receivable	-	2,985	2,985	-
Prepaid capital improvement deposits	-	671,299	671,299	-
Net investment in direct financing lease:				
Due within one year	-	439,448	439,448	-
Due in more than one year	-	2,427,191	2,427,191	-
Investment in joint ventures	13,717,448	-	13,717,448	-
Capital assets - non-depreciable	3,997,584	1,188,225	5,185,809	-
Capital assets - depreciable, net	30,102,733	53,656,175	83,758,908	-
Net pension asset	-	1,805,922	1,805,922	-
	66,741,287	68,477,467	135,218,754	482,207
Deferred Outflows of Resources				
Deferred outflows - pension	7,045,089	670,600	7,715,689	-
Deferred outflows - pension contributions	1,788,783	281,118	2,069,901	-
Deferred outflows - other postemployment benefits	95,563	-	95,563	-
	8,929,435	951,718	9,881,153	-

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit
				Texarkana Advertising & Promotion
Liabilities				
Accounts payable	\$ 761,303	\$ 573,373	\$ 1,334,676	\$ 35,217
Accrued liabilities	903,096	385,409	1,288,505	-
Due to other governments	9,477	4,015	13,492	-
Due to fiduciary funds	453,016	-	453,016	-
Due to primary government	-	-	-	3,114
Customer deposits	-	557,438	557,438	-
Capital improvement deposits	-	236,986	236,986	-
Other liabilities	9,112	53,118	62,230	-
Long-term liabilities				
Due within one year:				
Bonds payable	1,225,000	1,298,216	2,523,216	-
Installment loans payable	170,083	-	170,083	-
Obligations under capital leases	19,426	-	19,426	-
Accrued compensated absences	160,102	29,140	189,242	-
Contracts payable	-	159,707	159,707	-
Other postemployment benefits liability	189,595	-	189,595	-
Due in more than one year				
Bonds payable	20,012,042	5,430,197	25,442,239	-
Installment loans payable	779,917	-	779,917	-
Obligations under capital leases	6,700	-	6,700	-
Accrued compensated absences	2,017,314	229,446	2,246,760	-
Net pension and other postemployment benefits liability	37,777,885	3,361,470	41,139,355	-
Contracts payable	-	14,346,918	14,346,918	-
Total liabilities	<u>64,494,068</u>	<u>26,665,433</u>	<u>91,159,501</u>	<u>38,331</u>
Deferred Inflows of Resources				
Deferred inflows - pension	235,322	159,113	394,435	-
Deferred inflows - other postemployment benefits	105,044	744,548	849,592	-
Total deferred inflows of resources	<u>340,366</u>	<u>903,661</u>	<u>1,244,027</u>	<u>-</u>
Net Position				
Net investment in capital assets	11,887,149	34,951,626	46,838,775	-
Restricted				
General administration	50,644	-	50,644	-
Police department	50,008	-	50,008	-
Fire department	46,697	-	46,697	-
Public works	805,559	-	805,559	-
Pension	-	1,805,922	1,805,922	-
Construction	-	-	-	-
Capital maintenance	-	-	-	-
Cultural and recreation	50,713	-	50,713	443,876
Debt service	2,774,994	-	2,774,994	-
Unrestricted (deficit)	<u>(4,829,476)</u>	<u>5,102,543</u>	<u>273,067</u>	<u>-</u>
Total net position	<u>\$ 10,836,288</u>	<u>\$ 41,860,091</u>	<u>\$ 52,696,379</u>	<u>\$ 443,876</u>

City of Texarkana, Arkansas
Statement of Activities
Year Ended December 31, 2019

Functions/Programs Primary Government	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Texarkana Advertising & Promotion
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Governmental Activities								
General administration	\$ 2,431,094	\$ 257,147	\$ 1,385,905	\$ 410,019	\$ (378,023)	\$ -	\$ (378,023)	
Police department	9,147,662	723,156	330,032	-	(8,094,474)	-	(8,094,474)	
Fire department	6,424,089	-	-	-	(6,424,089)	-	(6,424,089)	
Other public safety	1,807,769	-	-	-	(1,807,769)	-	(1,807,769)	
Protective inspection	542,856	-	-	-	(542,856)	-	(542,856)	
Public works	6,931,855	4,806,688	1,984,588	-	(140,579)	-	(140,579)	
Public services	61,695	(215,459)	164,949	314,314	202,109	-	202,109	
Health and welfare	609,728	-	-	-	(609,728)	-	(609,728)	
Cultural and recreation	1,214,342	-	79,295	-	(1,135,047)	-	(1,135,047)	
Interest on long-term debt	769,576	-	-	-	(769,576)	-	(769,576)	
Total governmental activities	<u>29,940,666</u>	<u>5,571,532</u>	<u>3,944,769</u>	<u>724,333</u>	<u>(19,700,032)</u>	<u>-</u>	<u>(19,700,032)</u>	
Business-Type Activities								
Water and sewer	9,631,871	9,285,223	-	-	-	(346,648)	(346,648)	
Total business-type activities	<u>9,631,871</u>	<u>9,285,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(346,648)</u>	<u>(346,648)</u>	
Total primary government	<u>\$ 39,572,537</u>	<u>\$ 14,856,755</u>	<u>\$ 3,944,769</u>	<u>\$ 724,333</u>	<u>(19,700,032)</u>	<u>(346,648)</u>	<u>(20,046,680)</u>	

Functions/Programs Primary Government Component Unit	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Texarkana Advertising & Promotion	
					Governmental Activities	Business-Type Activities		Total
Texarkana Advertising & Promotion	\$ 1,236,998	\$ -	\$ -	\$ -			\$ (1,236,998)	
General revenues								
Property taxes				\$ 4,490,963	\$ -	\$ 4,490,963	-	
Sales taxes				10,848,072	-	10,848,072	-	
Franchise taxes				2,427,491	-	2,427,491	-	
Other taxes				80,414	-	80,414	1,257,690	
Unrestricted investment earnings				26,472	179,535	206,007	380	
Miscellaneous				562,639	-	562,639	362	
Transfers				560,828	(609,087)	(48,259)	-	
Total general revenues and transfers				18,996,879	(429,552)	18,567,327	1,258,432	
Change in Net Position				(703,153)	(776,200)	(1,479,353)	21,434	
Net Position, Beginning of Year				11,539,441	42,636,291	54,175,732	422,442	
Net Position, End of Year				\$ 10,836,288	\$ 41,860,091	\$ 52,696,379	\$ 443,876	

City of Texarkana, Arkansas

Balance Sheet

Governmental Funds

December 31, 2019

	General	Public Works	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 2,999,651	\$ 1,731,825	\$ 2,999,467	\$ 7,730,943
Investments	596,677	-	949,123	1,545,800
Receivables				
Property taxes, net of allowance for uncollectible accounts of \$110,864	3,116,867	24,391	1,673,926	4,815,184
Accounts	378,881	-	-	378,881
Other government agencies	3,593,058	676,225	33,465	4,302,748
Other	54	309	480	843
Due from other funds	64,003	243,431	-	307,434
Due from component units	-	3,114	-	3,114
Prepaid items	124,016	919	7,731	132,666
	<u>\$ 10,873,207</u>	<u>\$ 2,680,214</u>	<u>\$ 5,664,192</u>	<u>\$ 19,217,613</u>
Total assets				
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 124,752	\$ 527,369	\$ 109,182	\$ 761,303
Accrued liabilities	561,261	64,940	1,921	628,122
Due to other governments	9,477	-	-	9,477
Due to other funds	450,705	52,863	243,539	747,107
Other liabilities	-	9,112	-	9,112
	<u>1,146,195</u>	<u>654,284</u>	<u>354,642</u>	<u>2,155,121</u>
Total liabilities				
Deferred Inflows of Resources				
Unavailable revenue-property taxes	2,819,282	11,679	1,512,297	4,343,258
Unavailable revenue-grants	51,722	1,632	19,578	72,932
	<u>2,871,004</u>	<u>13,311</u>	<u>1,531,875</u>	<u>4,416,190</u>
Total deferred inflows of resources				
Fund Balances				
Nonspendable				
Prepaid items	124,016	919	7,731	132,666
Restricted				
General administration	-	-	42,913	42,913
Police department	13,796	-	36,212	50,008
Fire department	-	-	46,697	46,697
Public works	-	-	822,305	822,305
Debt service	-	-	2,169,733	2,169,733
Cultural and recreation	-	-	125,609	125,609
Committed				
Public works	-	375,357	-	375,357
Cultural and recreation	14,175	-	-	14,175
Assigned				
Police department	20,902	-	180,005	200,907
Public works	30,292	1,636,343	346,470	2,013,105
Unassigned	6,652,827	-	-	6,652,827
	<u>6,856,008</u>	<u>2,012,619</u>	<u>3,777,675</u>	<u>12,646,302</u>
Total fund balances				
Total liabilities, deferred inflows of resources and fund balances				
	<u>\$ 10,873,207</u>	<u>\$ 2,680,214</u>	<u>\$ 5,664,192</u>	<u>\$ 19,217,613</u>

See Notes to Financial Statements

City of Texarkana, Arkansas
Balance Sheet (Continued)
Governmental Funds
December 31, 2019

Total fund balances - total governmental funds \$ 12,646,302

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 34,100,317

Deferred inflows and outflows of resources related to pensions and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds. 8,589,069

The City's equity investment in joint ventures is not a financial resource and is, therefore, not reported in the funds. 13,717,448

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. 4,416,190

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

Accrued interest payable (274,974)

Accrued compensated absences (2,177,416)

Net pension and other postemployment benefits liability (37,967,480)

Bonds payable, net of unamortized premiums (21,237,042)

Obligations under installment loans and capital lease (976,126)

Total net position - governmental activities \$ 10,836,288

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2019

	General	Public Works	Other Governmental Funds	Total
Revenues				
Property taxes	\$2,673,827	\$ 113,119	\$ 1,540,904	\$ 4,327,850
Sales taxes	10,092,354	755,718	-	10,848,072
Other taxes	80,414	-	-	80,414
Utility franchise	2,427,491	-	-	2,427,491
Licenses and permits	55,271	318,927	-	374,198
Fines, forfeitures and penalties	698,722	-	27,845	726,567
Charges for services	214,290	4,487,763	-	4,702,053
Grants and entitlements	315,238	567,212	801,373	1,683,823
Intergovernmental	1,562,725	1,417,376	-	2,980,101
Investment income	2,753	1,847	21,872	26,472
Miscellaneous	194,516	244,817	123,306	562,639
	<u>18,317,601</u>	<u>7,906,779</u>	<u>2,515,300</u>	<u>28,739,680</u>
Expenditures				
Current:				
General government	1,824,403	-	247,597	2,072,000
Police department	8,409,285	-	-	8,409,285
Fire department	5,104,631	-	-	5,104,631
Other public safety	1,788,993	-	8,883	1,797,876
Protective inspection	-	490,360	-	490,360
Public works	-	5,382,055	40,013	5,422,068
Public services	-	-	55,333	55,333
Health and welfare	555,753	-	-	555,753
Cultural and recreation	3,037	303,163	478,269	784,469
Capital outlay	266,057	1,206,706	339,627	1,812,390
Debt service:				
Principal retirement	18,453	-	1,155,000	1,173,453
Interest and fiscal charges	1,864	-	795,657	797,521
Bond issuance costs	-	-	2,078	2,078
	<u>17,972,476</u>	<u>7,382,284</u>	<u>3,122,457</u>	<u>28,477,217</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>345,125</u>	<u>524,495</u>	<u>(607,157)</u>	<u>262,463</u>
Other Financing Sources (Uses)				
Transfers in	1,299,683	87,750	1,072,573	2,460,006
Transfers out	(1,066,884)	(477,172)	(355,122)	(1,899,178)
Issuance of debt	875,000	-	75,000	950,000
	<u>1,107,799</u>	<u>(389,422)</u>	<u>792,451</u>	<u>1,510,828</u>
Net Change in Fund Balances	1,452,924	135,073	185,294	1,773,291
Fund Balances, Beginning of Year	<u>5,403,084</u>	<u>1,877,546</u>	<u>3,592,381</u>	<u>10,873,011</u>
Fund Balances, End of Year	<u>\$6,856,008</u>	<u>\$ 2,012,619</u>	<u>\$ 3,777,675</u>	<u>\$ 12,646,302</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, 2019

Net change in fund balances - total governmental funds \$ 1,773,291

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. The Statement of Activity reports a gain or loss on the sale of the asset based on the proceeds received and the net book value of the asset at the time of the disposal and the accumulated depreciation of assets disposed

Capital asset purchases	1,812,390
Loss on disposal of capital assets	(79,545)
Depreciation expense	(2,227,249)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	168,291
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Losses from the change in the equity investment in joint ventures do not provide current financial resources are not reported in the funds.	(231,284)
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The issuance of long-term debt (*e.g.* , bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

	232,272
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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	21,204
Accrued compensated absences	64,946
Net pension liability	(4,749,142)
Other postemployment benefits liability	(68,204)
Net change in deferred inflows/outflows of resources related to pensions and other postemployment benefits liability	<u>2,579,877</u>

Change in net position of governmental activities \$ (703,153)

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes
In Fund Balances – Budget and Actual – General Fund
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 2,626,500	\$ 2,546,700	\$ 2,673,827	\$ 127,127
Sales taxes	9,480,000	10,009,000	10,092,354	83,354
Other taxes	91,803	95,200	80,414	(14,786)
Utility franchise	2,623,535	2,463,573	2,427,491	(36,082)
Licenses and permits	44,870	60,770	55,271	(5,499)
Fines, forfeitures and penalties	593,114	676,314	698,722	22,408
Charges for services	263,380	246,642	214,290	(32,352)
Grants and entitlements	352,269	337,315	315,238	(22,077)
Intergovernmental	1,554,000	1,552,628	1,562,725	10,097
Investment income	3,030	2,924	2,753	(171)
Miscellaneous	72,101	171,162	194,516	23,354
Total revenues	<u>17,704,602</u>	<u>18,162,228</u>	<u>18,317,601</u>	<u>155,373</u>
Expenditures				
Current:				
General government	1,798,493	1,812,769	1,774,403	38,366
Police department	8,548,613	8,508,446	8,409,285	99,161
Fire department	5,065,269	5,162,671	5,104,631	58,040
Other public safety	2,482,222	2,482,222	1,788,993	693,229
Health and welfare	609,503	583,109	555,753	27,356
Cultural and recreation	4,668	3,860	3,037	823
Capital outlay	150,000	1,369,963	266,057	1,103,906
Debt service:				
Principal retirement	18,453	18,453	18,453	-
Interest and fiscal charges	1,864	1,864	1,864	-
Total expenditures	<u>18,679,085</u>	<u>19,943,357</u>	<u>17,922,476</u>	<u>2,020,881</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(974,483)</u>	<u>(1,781,129)</u>	<u>395,125</u>	<u>2,176,254</u>
Other Financing Sources (Uses)				
Issuance of debt	-	875,000	875,000	-
Transfers in	1,511,596	1,183,866	1,299,683	115,817
Transfers out	(1,109,156)	(1,116,884)	(1,116,884)	-
Total other financing sources (uses)	<u>402,440</u>	<u>941,982</u>	<u>1,057,799</u>	<u>115,817</u>
Net Change in Fund Balances	(572,043)	(839,147)	1,452,924	2,292,071
Fund Balances, Beginning of Year	<u>5,403,084</u>	<u>5,403,084</u>	<u>5,403,084</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 4,831,041</u>	<u>\$ 4,563,937</u>	<u>\$ 6,856,008</u>	<u>\$ 2,292,071</u>

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund
Balances – Budget and Actual - Public Works Fund
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 115,400	\$ 107,800	\$ 113,119	\$ 5,319
Sales taxes	715,000	721,000	755,718	34,718
Licenses and permits	155,550	336,550	318,927	(17,623)
Charges for services	4,521,500	4,524,000	4,487,763	(36,237)
Grants and entitlements	664,287	670,316	567,212	(103,104)
Intergovernmental	1,317,500	1,335,000	1,417,376	82,376
Investment income	2,000	1,850	1,847	(3)
Miscellaneous	267,500	254,152	244,817	(9,335)
Total revenues	<u>7,758,737</u>	<u>7,950,668</u>	<u>7,906,779</u>	<u>(43,889)</u>
Expenditures				
Current:				
Protective inspection	538,454	521,156	490,360	30,796
Public works	5,747,813	5,564,317	5,382,055	182,262
Cultural and recreation	365,441	322,027	303,163	18,864
Capital outlay	1,700,323	2,086,180	1,206,706	879,474
Total expenditures	<u>8,352,031</u>	<u>8,493,680</u>	<u>7,382,284</u>	<u>1,111,396</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	<u>(593,294)</u>	<u>(543,012)</u>	<u>524,495</u>	<u>1,067,507</u>
Other Financing Sources (Uses)				
Transfers in	87,500	87,000	87,750	750
Transfers out	(482,040)	(476,000)	(477,172)	(1,172)
Total other financing sources (uses)	<u>(394,540)</u>	<u>(389,000)</u>	<u>(389,422)</u>	<u>(422)</u>
Net Change in Fund Balances	(987,834)	(932,012)	135,073	1,067,085
Fund Balances, Beginning of Year	<u>1,877,546</u>	<u>1,877,546</u>	<u>1,877,546</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 889,712</u>	<u>\$ 945,534</u>	<u>\$ 2,012,619</u>	<u>\$ 1,067,085</u>

City of Texarkana, Arkansas
Statement of Net Position
Proprietary Funds
December 31, 2019

	Texarkana Water Utilities			Total Enterprise Funds
	Water Utilities	Union Utilities	Mandeville Utilities (Nonmajor)	
Assets				
Current assets				
Cash	\$ 2,081,535	\$ 268,523	\$ 166,942	\$ 2,517,000
Investments	2,194,620	43,111	-	2,237,731
Receivables:				
Accounts (net of allowance for uncollectible)	1,593,771	73,747	13,601	1,681,119
Accrued interest	1,118	79	-	1,197
Due from other funds	11,725	15	-	11,740
Due from other governments	112,034	-	546	112,580
Inventories	317,010	-	-	317,010
Prepaid items	76,215	885	221	77,321
Net investment in direct financing leases - current	439,448	-	-	439,448
	<u>6,827,476</u>	<u>386,360</u>	<u>181,310</u>	<u>7,395,146</u>
Noncurrent assets				
Restricted assets				
Cash	1,097,099	127,714	16,859	1,241,672
Investments	-	100,592	-	100,592
Receivables				
Interest	2,670	315	-	2,985
	<u>1,099,769</u>	<u>228,621</u>	<u>16,859</u>	<u>1,345,249</u>
Capital assets (net of accumulated depreciation)				
Land	817,397	13,750	1,697	832,844
Buildings	1,155,471	773	245	1,156,489
Improvements other than buildings	22,106,147	1,866,576	190,451	24,163,174
Machinery and equipment	1,919,582	14,812	4,724	1,939,118
Property under capital leases	8,613,266	-	-	8,613,266
Water rights	17,784,128	-	-	17,784,128
Construction in progress	349,826	4,375	1,180	355,381
	<u>52,745,817</u>	<u>1,900,286</u>	<u>198,297</u>	<u>54,844,400</u>
Other assets				
Prepaid capital improvement deposits	664,307	3,452	3,540	671,299
Net pension asset	1,805,922	-	-	1,805,922
Net investment in direct financing leases	2,427,191	-	-	2,427,191
	<u>4,897,420</u>	<u>3,452</u>	<u>3,540</u>	<u>4,904,412</u>
Total noncurrent assets	<u>58,743,006</u>	<u>2,132,359</u>	<u>218,696</u>	<u>61,094,061</u>
Total assets	<u>65,570,482</u>	<u>2,518,719</u>	<u>400,006</u>	<u>68,489,207</u>
Deferred Outflows of Resources				
Deferred outflows - pension	660,955	7,376	2,269	670,600
Deferred outflows - pension contributions	276,359	3,745	1,014	281,118
	<u>937,314</u>	<u>11,121</u>	<u>3,283</u>	<u>951,718</u>

See Notes to Financial Statements

	Texarkana Water Utilities			Total Enterprise Funds
	Water Utilities	Union Utilities	Mandeville Utilities (Nonmajor)	
Liabilities				
Current liabilities				
Accounts payable	\$ 558,731	\$ 12,826	\$ 1,816	\$ 573,373
Construction contracts payable	159,707	-	-	159,707
Accrued liabilities	53,849	3,592	39	57,480
Accrued interest payable	305,792	19,400	2,737	327,929
Due to other funds	-	9,466	2,274	11,740
Due to other governments	-	4,015	-	4,015
Other payables	51,405	1,030	683	53,118
Compensated absences - current portion	29,140	-	-	29,140
Bonds payable - current portion	1,057,552	212,664	28,000	1,298,216
Total current liabilities	<u>2,216,176</u>	<u>262,993</u>	<u>35,549</u>	<u>2,514,718</u>
Noncurrent liabilities				
Customer deposits	519,353	28,810	9,275	557,438
Capital improvement deposits	236,986	-	-	236,986
Contracts payable	14,346,918	-	-	14,346,918
Compensated absences	229,446	-	-	229,446
Net pension and OPEB liability	3,321,071	31,586	8,813	3,361,470
Revenue bonds	4,184,745	1,089,689	155,763	5,430,197
Total noncurrent liabilities	<u>22,838,519</u>	<u>1,150,085</u>	<u>173,851</u>	<u>24,162,455</u>
Total liabilities	<u>25,054,695</u>	<u>1,413,078</u>	<u>209,400</u>	<u>26,677,173</u>
Deferred Inflows of Resources				
Deferred inflows - pension	156,112	2,453	548	159,113
Deferred inflows - other postemployment benefits	744,548	-	-	744,548
Total deferred inflows of resources	<u>900,660</u>	<u>2,453</u>	<u>548</u>	<u>903,661</u>
Net Position				
Net investment in capital assets	34,093,994	826,239	31,393	34,951,626
Restricted for pensions	1,805,922	-	-	1,805,922
Unrestricted	4,652,525	288,070	161,948	5,102,543
Total net position	<u>\$ 40,552,441</u>	<u>\$ 1,114,309</u>	<u>\$ 193,341</u>	<u>\$ 41,860,091</u>

City of Texarkana, Arkansas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2019

	Texarkana Water Utilities			Total Enterprise Funds
	Water Utilities	Union Utilities	Mandeville Utilities (Nonmajor)	
Operating Revenues				
Water sales	\$ 3,656,165	\$ 432,844	\$ 75,218	\$ 4,164,227
Wholesale water sales	60,480	-	-	60,480
Water connection fees	3,750	650	150	4,550
Sewer charges	3,806,657	-	-	3,806,657
Penalties and service charges	392,840	18,229	4,427	415,496
Other income	833,749	64	-	833,813
Total operating revenues	8,753,641	451,787	79,795	9,285,223
Operating Expenses				
Administrative	205,572	-	-	205,572
Finance	473,695	6,217	1,557	481,469
Customer service	324,511	36,426	9,166	370,103
Water production	1,374,302	79,210	20,547	1,474,059
Waster distribution	443,808	10,297	4,423	458,528
Sewer collection	384,192	507	-	384,699
Wastewater treatment	1,512,274	-	-	1,512,274
Environmental service	118,090	-	-	118,090
Engineer design	210,997	-	-	210,997
Geographical information systems	116,744	-	-	116,744
Composting	131,045	-	-	131,045
Operations administration	100,491	-	-	100,491
Service center	350,864	-	-	350,864
Field service	207,225	23,310	5,832	236,367
Construction oversight	617,457	4,217	2,034	623,708
Depreciation	2,041,856	108,062	11,988	2,161,906
Other expenses	8,005	3,878	1,154	13,037
Total operating expenses	8,621,128	272,124	56,701	8,949,953
Operating Income	132,513	179,663	23,094	335,270
Nonoperating Revenues (Expenses)				
Interest income - investments	89,683	4,456	282	94,421
Interest income - capital leases	85,114	-	-	85,114
Interest expense and paying agent fees	(614,183)	(44,292)	(6,231)	(664,706)
Loss on disposal of capital assets	(16,586)	(471)	(155)	(17,212)
Total nonoperating revenues (expenses)	(455,972)	(40,307)	(6,104)	(502,383)
Income (loss) Before Transfers	(323,459)	139,356	16,990	(167,113)
Transfers Out	(609,087)	-	-	(609,087)
Changes in Net Position	(932,546)	139,356	16,990	(776,200)
Net Position, Beginning of Year	41,484,987	974,953	176,351	42,636,291
Net Position, End of Year	\$ 40,552,441	\$ 1,114,309	\$ 193,341	\$ 41,860,091

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City of Texarkana, Arkansas
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2019

	<u>Texarkana Water Utilities</u>			<u>Total Enterprise Funds</u>
	<u>Water Utilities</u>	<u>Union Utilities</u>	<u>Mandeville Utilities (Nonmajor)</u>	
Cash Flows From Operating Activities				
Cash received from customers	\$ 8,693,152	\$ 450,496	\$ 82,955	\$ 9,226,603
Cash paid to suppliers	(4,546,601)	(109,653)	(34,072)	(4,690,326)
Cash paid to employees	(2,439,204)	(42,096)	(10,588)	(2,491,888)
Net cash provided by operating activities	<u>1,707,347</u>	<u>298,747</u>	<u>38,295</u>	<u>2,044,389</u>
Cash Flows From Noncapital Financing Activities				
Transfers to City general fund	(609,087)	-	-	(609,087)
Net cash used for noncapital financing activities	<u>(609,087)</u>	<u>-</u>	<u>-</u>	<u>(609,087)</u>
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(896,552)	(14,696)	(9,653)	(920,901)
Principal paid on bonds	(1,021,029)	(205,916)	(27,112)	(1,254,057)
Interest paid on bonds	(626,707)	(47,359)	(6,635)	(680,701)
Principal received on direct financing leases	440,990	-	-	440,990
Interest received on direct financing leases	85,114	-	-	85,114
Capital improvement deposits paid	(639,484)	-	-	(639,484)
Capital improvement deposits received	-	1,239	379	1,618
Net cash used for capital and related financing activities	<u>(2,657,668)</u>	<u>(266,732)</u>	<u>(43,021)</u>	<u>(2,967,421)</u>
Cash Flows From Investing Activities				
Purchase of investments	(1,860)	(6,910)	-	(8,770)
Proceeds from sale and maturities of investments	250,000	4,505	-	254,505
Interest received on investments	88,562	4,078	282	92,922
Net cash provided by investing activities	<u>336,702</u>	<u>1,673</u>	<u>282</u>	<u>338,657</u>
Increase (Decrease) in Cash	<u>(1,222,706)</u>	<u>33,688</u>	<u>(4,444)</u>	<u>(1,193,462)</u>
Cash, Beginning of Year	<u>4,401,340</u>	<u>362,549</u>	<u>188,245</u>	<u>4,952,134</u>
Cash, End of Year	<u>\$ 3,178,634</u>	<u>\$ 396,237</u>	<u>\$ 183,801</u>	<u>\$ 3,758,672</u>
Cash of Proprietary Funds, as Presented, on the "Statement of Fund Net Position - Proprietary Funds" is as follows:				
Cash	\$ 2,081,535	\$ 268,523	\$ 166,942	\$ 2,517,000
Restricted cash	1,097,099	127,714	16,859	1,241,672
	<u>\$ 3,178,634</u>	<u>\$ 396,237</u>	<u>\$ 183,801</u>	<u>\$ 3,758,672</u>

See Notes to Financial Statements

	<u>Texarkana Water Utilities</u>			<u>Total Enterprise Funds</u>
	<u>Water Utilities</u>	<u>Union Utilities</u>	<u>Mandeville Utilities (Nonmajor)</u>	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 132,513	\$ 179,663	\$ 23,094	\$ 335,270
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	2,041,856	108,062	11,988	2,161,906
(Increase) decrease in assets:				
Accounts receivable	(47,275)	(1,591)	2,835	(46,031)
Due from other governments	(21,188)	-	-	(21,188)
Due from other funds	16,976	29	(546)	16,459
Inventories	22,960	-	-	22,960
Prepaid expenses	(45,505)	(573)	(142)	(46,220)
Net pension asset	(181,385)	-	-	(181,385)
Increase in deferred outflows	(342,720)	(2,698)	(1,226)	(346,644)
Increase (decrease) in liabilities:				
Accounts payable	(175,713)	9,940	1,440	(164,333)
Accrued liabilities	(95,145)	(1,496)	(267)	(96,908)
Due to other funds	(44)	2,836	(423)	2,369
Accrued compensated absences	35,992	-	-	35,992
Customer deposits	7,974	300	325	8,599
Net pension and postemployment benefits liabilities	393,192	15,525	4,050	412,767
Other payables	29,327	1,030	(144)	30,213
Decrease in deferred inflows	(64,468)	(12,280)	(2,689)	(79,437)
Net cash provided by operating activities	<u>\$ 1,707,347</u>	<u>\$ 298,747</u>	<u>\$ 38,295</u>	<u>\$ 2,044,389</u>

City of Texarkana, Arkansas
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2019

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 630,982	\$ 200,579
Investments		
U. S. government obligations	213,902	-
Mortgage backed securities	342,070	-
Corporate bonds and notes	558,177	-
Mutual funds and other investments	9,110,117	-
Interest receivable	41,056	3,556
Due from other funds	453,016	-
Total assets	11,349,320	204,135
Liabilities		
Accounts payable	7,548	6,178
Escrow deposits	-	197,957
Due to other funds	11,032	-
Total liabilities	18,580	204,135
Net Position		
Net position restricted for pensions	\$ 11,330,740	\$ -

City of Texarkana, Arkansas
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2019

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 701,621
Employee	12,582
Intergovernmental	303,188
Other	27,577
Total contributions	1,044,968
Investment income	
Net increase in fair value of investments	825,372
Interest and dividends	203,093
	1,028,465
Less investment expense	23,945
Net investment income	1,004,520
Total additions	2,049,488
Deductions	
Benefits paid directly to participants	1,777,562
Administrative expenses	73,845
Total deductions	1,851,407
Net Increase in Net Position	198,081
Net Position Restricted for Pensions, Beginning of Year	11,132,659
Net Position Restricted for Pensions, End of Year	\$ 11,330,740

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2019

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, 2019, totaled \$1,257,690. The Commission does not have separately issued financial statements.

City of Texarkana, Arkansas

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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.

Cumulative assets contributed to the Airport Authority as of December 31, 2018, consisted of \$2,005,657 by Texarkana, Arkansas and \$2,017,249 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 \$12,267,314 at December 31, 2018, 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, 2019, was \$490,131. 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, 2019

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, 2019, 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, 2018, which is the latest information available, was \$960,003.

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

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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

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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.

Nonmajor 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. The Mandeville Utilities has a September 30 fiscal year-end.

Trust Funds – Accounts for assets held in trust for the Texarkana, Arkansas Public Employee Retirement System and the Texarkana, Arkansas Water Utilities Employee Retirement System (both June 30 year-ends) and the Police 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

City of Texarkana, Arkansas
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of related cash flows. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

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

City of Texarkana, Arkansas

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December 31, 2019

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, cash on hand and short-term instruments with original maturities at purchase of 90 days or less. At December 31, 2019, 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.

City of Texarkana, Arkansas
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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.

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
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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 Plans and additions/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than Pensions (OPEB)

For the purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the City's OPEB Plan, information has been determined on the same basis as they are reported by the OPEB Plan. For this purpose, The City recognizes benefit payments when due and payable with the benefit terms.

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 reporting period and so will not be recognized as an outflow of resources (expense/expenditure/reduction in liability) until that time. The City has three items that qualify for reporting in this category. Two items are 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. The remaining amounts will be amortized over future periods as shown within *Note 11*. The third item relates to total OPEB for the difference between expected and actual experience of the total OPEB liability and changes in assumptions and will be amortized to OPEB expense over future periods as shown in *Note 13*.

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 reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items, unavailable revenue, deferred inflows-pensions and deferred inflows – other postemployment benefits. 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. Deferred inflows - pensions, consists of changes in assumptions, 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

City of Texarkana, Arkansas
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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*. The third item, deferred inflows – OPEB, consists of difference in actual and expected experience and changes of assumptions. Deferred inflows – OPEB are amortized to OPEB expense over future periods as shown in *Note 13*.

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.

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Fund Balance - Governmental Funds

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

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

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

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

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

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

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

Restricted by Enabling Legislation

The government-wide Statement of Net Position reports \$443,876 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, 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.

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

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, 2019:

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 December 15, 2019.

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 June 15, 2019.

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 June 15, 2021.

City of Texarkana, Arkansas
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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, 2019.

GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period: The primary objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. It also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No 90 – Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61: The primary objectives of this statement are to improve the consistency and comparability of reporting on a government’s major equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements for this statement are effective for reporting periods beginning after December 15, 2020.

City of Texarkana, Arkansas

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GASB Statement No. 91 - *Conduit Debt Obligations*: The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021 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.

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, 2019 and September 30, 2019, 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.

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

At December 31, 2019, 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	\$ 213,902	\$ -	\$ 83,599	\$ 22,483	\$ 107,820
Corporate bonds	558,177	33,051	254,680	161,380	109,066
Money market mutual funds	2,617,227	2,617,227	-	-	-
Mortgage backed securities	342,070	-	2,068	39,843	300,159
International bond mutual funds	192,724	10,970	93,074	11,687	76,993
Bond mutual funds	3,415,276	-	1,473,145	1,108,762	833,369
		<u>\$ 2,661,248</u>	<u>\$ 1,906,566</u>	<u>\$ 1,344,155</u>	<u>\$ 1,427,407</u>
Equity mutual funds	<u>5,500,960</u>				
	<u>\$ 12,840,336</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.

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, 2019

The City has the following recurring fair value measurements as of December 31, 2019:

- U.S. Treasury obligations of \$213,902 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 \$558,177 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 \$2,617,227 are valued at amortized cost and are not considered a fair value measurement
- Mortgage backed securities of \$342,070 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 \$3,415,276 and \$5,500,960, respectively, are valued using quoted market prices (Level 1 inputs)
- International bond mutual funds of \$192,724 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, 2019, the City’s and its component unit’s 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
Mortgage backed securities	S&P/Moody’s	BB to AAA/Ba2 to 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, 2019

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 Unit
Carrying value		
Deposits	\$ 13,584,845	\$ 350,417
Cash on hand	4,384	-
Investments	12,840,336	-
	<u>\$ 26,429,565</u>	<u>\$ 350,417</u>
Included in the following statement of net position captions		
Cash	\$ 5,516,651	\$ 350,417
Investments	3,783,531	-
Restricted cash	5,972,964	-
Restricted investments	100,592	-
Included in the following fiduciary net position captions		
Cash and cash equivalents - Agency Funds	200,579	-
Cash and cash equivalents - Pension Trust Funds	630,982	-
Investments-Pension Trust Funds		
U.S. government obligations	213,902	-
Mortgage backed securities	342,070	-
Corporate bonds and notes	558,177	-
Mutual funds and other investments	9,110,117	-
	<u>\$ 26,429,565</u>	<u>\$ 350,417</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

Note 3: Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2019, was as follows:

Governmental Activities	Balance, January 1, 2019	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2019
Capital assets, non-depreciable:				
Land	\$ 2,563,907	\$ -	\$ -	\$ 2,563,907
Construction in progress	<u>378,054</u>	<u>1,135,407</u>	<u>(79,784)</u>	<u>1,433,677</u>
Total capital assets, non-depreciable	<u>2,941,961</u>	<u>1,135,407</u>	<u>(79,784)</u>	<u>3,997,584</u>
Capital assets, depreciable				
Buildings	23,685,370	13,500	-	23,698,870
Improvements other than buildings	12,242,010	13,552	-	12,255,562
Machinery and equipment	9,739,836	551,311	(433,436)	9,857,711
Infrastructure	<u>44,735,990</u>	<u>178,404</u>	<u>-</u>	<u>44,914,394</u>
Total capital assets, depreciable	<u>90,403,206</u>	<u>756,767</u>	<u>(433,436)</u>	<u>90,726,537</u>
Less accumulated depreciation				
Buildings	17,438,975	575,987	-	18,014,962
Improvements other than buildings	7,741,738	571,620	-	8,313,358
Machinery and equipment	6,197,859	443,537	(353,891)	6,287,505
Infrastructure	<u>27,371,874</u>	<u>636,105</u>	<u>-</u>	<u>28,007,979</u>
Total accumulated depreciation	<u>58,750,446</u>	<u>2,227,249</u>	<u>(353,891)</u>	<u>60,623,804</u>
Total capital assets, depreciable	<u>31,652,760</u>	<u>(1,470,482)</u>	<u>(79,545)</u>	<u>30,102,733</u>
Total governmental activities, net	<u>\$ 34,594,721</u>	<u>\$ (335,075)</u>	<u>\$ (159,329)</u>	<u>\$ 34,100,317</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

Capital asset activity in the business-type activities for the year ended December 31, 2019, was as follows:

Business-Type Activities	Balance January 1, 2019	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2019
Capital Assets, non-depreciable				
Land	\$ 860,391	\$ 4,520	\$ (32,067)	\$ 832,844
Construction in progress	849,891	920,922	(1,415,432)	355,381
Total capital assets, non-depreciable	<u>1,710,282</u>	<u>925,442</u>	<u>(1,447,499)</u>	<u>1,188,225</u>
Capital assets, depreciable				
Buildings and improvements	4,357,411	-	32,067	4,389,478
Improvements other than buildings	64,548,681	1,123,148	(31,630)	65,640,199
Machinery and equipment	8,382,471	287,742	(123,174)	8,547,039
Water rights	17,784,128	-	-	17,784,128
Total capital assets, depreciable	<u>95,072,691</u>	<u>1,410,890</u>	<u>(122,737)</u>	<u>96,360,844</u>
Less accumulated depreciation				
Buildings and improvements	2,681,574	67,736		2,749,310
Improvements other than buildings	31,712,348	1,596,938	(18,103)	33,291,183
Machinery and equipment	6,286,434	497,232	(119,490)	6,664,176
Total accumulated depreciation	<u>40,680,356</u>	<u>2,161,906</u>	<u>(137,593)</u>	<u>42,704,669</u>
Total capital assets, depreciable	<u>54,392,335</u>	<u>(751,016)</u>	<u>14,856</u>	<u>53,656,175</u>
Total business-type activities, net	<u>\$ 56,102,617</u>	<u>\$ 174,426</u>	<u>\$ (1,432,643)</u>	<u>\$ 54,844,400</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

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

Governmental Activities

General government	
General government	\$ 133,025
Police department	502,469
Fire department	232,212
Public works	1,000,384
Health	11,029
Culture and recreation	<u>348,130</u>
Total depreciation expense – governmental activities	<u>\$ 2,227,249</u>

Business-Type Activities

Water and sewer	<u>\$ 2,161,906</u>
Total depreciation expense - business-type activities	<u>\$ 2,161,906</u>

Note 4: Construction Projects

At December 31, 2019, 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, 2019	Required Future Financing
Detention Pond - Crossroads Parkway	\$ 40,000	\$ 24,500	\$ 15,500
Ed Worrell Creek Washout	14,000	13,415	585
U of A Road Improvement	1,333,334	691,833	641,501
Nix Creek - Jackson St. Trail	92,140	12,576	79,564
Animal Shelter	875,000	16,166	858,834
Ermer Dansby Pondexter Sports Complex	300,000	32,618	267,382
Siebert St. Trail	39,842	3,579	36,263
Hastings Crossing Improvement	92,884	91,131	1,753
Sanderson Lane Overlay	50,000	25,202	24,798
Texarkana Recreation Center	884,871	9,904	874,967
Park Trail Connections	<u>90,749</u>	<u>8,036</u>	<u>82,713</u>
Total	<u>\$ 3,812,820</u>	<u>\$ 928,960</u>	<u>\$ 2,883,860</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

Note 5: Long-term Liabilities

Changes in long-term liabilities in the governmental activities for the year ended December 31, 2019, and for the business-type activities for the year ended December 31, 2019, were as follows:

Governmental Activities	Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019	Amounts Due in One Year
Bonds payable					
Revenue bonds	\$ 14,280,000	\$ -	\$ 555,000	\$ 13,725,000	\$ 570,000
Less issuance discounts	35,142	-	1,635	33,507	-
Add issuance premiums	<u>37,867</u>	<u>-</u>	<u>1,990</u>	<u>35,877</u>	<u>-</u>
	<u>14,282,725</u>	<u>-</u>	<u>555,355</u>	<u>13,727,370</u>	<u>570,000</u>
General obligation bonds	7,915,000	-	600,000	7,315,000	655,000
Add issuance premiums	<u>203,136</u>	<u>-</u>	<u>8,464</u>	<u>194,672</u>	<u>-</u>
	<u>8,118,136</u>	<u>-</u>	<u>608,464</u>	<u>7,509,672</u>	<u>655,000</u>
Bonds payable, net	22,400,861	-	1,163,819	21,237,042	1,225,000
Notes payable	-	950,000	-	950,000	170,083
Capital lease obligation	44,579	-	18,453	26,126	19,426
Compensated absences	2,242,362	853,753	918,699	2,177,416	160,102
Net pension liability	29,676,314	4,749,142	-	34,425,456	-
Other postemployment benefits GASB 75	<u>3,473,820</u>	<u>68,204</u>	<u>-</u>	<u>3,542,024</u>	<u>189,595</u>
Total governmental activities long-term liabilities	<u>\$ 57,837,936</u>	<u>\$ 6,621,099</u>	<u>\$ 2,100,971</u>	<u>\$ 62,358,064</u>	<u>\$ 1,764,206</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

Business-Type Activities	Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019	Amounts Due in One Year
Bonds payable					
Revenue bonds	\$ 7,977,815	\$ -	\$ 1,253,386	\$ 6,724,429	\$ 1,298,216
Plus issuance premiums	4,655	-	671	3,984	-
Bonds payable, net	<u>7,982,470</u>	-	<u>1,254,057</u>	<u>6,728,413</u>	<u>1,298,216</u>
Compensated absences	222,594	262,265	226,273	258,586	29,140
Net pension liability	1,609,298	1,182,896	-	2,792,194	-
Contracts payable	14,506,625	-	-	14,506,625	159,707
Other postemployment benefits					
GASB 75	<u>1,339,405</u>	<u>-</u>	<u>770,129</u>	<u>569,276</u>	<u>-</u>
Total business-type activities					
long-term liabilities	<u>\$ 25,660,392</u>	<u>\$ 1,445,161</u>	<u>\$ 2,250,459</u>	<u>\$ 24,855,094</u>	<u>\$ 1,487,063</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

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.

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.

2018 Franchise Fee Secured Capital Improvement Revenue Bonds – Bonds in the amount of \$2,260,000 were issued with varying interest rates from 2.000% to 3.625% to finance the purchase of public safety equipment, consisting of fire trucks and police communications equipment. Principal payments are due annually on April 1. Interest payments are due semiannually on April 1 and October 1.

General Revenue Note, Series 2019 – A note in the amount \$875,000 was issued with an interest rate of 2.536% for the purpose of acquiring, constructing, installing, and equipping a City Animal Shelter. Principal and interest payments are due annually on August 1.

US Department of HUD Section 108 Loan – A note in the amount \$885,000 was issued with a variable interest rate of 0.2% above the Applicable London Interbank Offered Rates (LIBO) Rate for the purpose of renovating the Texarkana Recreational Facility. As of December 31, 2019, \$75,000 had been drawn. Principal and interest payments are due annually on August 1 starting August 1, 2020.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

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, 2019

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, 2019.

<u>Year</u>	Primary Government			
	Governmental Activities		Business-Type Activities	
	General Obligation Bonds, Revenue Bonds and Notes Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 1,395,083	\$ 779,997	\$ 1,298,216	\$ 169,226
2021	999,308	745,086	1,176,463	197,771
2022	1,038,640	714,231	1,044,798	157,080
2023	1,068,082	681,392	1,083,829	118,121
2024	1,102,637	645,811	1,054,388	77,925
2025-2029	4,768,750	2,660,765	1,066,735	41,066
2030-2034	5,273,750	1,734,519	-	-
2035-2039	5,453,750	697,573	-	-
2040-2044	890,000	64,209	-	-
	<u>\$ 21,990,000</u>	<u>\$ 8,723,583</u>	<u>\$ 6,724,429</u>	<u>\$ 761,189</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, 2019, 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 postemployment benefit obligations have historically been the responsibility of the General Fund.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2019

The following is a summary of pledged revenues of the City for the year ended December 31, 2019.

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	\$ 2,427,491	\$ 616,508	25.4%	\$ 11,719,340	Until 2038
2015 Franchise Fee Secured Refunding Revenue Bonds	Franchise Taxes	2,427,491	232,281	9.6%	4,812,431	Until 2040
2018 Franchise Fee Secured Capital Improvement Revenue Bonds	Franchise Taxes	2,427,491	200,463	8.3%	2,609,069	Until 2032
Business-Type Activities:						
1998 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	\$ 8,753,641	\$ 293,224	3.3%	\$ 426,035	Until 2021
1998B City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	8,753,641	53,638	0.6%	77,945	Until 2021
2001 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	8,753,641	68,390	0.8%	270,318	Until 2023
2004A City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Bonds	Revenues of the Enterprise Fund	531,582	148,406	27.9%	735,010	Until 2024
2004B City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Bonds	Revenues of the Enterprise Fund	531,582	261,932	49.3%	1,690,204	Until 2025
2007 City of Texarkana, Arkansas Public Facilities Board Waterworks and Sewer Facilities Revenue Refunding Bonds	Revenues of the Enterprise Fund	8,753,641	720,509	8.2%	4,290,090	Until 2025

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

Note 6: Interfund Balances and Transfers

Interfund receivables and payables as of December 31, 2019, are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 64,003	\$ 450,705
Public Works	243,431	52,863
Non-major governmental funds	-	243,539
Total governmental funds	307,434	747,107
Texarkana, Arkansas Water Utilities	11,725	-
Texarkana, Arkansas Union Water Utilities	15	9,466
Non-major proprietary funds	-	2,274
Total proprietary funds	11,740	11,740
Fiduciary Funds:		
Policeman's Relief & Pension	453,016	11,032
Total fiduciary funds	453,016	11,032
Total	\$ 772,190	\$ 769,879

The difference in the interfund receivables and payables of \$2,311 is due to the different year end of the Texarkana, Arkansas Water Utilities (September 30, 2019).

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, 2019, are as follows:

Fund	Transfer In	Transfer Out
General	\$ 1,299,683	\$ 1,066,884
Public Works	87,750	477,172
Other Nonmajor Governmental Funds	1,072,573	355,122
Total governmental funds	\$ 2,460,006	\$ 1,899,178

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

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

Proprietary Funds	
Texarkana, Arkansas Water Utilities	\$ - \$ 609,087
	<u> </u> <u> </u>
Total proprietary funds	\$ - \$ 609,087
	<u> </u> <u> </u>
Total primary government	\$ 2,460,006 \$ 2,508,265
	<u> </u> <u> </u>

The difference in the transfer in/out of \$48,259 is due to the different year end of the Texarkana, Arkansas Water Utilities (September 30, 2019).

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 Utilities made total transfers to the Texas Utilities for water purchases of \$673,391 and \$712,391 for 2019 and 2018, respectively. In addition, the Union Utility made total transfers to the Texas Utilities for water purchases of \$50,497 and \$53,813 for 2019 and 2018, respectively. The Mandeville Utility made total transfers to the Texas Utilities for water purchases of \$12,994 and \$14,285 for 2019 and 2018, respectively.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

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 \$742,792 and \$654,287 for 2019 and 2018, respectively. In addition, the Union Utility made total transfers to the Arkansas Utilities for water purchases of \$28,713 and \$26,211 for 2019 and 2018, respectively. The Mandeville Utility made total transfers to the Arkansas Utilities for water purchases of \$7,553 and \$6,946 for 2019 and 2018, respectively.

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 2019 and 2018, the Texas Utilities made total transfers to the Arkansas Utilities for debt service of \$417,044 and \$431,373, respectively. 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, 2019

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.

The agreement further provides that, when the indebtedness of the City of Texarkana, Arkansas incurred in connection with the acquisition and construction of the wastewater treatment facilities has been discharged, the City of Texarkana, Arkansas will convey to the City of Texarkana, Texas an undivided interest in the system facilities used to serve Texas. Texarkana, Texas' undivided interest in the facilities shall be a pro rata portion of the total payments on bond obligations made on the system by both Texarkana, Arkansas and Texarkana, Texas. During 2019 and 2018, the Texas Utilities made transfers to the Arkansas Utilities for debt service in the amounts of \$107,654 and \$109,368, respectively. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease between the Utilities.

City of Texarkana, Arkansas
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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.

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.

City of Texarkana, Arkansas
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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 2036. 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 \$135,351 and \$128,749 for fiscal year 2019 and 2017, respectively. 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 in Millwood.

During fiscal year 2016, Texarkana, Arkansas entered a new contract to purchase these additional 35MGD of water rights, and subsequently, on June 6, 2016, a lump sum payment of \$1,889,238 was made to SWAWD as payment in full for the final 35MGD of the 50MGD 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, 2019, of this liability was \$14,506,625.

City of Texarkana, Arkansas

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Note 10: Mandeville and Union Acquisitions

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

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

Note 11: Pension Plans

Substantially all of the City's employees receive retirement benefits. The City sponsors three single employer defined benefit plans that are reported as pension trust funds. The plan year end for the Texarkana, Arkansas Public Employees Retirement System (TAPERS), and the Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS), is June 30, 2019. 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
Notes to Financial Statements
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A. Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Determine Fair Value of Investments

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

B. Membership Information

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

	June 30, 2019		December 31, 2019
	TAPERS	TWUPERS	PRPF
Retirees and beneficiaries receiving benefits	33	10	40
Active plan members	14	19	-
Terminated members	32	22	-
Transitioned members	18	-	-
Total	97	51	40

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, 2019		December 31, 2019	
	TAPERS	TWUPERS	PRPF	Total
Assets				
Cash and cash equivalents	\$ 386,340	\$ 50,574	\$ 194,068	\$ 630,982
Investments	3,002,252	2,782,366	4,439,648	10,224,266
Receivables	16,141	8,983	15,932	41,056
Due from other funds	-	-	453,016	453,016
Total assets	3,404,733	2,841,923	5,102,664	11,349,320
Liabilities				
Accounts payable	2,521	1,317	3,710	7,548
Due to other funds	-	-	11,032	11,032
Total liabilities	2,521	1,317	14,742	18,580
Net Position				
Net position restricted for pensions	\$ 3,402,212	\$ 2,840,606	\$ 5,087,922	\$ 11,330,740

Statement of Changes in Fiduciary Net Position				
Additions				
Contributions	\$ 122,787	\$ -	\$ 922,181	\$ 1,044,968
Net investment income	108,489	199,478	696,553	1,004,520
Total additions	231,276	199,478	1,618,734	2,049,488
Deductions				
Benefits paid directly to participants	467,864	74,350	1,235,348	1,777,562
Administrative expenses and other	46,350	21,395	6,100	73,845
Total deductions	514,214	95,745	1,241,448	1,851,407
Net Increase (Decrease) in Net Position	(282,938)	103,733	377,286	198,081
Net Position Restricted For Pensions, Beginning of Year	3,685,150	2,736,873	4,710,636	11,132,659
Net Position Restricted For Pensions, End of Year	\$ 3,402,212	\$ 2,840,606	\$ 5,087,922	\$ 11,330,740

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
TAPERS	\$ -	\$ 7,011,154	\$ 59,200	\$ 62,203	\$ -	\$ 1,023,544
TWUPERS	1,805,922	-	-	-	-	(181,385)
PRPF	-	7,336,836	348,011	-	-	599,997
LOPFI	-	19,043,709	6,439,468	1,726,580	231,421	3,955,066
APERS	-	71,941	6,481	-	3,901	14,921
FRPF	-	961,816	191,929	-	-	156,695
TMRS	-	2,792,194	670,600	281,118	159,113	431,818
Total	<u>\$ 1,805,922</u>	<u>\$ 37,217,650</u>	<u>\$ 7,715,689</u>	<u>\$ 2,069,901</u>	<u>\$ 394,435</u>	<u>\$ 6,000,656</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.

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.

City of Texarkana, Arkansas
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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, 2019, were \$108,742.

The asset concentrations of over 5% are as follows:

Eaton Vance Floating Rate	\$ 206,591
JP Morgan Ultra Short Income ETF	500,877
JP Morgan Mid Cap Value Fund	181,535
Ishares Russell Midcap Value Index Fund	274,075
Ishares Russell Midcap Growth Index Fund	259,514
Ishares Russell 1000 Growth	177,794

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 2019 contributions to the Policemen's Fund were \$922,181. The City's share of contributions was \$922,181 and included \$397,161 in property taxes, \$26,114 in other taxes and \$303,188 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	\$ 389,470
Federated Ultrashort Bond Fund	525,465
JP Morgan Inflation Managed BD FD	306,402
Metropolitan West Total Return Bond Fund	409,889
Western Asset Core Bond Fund	233,701
Harbor Capital Appreciation FD	681,311
The Hartford Equity Income FD	673,934

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, 2019, the balances of these DROP accounts were \$1,375,919.

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

City of Texarkana, Arkansas
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participant during the five consecutive years of highest earnings. Reduced early retirement benefit is available to participants who are at least age 55 and have 10 years of participation. The reduction is 1/360th for each month or part thereof by which the payment commencement date precedes the normal retirement date. Participants who are 60 years of age and have completed 20 years of vesting service or who are 55 years of age and have completed 30 years of vesting service, have no reduction of their accrued benefit. The benefit is paid as a monthly life annuity. Other 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:

PGIM High Yield Fund	\$ 147,699
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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 Relief and Pension Fund. Actuarial evaluations are performed biennially, and the last evaluation was for the year ended December 31, 2019. Actuarial assumptions used in evaluating the fund and applicable to the PRPF include the following:

Valuation date	December 31, 2019
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	6/30/2019	6/30/2018
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%	0.4%
Cost-of-living adjustments	None	None
Mortality table	RP-2000	2018 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)	6/30/2019	\$ 10,413,366	\$ 3,402,212	\$ (7,011,154)	32.67%
Police Relief and Pension Fund (PRPF)	12/31/2019	12,424,758	5,087,922	(7,336,836)	40.95%
Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)	6/30/2019	1,034,684	2,840,606	1,805,922	274.54%

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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%	3.13%
Foreign Equity	6.60%	6.25%	0.79%
Fixed Income	1.40%		0.97%
Real Estate (REIT)	4.30%		
Cash		0.25%	0.01%
Targeted Asset Allocation			
Asset Class	TAPERS	PRPF	TWUPERS
Domestic Fixed Income		80.00%	
Domestic Equity	48.00%	10.00%	53.10%
Foreign Equity	6.00%		13.40%
Fixed Income	39.00%		31.40%
Real Estate (REIT)	2.00%		
Cash	5.00%	10.00%	2.10%
Total	100.00%	100.00%	100.00%

Discount Rate

Texarkana, Arkansas Public Employees Retirement System (TAPERS)

In the June 30, 2019 actuarial valuation, a blended discount rate of 3.36% (3.86% 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 3.13% (based on the Bond Buyer 20-year Municipal Bond Index as of June 30, 2019). 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.

City of Texarkana, Arkansas
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Policemen's Relief and Pension Fund (PRPF)

In the December 31, 2019 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, 2019 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, 2019	\$ 9,741,537	\$ 3,685,150	\$ 6,056,387
Changes for the year:			
Service cost	127,376	-	127,376
Interest	369,514	-	369,514
Differences between expected and actual experience	(773)	-	(773)
Assumption changes	643,576	-	643,576
Contributions - employer	-	108,742	(108,742)
Contributions - employee	-	12,582	(12,582)
Net investment income	-	94,486	(94,486)
Benefit payments, including refunds of employee contributions	(467,864)	(467,864)	-
Administrative expense	-	(30,884)	30,884
Net changes	671,829	(282,938)	954,767
Balances at December 31, 2019	\$ 10,413,366	\$ 3,402,212	\$ 7,011,154

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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, 2019	<u>\$ 12,952,371</u>	<u>\$ 4,710,636</u>	<u>\$ 8,241,735</u>
Changes for the year:			
Service cost	-	-	-
Interest	408,721	-	408,721
Differences between expected and actual experience	193,934	-	193,934
Contributions - employer	-	759,151	(759,151)
Contributions - employee	-	-	-
Net investment income	-	742,303	(742,303)
Benefit payments, including refunds of employee contributions	(1,130,268)	(1,130,268)	-
Administrative expense	-	6,100	(6,100)
Benefit Change	-	-	-
Other changes	-	-	-
Net changes	<u>(527,613)</u>	<u>377,286</u>	<u>(904,899)</u>
Balances at December 31, 2019	<u>\$ 12,424,758</u>	<u>\$ 5,087,922</u>	<u>\$ 7,336,836</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, 2019	<u>\$ 1,112,336</u>	<u>\$ 2,736,873</u>	<u>\$ (1,624,537)</u>
Changes for the year:			
Interest	25,715	-	25,715
Differences between expected and actual experience	(29,670)	-	(29,670)
Assumption changes	(5,000)	-	(5,000)
Net investment income	-	207,360	(207,360)
Benefit payments, including refunds of employee contributions	(68,697)	(68,697)	-
Administrative expense	-	(27,370)	27,370
Other changes	-	(7,560)	7,560
Net changes	<u>(77,652)</u>	<u>103,733</u>	<u>(181,385)</u>
Balances at December 31, 2019	<u>\$ 1,034,684</u>	<u>\$ 2,840,606</u>	<u>\$ (1,805,922)</u>

City of Texarkana, Arkansas
Notes to Financial Statements
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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 2.36%	Current Blended Rate Assumption 3.36%	1% Increase 4.36%
TAPERS	Net Pension Liability	\$ 8,517,771	\$ 7,011,154	\$ 5,783,432
		Current Single Rate Assumption		
		1% Decrease 4.00%	5.00%	1% Increase 6.00%
PRPF	Net Pension Liability	\$ 8,801,693	\$ 7,336,836	\$ 6,906,184
		Current Single Rate Assumption		
		1% Decrease 2.50%	3.50%	1% Increase 4.50%
TWUPERS	Net Pension Asset	\$ (1,680,922)	\$ (1,805,922)	\$ (1,909,922)

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)	6/30/2019	2.68%
Police Relief and Pension Fund (PRPF)	12/31/2019	21.37%
Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)	6/30/2019	7.74%

City of Texarkana, Arkansas
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Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

For the year ended December 31, 2019, the City recognized pension expense of \$1,023,544 for TAPERS, (\$181,385) for TWUPERS and \$599,997 for PRPF. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to these pensions from the following sources:

TAPERS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 59,200	\$ -
Contributions subsequent to the measurement date	62,203	-
Total	\$ 121,403	\$ -

PRPF

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 348,011
Total	\$ -	\$ 348,011

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 \$62,203 will be recognized as a reduction of the net pension liability for the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

TAPERS

Year Ending December 31	Net Deferred Outflows of Resources
2020	\$ 38,358
2021	(13,806)
2022	11,558
2023	23,090
Total	\$ 59,200

PRPF

Year Ending December 31	Net Deferred Outflows of Resources
2020	\$ (110,150)
2021	(80,633)
2022	(27,003)
2023	(130,225)
Total	\$ (348,011)

City of Texarkana, Arkansas
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Cost Sharing Multiple-Employer Defined Benefit Pension Plans

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

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

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

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

Contributions. Contributions to APERS are made by both the members (under the contributory plan) and employers. Member contribution rates are established by the APERS Board of Trustees. The employer contributions are actuarially determined on an annual basis. The current employee contribution rate is 5 percent of covered payroll for each employee under the new contributory plan. The City contributed 14.75% of covered employee's salaries to the plan for the period January 1, 2018 to June 30, 2018 and 14.50% of covered employees' salaries from July 1, 2018 to December 31, 2018. Contributions made to the plan the City for the year ended December 31, 2019, amounted to \$8,742. There were no contributions made by the Member.

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

At December 31, 2019, the City reported a liability of \$71,941 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the City's proportion was .00298197 percent, which was an increase of .00000450 percent from the prior year.

For the year ended December 31, 2019, the City recognized pension expense of \$14,921. At December 31, 2019, 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	\$ 1,958	\$ 107
Change of assumptions	3,905	2,766
Changes in proportion	618	482
Net difference between projected and actual earnings on pension plan investments	-	546
Total	\$ 6,481	\$ 3,901

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 December 31		
2020	\$	3,468
2021		(1,935)
2022		(86)
2023		1,133
Total	\$	2,580

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Actuarial Assumptions

The total pension liability in the June 30, 2019 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 6.96 percent, average, including inflation
Investment rate of return	7.15 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females.

The actuarial assumptions used in the June 30, 2019 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, 2019 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%	6.20%
International Equity	24%	6.33%
Real Assets	16%	3.32%
Absolute Return	5%	3.56%
Domestic Fund	18%	1.54%
Total	100%	

City of Texarkana, Arkansas
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Discount Rate

In the June 30, 2019 actuarial valuation, a single discount rate of 7.15% 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	\$ 115,303	\$ 71,941	\$ 36,165

Pension Plan Fiduciary Net Position

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

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

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

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

Contributions. Contributions to LOPFI are made by both the members and employers. Member contribution rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis. The current employee contribution rate is 8.5 percent of covered payroll for policemen and firemen. The City contributed 19.13% of covered employee’s salaries to the plan for policeman and 23.23% of covered employees’ salaries to the plan for firemen for the year ended December 31, 2019. Contributions made to the plan by employees and the City for the year ended December 31, 2019 amounted to \$798,548 and \$928,032, respectively.

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

At December 31, 2019, the City reported a liability of \$19,043,709 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, 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, 2018, the City’s proportion was 2.11039 percent, which was a decrease of .00026 percent from the prior year.

For the year ended December 31, 2019, the City recognized pension expense of \$3,955,066. At December 31, 2019, 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	\$ 1,011,736	\$ -
Change of assumptions	2,606,585	-
Net difference between projected and actual earnings on pension plan investments	2,436,561	-
Changes in proportion	384,586	231,421
Contributions subsequent to the measurement date	1,726,580	-
Total	\$ 8,166,048	\$ 231,421

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 \$1,726,580 will be recognized as a reduction of the net pension liability for the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as:

Year Ending December 31		
2020	\$	2,590,743
2021		1,860,338
2022		989,396
2023		<u>767,570</u>
Total	\$	<u><u>6,208,047</u></u>

Actuarial Assumptions

The total pension liability in the December 31, 2018 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	2.50 percent
Wage inflation	3.25 percent
Salary increases	4.25 to 18.75 percent, including inflation
Investment rate of return	7.00 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, 2018 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, 2018 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
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Long-term Expected Real Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	28%	0.90%
Domestic Equity	42%	5.30%
Foreign Equity	20%	7.00%
Alternative Investments	10%	6.20%
Total	100%	

Discount Rate

In the December 31, 2018 actuarial valuation, a single discount rate of 7.00% 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 7.00%. 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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
City's proportionate share of the net pension liability	\$ 28,106,170	\$ 19,043,709	\$ 11,741,188

City of Texarkana, Arkansas

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Pension Plan Fiduciary Net Position

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

Agent Multiple-Employer Defined Benefit Plans

The *Firefighter's Relief and Pension Fund (FRPF)* is an agent multiple-employer defined benefit pension plan for employees of the Fire Department who were hired prior to January 1, 1983. The Plan was established in accordance with Arkansas statutes and was 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 Plan's net pension obligation over a 15-year open amortization period. The Plan's benefit structure remains unchanged under the administration of LOPFI. The assets of the 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.

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. Contributions made to the plan by the City for the year ended December 31, 2018 amounted to \$50,880.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	31
DROP members	-
Active members	-
	-
 Total	 31

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, 2018
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	2.75%
Investment rate of return	7.00%
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, 2018, 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 2018 valuation.

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

The long-term expected rate of return on pension plan investments is 7.00%. The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the LOPFI Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of the plan.

The long-term expected rate of return on pension plan investment was determined using a building block method in which best estimate ranges of expend future real rates of return (expected returns, net of pension plan investment expense and inflation are developed for each major asset class). These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Allocation		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	28%	0.25%
Domestic Equity	42%	2.23%
Foreign Equity	20%	1.40%
Alternative Investments	10%	0.62%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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
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Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2019	\$ 6,276,879	\$ 5,962,582	\$ 314,297
Changes for the year:			
Service cost	-	-	-
Interest	418,380	-	418,380
Differences between expected and actual experience	107,232	-	107,232
Assumption changes	-	-	-
Contributions - employer	-	50,880	(50,880)
Contributions - employee	-	-	-
Net investment income	-	(162,044)	162,044
Benefit payments, including refunds of employee contributions	(600,037)	(600,037)	-
Administrative expense	-	(10,743)	10,743
Other changes	-	-	-
Net changes	<u>(74,425)</u>	<u>(721,944)</u>	<u>647,519</u>
Balances at December 31, 2019	<u>\$ 6,202,454</u>	<u>\$ 5,240,638</u>	<u>\$ 961,816</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 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 1,478,683	\$ 961,816	\$ 511,211

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, 2019, the City recognized pension expense of \$156,695 related to this plan.

City of Texarkana, Arkansas
Notes to Financial Statements
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At December 31, 2019, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 191,929
Total	\$ 191,929

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

Year Ending December 31	Net Deferred Inflows of Resources
2020	\$ (18,124)
2021	(18,122)
2022	(43,719)
2023	(111,964)
Total	\$ (191,929)

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
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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, 2018 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	114
Inactive employees entitled to but not yet receiving benefits	39
Active Employees	<u>163</u>
Total	<u><u>316</u></u>

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

City of Texarkana, Arkansas
Notes to Financial Statements
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Employees for the Utility were required to contribute 7% of their annual gross earnings during the fiscal year. The Utility's contributions to TMRS for the year ended December 31, 2019, were \$386,640, and were equal to the required contributions.

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 Blue Collar Adjustment, 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 Tables with Blue Collar Adjustment are used, with slight adjustments. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2018 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 2018 valuation.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

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%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
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
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Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2019	\$ 14,043,873	\$ 12,434,575	\$ 1,609,298
Changes for the year:			
Service cost	381,055	-	381,055
Interest	956,913	-	956,913
Differences between expected and actual experience	23,346	-	23,346
Assumption changes	-	-	-
Contributions - employer	-	394,682	(394,682)
Contributions - employee	-	161,954	(161,954)
Net investment income	-	(370,678)	370,678
Benefit payments, including refunds of employee contributions	(753,210)	(753,210)	-
Administrative expense	-	(7,164)	7,164
Other changes	-	(376)	376
Net changes	608,104	(574,792)	1,182,896
Balances at December 31, 2019	\$ 14,651,977	\$ 11,859,783	\$ 2,792,194

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

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

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Utility's Net Pension Liability	\$ 4,811,633	\$ 2,792,194	\$ 1,132,190

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

For the year ended December 31, 2019, the Utility recognized pension expense of \$431,818.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

At December 31, 2019, 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	\$ 17,979	\$ 159,113
Change of assumptions	7,231	-
Net difference between projected and actual earnings on pension plan investments	645,390	-
Contributions subsequent to the measurement date	281,118	-
Total	\$ 951,718	\$ 159,113

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$281,118 will be recognized as a reduction of the net pension liability for the year ending December 31, 2020. 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
2020	\$ 151,730
2021	40,239
2022	68,903
2023	250,615
Total	\$ 511,487

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

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, 2019.

Note 13: Other Postemployment Benefits

The City of Texarkana, Arkansas participates in two other postemployment benefit plans. The aggregate amounts for the two plans are as follows:

	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense (Income)
Governmental Activities	\$ 3,542,024	\$ 95,563	\$ 105,044	\$ 191,690
Proprietary Funds	569,276	-	744,548	(67,877)
	<u>\$ 4,111,300</u>	<u>\$ 95,563</u>	<u>\$ 849,592</u>	<u>\$ 123,813</u>

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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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 retired 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

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

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, 2019, there are 28 retirees participating in the postemployment health benefit program. Participant contributions totaled \$220,227 in 2019.

Employees covered by benefit terms – at December 31, 2019, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	28
Inactive plan members entitled to but not receiving benefit payments	-
Active members	223
 Total	 251

Total OPEB Liability – The City’s total OPEB liability of \$3,542,024 was measured as of December 31, 2019 and was determined by an actuarial valuation as December 31, 2018.

Actuarial Methods and Assumptions – The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.26 percent based on the 20 year municipal bond rate from the S & P Municipal Bond index (3.64 in 2018). Prior discount rate was 3.16 percent based on the 20 year municipal bond rate
Inflation rate	3.00 percent
Healthcare cost trend rates	8.00 percent for 2020 decreasing annually, to an ultimate rate of 5.00 percent for 2027
Cost method	Entry age normal
Mortality	RP 2014 Mortality Table

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

Changes in Total OPEB Liability

Total OPEB obligation - January 1, 2019	<u>\$ 3,473,820</u>
Service Cost	68,497
Interest	124,932
Changes of assumptions or other inputs	95,002
Benefit payments	<u>(220,227)</u>
Net change in total OPEB liability	<u>68,204</u>
Total OPEB obligation - December 31, 2019	<u><u>\$ 3,542,024</u></u>

Sensitivity of the Total OPEB Liability to the Discount Rate – The following represents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current discount rate:

	Sensitivity of the Total OPEB Liability to Changes in the Discount Rate		
	1% Decrease	Discount Rate	1% Increase
	2.26%	3.26%	4.26%
Other Postemployment Benefits Liability	<u>\$ 3,815,295</u>	<u>\$ 3,542,024</u>	<u>\$ 3,289,995</u>

Sensitivity of the Total OPEB Liability to the Healthcare Cost Trend Rates – The following represents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it was calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	(7.00% decreasing to 4.00%)	(8.00% decreasing to 5.00%)	(9.00% decreasing to 6.00%)
Other Postemployment Benefits Liability	<u>\$ 3,204,886</u>	<u>\$ 3,542,024</u>	<u>\$ 3,933,168</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

OPEB Expense and Deferred Outflows/ Inflows of Resources Related to OPEB – For the year ended December 31, 2019, the City recognized OPEB expense of \$191,690. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,478	\$ -
Changes of assumptions	<u>87,085</u>	<u>105,044</u>
Total	<u>\$ 95,563</u>	<u>\$ 105,044</u>

The balances as of December 31, 2019 of the deferred outflows/inflows of resources will be recognized in OPEB expense in the future fiscal years as follows:

<u>Fiscal Year Ended December 31,</u>	<u>Annual OPEB Cost</u>
2020	\$ 1,739
2021	1,739
2022	1,739
2023	1,739
2024	1,739
Thereafter	<u>786</u>
	<u>\$ 9,481</u>

Required Supplementary Information – Required supplementary information for the schedule of changes in City’s total OPEB liability and related ratios is presented immediately following the Notes to the Financial Statements.

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 a single-employer other postemployment defined benefit plan (OPEB).

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

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

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

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

At the September 30, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Actives	136
Retirees	<u>11</u>
Total	<u><u>147</u></u>

Contributions

Benefit levels and contribution rates are approved annually by City management and the City Council as part of the budget process. The Utility does not make advance funding contributions, but instead operates under a pay-as-you-go method. An irrevocable trust has not been established that meets the criteria established under GASB Statement No. 75. Therefore, the plan is not accounted for as a trust fund and does not issue a separate financial report.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

Total OPEB Liability

The Utility's Total OPEB Liability was measured as of September 30, 2019 and Total OPEB liability used to calculate the Total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial methods and assumptions

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

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

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

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

Valuation Date	October 1, 2018
Measurement Date	September 30, 2019
Discount Rate for Valuing Liabilities	3.97% per annum, as required by GASB 75 (4.18% in prior year)
Mortality Rates	Non-Annuitants: Sex distinct headcount weighted 2010 PUB mortality table for general employees with mortality improvement scale MP-2019 Annuitants: Sex distinct headcount weighted 2010 PUB mortality table for general retirees with mortality scale MP-2019
Assumed Sick Leave Balance	Active participants assumed to have the maximum sick leave balance accrued at time of retirement. Retirees use actual sick leave balance.
Disability Rates	None
Payroll Increase	2.75% (3.00% in the prior year)
Participation Assumption	100% of all employees who are eligible for retiree medical benefits are assumed to elect medical coverage in retirement.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

Changes in Total OPEB Liability

Balance as of January 1, 2019	\$	1,339,405
Changes for the year:		
Service cost		42,095
Interest on total OPEB liability		57,405
Difference between expected and actual experience		(11,856)
Effect of assumptions changes or inputs		(841,406)
Benefit payments		(16,367)
		(841,406)
Balance as of December 31, 2019	\$	569,276

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

The following presents the total OPEB liability of the Utility calculated using the discount rate of 3.97%, as well as what the Utility's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.97%) or 1% higher (4.97%) than the current rate. This is also calculated using healthcare cost trend rates.

Discount Rate Sensitivity			Healthcare Cost Trend Rates		
<i>1% Decrease</i>	<i>Discount Rate</i>	<i>1% Increase</i>	<i>1% Decrease</i>	<i>Current Rates</i>	<i>1% Increase</i>
<u>2.97%</u>	<u>3.97%</u>	<u>4.97%</u>	<u>4.31/4.42%</u>	<u>5.31/5.52%</u>	<u>6.31/6.52%</u>
\$ 604,842	\$ 569,276	\$ 536,778	\$ 565,993	\$ 569,276	\$ 572,038

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

For the year ended December 31, 2019, the Utility recognized the OPEB income of \$67,877.

At December 31, 2019, the Utility had deferred inflows of resources related to OPEB from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
	\$	\$
Differences between expected and actual experience	-	9,880
Changes of assumptions	-	734,668
	-	744,548
Total	\$ -	\$ 744,548

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

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

<i>Year</i> <u>December 31</u>	<i>Amounts to be</i> <i>expenses in future</i> <i>expense calculations</i>
2020	\$ (158,932)
2021	(158,931)
2022	(142,210)
2023	(142,210)
2024	(142,265)
	<u>\$ (744,548)</u>

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.

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 2018 to 2019; nor have settlement amounts exceeded insurance coverage for each of the past three years.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

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, 2019, property taxes receivable and related deferred inflows of resources of \$4,343,258 have been recorded in the governmental funds. In the government-wide statement of net position, property taxes are considered earned at the time levied. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value of the property and applies the statutory rate of 20% to arrive at assessed value.

Note 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, 2019, 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, 2019, the City made an annual contribution of \$250,000 to the company.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2019

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 Municipal League (AML). 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. AML will pay any judgement rendered against the City in an amount not to exceed 25% of the AML available funds at the time the lawsuit was filed or the judgement becomes final, or one million dollars, whichever is less unless a pending case is excluded from coverage. The City shall pay into the program each year a charge established annually. In the opinion of the City Attorney, the amount of financial exposure to the City as a result of litigation matters handled by the Program is not significant to the City.

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

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

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2019

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 2018 audit for shared costs of the Texarkana Water Utilities (business-type activities and enterprise fund) in the fiscal year 2020. The new funding ratio adopted will be 63.22% Texas and 36.78% Arkansas. The rates used for fiscal year 2019 were 62.81% for Texas and 37.19% for Arkansas.

As a result of the spread of SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial results of the City. The City invests in various investment securities. Investments securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

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,	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	408,721	628,849	659,269	751,303	878,014	888,913
Benefit Changes	-	-	-	-	(378,000)	-
Difference Between Actual & Expected Experience	193,934	57,548	195,575	(1,311,299)	(476,658)	14,625
Assumption Changes	-	-	-	-	-	-
Benefit Payments	(1,130,268)	(1,023,249)	(1,406,731)	(1,164,092)	(1,162,333)	(1,177,920)
Refunds	-	-	-	-	-	-
Net Change in Total Pension Liability	<u>(527,613)</u>	<u>(336,852)</u>	<u>(551,887)</u>	<u>(1,724,088)</u>	<u>(1,138,977)</u>	<u>(274,382)</u>
Total Pension Liability - Beginning	<u>12,952,371</u>	<u>13,289,223</u>	<u>13,841,110</u>	<u>15,565,198</u>	<u>16,704,175</u>	<u>16,978,557</u>
Total Pension Liability - Ending (a)	<u>\$ 12,424,758</u>	<u>\$ 12,952,371</u>	<u>\$ 13,289,223</u>	<u>\$ 13,841,110</u>	<u>\$ 15,565,198</u>	<u>\$ 16,704,175</u>
Plan Fiduciary Net Position						
Contributions - Employee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Employer	759,151	734,533	893,926	895,983	854,698	827,917
Net Investment Income	742,303	(186,564)	469,539	365,678	(229,837)	201,657
Benefit Payments	(1,130,268)	(1,023,249)	(1,406,731)	(1,164,092)	(1,162,333)	(1,177,920)
Administrative Expense	6,100	(6,000)	(5,850)	(5,750)	(5,650)	(4,500)
Reconciliation Adjustment	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	<u>377,286</u>	<u>(481,280)</u>	<u>(49,116)</u>	<u>91,819</u>	<u>(543,122)</u>	<u>(152,846)</u>
Plan Fiduciary Net Position - Beginning	<u>4,710,636</u>	<u>5,191,916</u>	<u>5,241,032</u>	<u>5,149,213</u>	<u>5,692,335</u>	<u>5,845,181</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,087,922</u>	<u>\$ 4,710,636</u>	<u>\$ 5,191,916</u>	<u>\$ 5,241,032</u>	<u>\$ 5,149,213</u>	<u>\$ 5,692,335</u>
Net Pension Liability (a) - (b)	<u>\$ 7,336,836</u>	<u>\$ 8,241,735</u>	<u>\$ 8,097,307</u>	<u>\$ 8,600,078</u>	<u>\$ 10,415,985</u>	<u>\$ 11,011,840</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	40.95%	36.37%	39.07%	37.87%	33.08%	34.08%
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered-employee Payroll	N/A	N/A	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	Contribution as a % of Covered- employee 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
2018	1,880,817	852,940	1,027,877	N/A	N/A
2019	1,935,832	759,151	1,176,681	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%
2018	-6.22%
2019	21.37%

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,	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 127,376	\$ 155,442	\$ 190,741	\$ 148,947	\$ 157,063	\$ 146,612
Interest	369,514	371,029	312,689	352,380	383,918	437,404
Difference Between Actual & Expected Experience	(773)	(189,311)	244,662	(12,438)	(303,978)	(680,274)
Assumption Changes	643,576	(37,703)	(567,285)	1,176,834	533,271	285,779
Benefit Payments	(467,864)	(333,624)	(284,717)	(427,407)	(599,657)	(1,134,456)
Net Change in Total Pension Liability	671,829	(34,167)	(103,910)	1,238,316	170,617	(944,935)
Total Pension Liability - Beginning	9,741,537	9,775,704	9,879,614	8,641,298	8,470,681	9,415,616
Total Pension Liability - Ending (a)	\$ 10,413,366	\$ 9,741,537	\$ 9,775,704	\$ 9,879,614	\$ 8,641,298	\$ 8,470,681
Plan Fiduciary Net Position						
Contributions - Employer	\$ 108,742	\$ 125,659	\$ 124,282	\$ 162,438	\$ 100,142	\$ 118,862
Contributions - Member	12,582	15,132	16,340	16,870	18,255	22,989
Net Investment Income	94,486	269,494	336,470	(23,036)	74,808	577,706
Benefit Payments	(467,864)	(333,624)	(284,717)	(427,407)	(599,657)	(1,134,456)
Administrative Expense	(30,884)	(28,179)	(46,899)	(29,946)	(59,688)	(54,386)
Net Change in Plan Fiduciary Net Position	(282,938)	48,482	145,476	(301,081)	(466,140)	(469,285)
Plan Fiduciary Net Position - Beginning	3,685,150	3,636,668	3,491,192	3,792,273	4,258,413	4,727,698
Plan Fiduciary Net Position - Ending (b)	\$ 3,402,212	\$ 3,685,150	\$ 3,636,668	\$ 3,491,192	\$ 3,792,273	\$ 4,258,413
Net Pension Liability (a) - (b)	\$ 7,011,154	\$ 6,056,387	\$ 6,139,036	\$ 6,388,422	\$ 4,849,025	\$ 4,212,268
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	32.67%	37.83%	37.20%	35.34%	43.89%	50.27%
Covered-employee Payroll	\$ 625,483	\$ 807,499	\$ 817,749	\$ 823,930	\$ 943,584	\$ 1,189,105
Net Pension Liability as a Percentage of Covered-employee Payroll	1120.92%	750.02%	750.72%	775.36%	513.89%	354.24%

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- employee Payroll	Actual Contribution as a % of Covered- employee 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%
2018	440,488	125,659	314,829	807,499	15.56%
2019	(1) 433,759	108,742	325,017	625,483	17.39%

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	Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used 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

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.

(1): Assumption changes for the 2019 valuation include a change in discount rate from 3.86% in 2018 to 3.36% in 2019

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%
2018	7.59%
2019	2.68%

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,	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Interest	\$ 25,715	\$ 49,713	\$ 42,459	\$ 48,445	\$ 48,440	59,393
Difference Between Actual & Expected Experience	(29,670)	10,643	(14,236)	(113,096)	(17,519)	(26,078)
Assumption Changes	(5,000)	41,000	3,000	3,000	3,000	166,000
Benefit Payments	(68,697)	(172,696)	(121,267)	(87,302)	(66,248)	(128,315)
Net Change in Total Pension Liability	<u>(77,652)</u>	<u>(71,340)</u>	<u>(90,044)</u>	<u>(148,953)</u>	<u>(32,327)</u>	<u>71,000</u>
Total Pension Liability - Beginning	<u>1,112,336</u>	<u>1,183,676</u>	<u>1,273,720</u>	<u>1,422,673</u>	<u>1,455,000</u>	<u>1,384,000</u>
Total Pension Liability - Ending (a)	<u>\$ 1,034,684</u>	<u>\$ 1,112,336</u>	<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	\$ 207,360	\$ 134,374	\$ 230,631	\$ 30,416	\$ 87,231	334,568
Benefit Payments	(68,697)	(172,696)	(121,267)	(87,302)	(66,248)	(128,315)
Administrative Expense	(27,370)	(16,053)	(21,467)	(44,277)	(19,991)	(26,642)
Reconciliation Adjustment	(7,560)	(8,082)	-	-	-	-
Net Change in Plan Fiduciary Net Position	<u>103,733</u>	<u>(62,457)</u>	<u>87,897</u>	<u>(101,163)</u>	<u>992</u>	<u>179,611</u>
Plan Fiduciary Net Position - Beginning	<u>2,736,873</u>	<u>2,799,330</u>	<u>2,711,433</u>	<u>2,812,596</u>	<u>2,811,604</u>	<u>2,631,993</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,840,606</u>	<u>\$ 2,736,873</u>	<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>\$ (1,805,922)</u>	<u>\$ (1,624,537)</u>	<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	274.54%	246.05%	236.49%	212.88%	197.70%	193.24%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Asset as a Percentage of Covered-employee Payroll	N/A	N/A	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%
2018	4.98%
2019	7.74%

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,	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.00298197%	0.00297747%	0.00302246%	0.00293398%	0.00292311%
City's proportionate share of the net pension liability	\$ 71,941	\$ 65,681	\$ 78,105	\$ 70,162	\$ 53,836
City's covered-employee payroll	58,010	56,472	54,473	53,158	51,863
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	124.01%	116.31%	143.38%	131.99%	103.80%
Plan fiduciary net position as a percentage of the total pension liability	78.55%	79.59%	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,	2019	2018	2017	2016
Contractually required contribution	\$ 8,742	\$ 8,490	\$ 7,899	\$ 7,808
Contributions in relate to the contractually required contribution	<u>(8,742)</u>	<u>(8,490)</u>	<u>(7,899)</u>	<u>(7,808)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 58,010	\$ 56,472	\$ 55,168	\$ 53,849
Contributions as a percentage of covered-employee payroll	15.07%	15.03%	14.32%	14.50%

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,	2019	2018	2017	2016	2015
City's proportion of the net pension liability	2.11039000% (2)	2.11065000%	2.02054000%	2.03802867% (1)	2.00463000%
City's proportionate share of the net pension liability	\$ 19,043,709	\$ 14,998,214	\$ 11,527,812	\$ 10,695,056	\$ 7,256,932
City's covered-employee payroll	8,309,290	7,800,263	7,484,833	7,516,626	7,527,269
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	229.19%	192.28%	154.02%	142.29%	96.41%
Plan fiduciary net position as a percentage of the total pension liability	66.09%	71.50%	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.

(2): Assumption changes for 2018 valuation include a price inflation change from 2.75 to 2.50 percent; a wage inflation change from 3.75 to 3.25 percent and investment rate of return from 7.75% to 7.00%

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

<u>City Fiscal year ended December 31,</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,726,580	\$ 1,647,850	\$ 1,585,751	\$ 1,334,945	(1) \$ 1,262,355
Contributions in relate to the contractually required contribution	<u>(1,726,580)</u>	<u>(1,647,850)</u>	<u>(1,585,751)</u>	<u>(1,334,945)</u>	<u>(1,262,355)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 8,288,751	\$ 8,465,248	\$ 7,800,263	\$ 7,484,833	\$ 7,516,626
Contributions as a percentage of covered-employee payroll	20.83%	19.47%	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.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	16.8 years beginning January 1, 2018
Asset Valuation Method	5-Year smoothed market, 20% corridor
Wage Inflation	3.75%
Price Inflation	2.75
Salary Increases	4.25% to 18.75, including inflation
Investment rate of return	7.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last update for the 2012 valuation pursuant to the experience study of the period 2008-2011
Mortality	RP-2000 Combined Projected to 2017 Table, set forward two years for men. Disability postretirement mortality was assumed to be the same as standard postretirement mortality set forward an additional 10 years

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,	2019	2018	2017	2016**	2015**
Total Pension Liability					
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	418,380	452,267	575,430	426,648	425,030
Benefit Changes	-	-	-	-	-
Difference Between Actual & Expected Experience	107,232	(20)	(967,290)	(635,022)	123,866
Assumption Changes	-	289,364	-	-	-
Benefit Payments	(600,037)	(600,862)	(552,369)	(594,250)	(611,404)
Net Change in Total Pension Liability	(74,425)	140,749	(944,229)	(802,624)	(62,508)
Total Pension Liability - Beginning	6,276,879	6,136,130	7,080,359	7,882,983	7,945,491
Total Pension Liability - Ending (a)	\$ 6,202,454	\$ 6,276,879	\$ 6,136,130	\$ 7,080,359	\$ 7,882,983
Plan Fiduciary Net Position					
Contributions - Employer	\$ 50,880	\$ 122,010	\$ -	\$ 431,342	\$ 435,704
Contributions - Member	-	-	-	7,732	7,134
Net Investment Income	(162,044)	763,135	(340,441)	(258,063)	269,654
Benefit Payments	(600,037)	(600,862)	(552,369)	(594,250)	(611,404)
Administrative Expense	(10,743)	(9,784)	(5,753)	(5,650)	(4,500)
Reconciliation Adjustment	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	(721,944)	274,499	(898,563)	(418,889)	96,588
Plan Fiduciary Net Position - Beginning	5,962,582	5,688,083	6,586,646	7,005,535	6,908,947
Plan Fiduciary Net Position - Ending (b)	\$ 5,240,638	\$ 5,962,582	\$ 5,688,083	\$ 6,586,646	\$ 7,005,535
Net Pension Liability (a) - (b)	\$ 961,816	\$ 314,297	\$ 448,047	\$ 493,713	\$ 877,448
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.49%	94.99%	92.70%	93.03%	88.87%
Covered-employee Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered-employee Payroll	N/A	N/A	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- employee Payroll	Actual Contribution as a % of Covered- employee 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	75,881	75,881	-	N/A	N/A
2018	12,480	12,480	-	N/A	N/A
2019	12,636	12,636	-	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,	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 381,055	\$ 363,212	\$ 358,959	\$ 351,625	\$ 341,893
Interest	956,913	891,945	869,957	871,573	849,350
Difference between actual & expected experience	23,346	(209,579)	(22,844)	(267,852)	(338,578)
Assumption Changes	-	-	-	55,137	-
Benefit payments	(753,210)	(600,972)	(655,406)	(503,086)	(548,171)
Net Change in Total Pension Liability	608,104	444,606	550,666	507,397	304,494
Total Pension Liability - Beginning	14,043,873	13,599,267	13,048,601	12,541,204	12,236,710
Total Pension Liability - Ending (a)	\$ 14,651,977	\$ 14,043,873	\$ 13,599,267	\$ 13,048,601	\$ 12,541,204
Plan Fiduciary Net Position					
Contributions - employer	\$ 394,682	\$ 359,350	\$ 347,118	\$ 378,344	\$ 408,640
Contributions - employee	161,954	155,275	153,495	158,492	161,609
Net investment income	(370,678)	1,498,658	707,849	15,397	564,425
Benefit payments	(753,210)	(600,972)	(655,406)	(503,086)	(548,171)
Administrative expense	(7,164)	(7,766)	(7,994)	(9,378)	(5,893)
Other	(376)	(396)	(431)	(463)	(484)
Net Change in Plan Fiduciary Net Position	(574,792)	1,404,149	544,631	39,306	580,126
Plan Fiduciary Net Position - Beginning	12,434,575	11,030,426	10,485,795	10,446,489	9,866,363
Plan Fiduciary Net Position - Ending (b)	\$ 11,859,783	\$ 12,434,575	\$ 11,030,426	\$ 10,485,795	\$ 10,446,489
Net Pension Liability (a) - (b)	\$ 2,792,194	\$ 1,609,298	\$ 2,568,841	\$ 2,562,806	\$ 2,094,715
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	80.94%	88.54%	81.11%	80.36%	83.30%
Covered-employee Payroll	\$ 2,313,636	\$ 2,234,955	\$ 2,192,788	\$ 2,194,045	\$ 2,308,702
Net Pension Liability as a Percentage of Covered-employee Payroll	120.68%	72.01%	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 December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered- employee Payroll	Actual Contribution as a % of Covered- employee Payroll
2016	\$ 378,344	\$ 378,344	\$ -	\$ 2,194,045	17.24%
2017	386,487	386,487	-	2,192,788	17.63%
2018	359,350	359,350	-	2,560,845	14.03%
2019	386,640	386,640	-	2,382,218	16.23%

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization	27 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
Defined Benefit Other Postemployment Benefit Plan
Schedule of the City's Changes In Total OPEB Liability and Related Ratios
Retired Healthcare Plan
Year Ended December 31, 2019

Total OPEB Liability	<u>2019</u>	<u>2018</u>
Total OPEB obligation - January 1	\$ 3,473,820	\$ 3,596,608
Service Cost	68,497	72,807
Interest	124,932	113,653
Differences between expected and actual experience	-	10,174
Changes of assumptions or other inputs	95,002	(126,052)
Benefit payments	<u>(220,227)</u>	<u>(193,370)</u>
Net change in total OPEB liability	<u>68,204</u>	<u>(122,788)</u>
Total OPEB obligation - December 31	<u>\$ 3,542,024</u>	<u>\$ 3,473,820</u>
Covered-employee payroll	\$ 10,747,289	\$10,549,097
Total OPEB liability as a percentage of covered-employee payroll	32.96%	32.93%

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB No. 75.

Changes of Assumptions: The discount rate decreased from 4.18% in 2018 to 3.97% in 2019.

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 75, the City will only present available information.

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Other Postemployment Benefit Plan
Schedule of the TWU's Changes In Total OPEB Liability and Related Ratios
Sick Leave
Year Ended December 31, 2019

Total OPEB Liability	<u>2019</u>	<u>2018</u>
Service Cost	\$ 42,095	\$ 60,997
Interest	57,405	49,673
Differences between expected and actual experience	(11,856)	-
Changes of assumptions or other inputs	(841,406)	(67,822)
Benefit payments	<u>(16,367)</u>	<u>(14,042)</u>
Net change in total OPEB liability	(770,129)	28,806
Total OPEB obligation - beginning of year	<u>1,339,405</u>	<u>1,310,599</u>
Total OPEB obligation - end of year	<u>\$ 569,276</u>	<u>\$1,339,405</u>
Covered-employee payroll	\$2,016,091	\$2,560,845
Total OPEB liability as a percentage of covered-employee payroll	28.24%	52.30%

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB No. 75.

Changes of Assumptions: The discount rate decreased from 4.18% in 2018 to 3.97% in 2019

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 75, the City will only present available information.

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.

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.

2018 Franchise Fee Revenue Bonds - This fund is used to account for the accumulation of revenues and payment of principal and interest on the 2018 Franchise Fee Secured Capital Improvement Revenue Bonds. Funding is primarily from franchise fees charged to public utilities for the privilege of using the City's streets and rights-of-way.

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.

Project Fund 2018 Franchise Fee Bonds - This fund is used to account for the purchase of public safety equipment, consisting generally of fire trucks and police communications equipment.

Section 108 Loan - This fund is used to account for the renovation of the Boys and Girls Club.

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City of Texarkana, Arkansas
Combining Balance Sheet
Governmental Funds – Nonmajor
December 31, 2019

	<u>Special Revenue</u>			
	<u>Community Development Block Grant</u>	<u>Police Fund</u>	<u>Front Street Project</u>	<u>Domestic Violence</u>
Assets				
Cash	\$ 64,078	\$ 4,582	\$ 11,937	\$ 428
Investments	-	-	-	-
Receivables (net of allowance)				
Property taxes	-	-	-	-
Other government agencies	-	-	-	-
Other	-	-	-	-
Prepaid items	-	-	-	-
Total assets	<u>\$ 64,078</u>	<u>\$ 4,582</u>	<u>\$ 11,937</u>	<u>\$ 428</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 2,960	\$ 820	\$ 77	\$ -
Accrued liabilities	1,921	-	-	-
Due to other funds	47,023	-	-	-
Total liabilities	<u>51,904</u>	<u>820</u>	<u>77</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>
Fund Balances				
Nonspendable				
Prepaid items	-	-	-	-
Restricted				
General administration	-	-	-	-
Police department	-	3,762	-	428
Fire department	-	-	-	-
Public works	12,174	-	-	-
Debt service	-	-	-	-
Cultural and recreation	-	-	11,860	-
Assigned				
Police department	-	-	-	-
Public works	-	-	-	-
Total fund balances	<u>12,174</u>	<u>3,762</u>	<u>11,860</u>	<u>428</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 64,078</u>	<u>\$ 4,582</u>	<u>\$ 11,937</u>	<u>\$ 428</u>

Special Revenue					
Bail Bond	Library	Court Automation	North Texarkana Redevelopment District	Public Safety	Total
\$ 2,852	\$ 38,423	\$ 43,564	\$ 797,294	\$ 4,547	\$ 967,705
-	-	-	-	-	-
-	445,267	-	115,492	-	560,759
-	-	-	-	-	-
480	-	-	-	-	480
-	-	7,731	-	-	7,731
<u>\$ 3,332</u>	<u>\$ 483,690</u>	<u>\$ 51,295</u>	<u>\$ 912,786</u>	<u>\$ 4,547</u>	<u>\$ 1,536,675</u>
\$ -	\$ 36,488	\$ 651	\$ -	\$ -	\$ 40,996
-	-	-	-	-	1,921
-	-	-	-	-	47,023
-	36,488	651	-	-	89,940
-	402,755	-	102,655	-	505,410
-	5,594	-	-	-	5,594
-	408,349	-	102,655	-	511,004
-	-	7,731	-	-	7,731
-	-	42,913	-	-	42,913
3,332	-	-	-	4,547	12,069
-	-	-	-	-	-
-	-	-	810,131	-	822,305
-	-	-	-	-	-
-	38,853	-	-	-	50,713
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,332</u>	<u>38,853</u>	<u>50,644</u>	<u>810,131</u>	<u>4,547</u>	<u>935,731</u>
<u>\$ 3,332</u>	<u>\$ 483,690</u>	<u>\$ 51,295</u>	<u>\$ 912,786</u>	<u>\$ 4,547</u>	<u>\$ 1,536,675</u>

City of Texarkana, Arkansas
Combining Balance Sheet
Governmental Funds – Nonmajor (Continued)
December 31, 2019

	Debt Service				Total
	2012 Franchise Fee Refunding Revenue	2012 Cap Imp & Refunding Limited Tax GO Bonds	2015 Franchise Fee Refunding Revenue	2018 Franchise Fee Revenue Bonds	
Assets					
Cash	\$ 538,788	\$ 91,191	\$ 267,628	\$ 230,707	\$ 1,128,314
Investments	-	949,123	-	-	949,123
Receivables (net of allowance)					
Property taxes	-	1,113,167	-	-	1,113,167
Other government agencies	-	-	-	-	-
Other	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	\$ 538,788	\$ 2,153,481	\$ 267,628	\$ 230,707	\$ 3,190,604
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	-	-
Deferred Inflows of Resources					
Unavailable revenue-property taxes	-	1,006,887	-	-	1,006,887
Unavailable revenues-grants	-	13,984	-	-	13,984
Total deferred inflows of resources	-	1,020,871	-	-	1,020,871
Fund Balances					
Nonspendable					
Prepaid items	-	-	-	-	-
Restricted					
General administration	-	-	-	-	-
Police department	-	-	-	-	-
Fire department	-	-	-	-	-
Public works	-	-	-	-	-
Debt service	538,788	1,132,610	267,628	230,707	2,169,733
Culture and recreation	-	-	-	-	-
Assigned					
Police department	-	-	-	-	-
Public works	-	-	-	-	-
Total fund balances	538,788	1,132,610	267,628	230,707	2,169,733
Total liabilities, deferred inflows of resources and fund balances	\$ 538,788	\$ 2,153,481	\$ 267,628	\$ 230,707	\$ 3,190,604

Capital Projects Funds				
Capital Improvement Fund	Project Fund 2018 Franchise Fee Bonds	Section 108 Loan	Total	Total Nonmajor Governmental Funds
\$ 802,409	\$ 24,143	\$ 76,896	\$ 903,448	\$ 2,999,467
-	-	-	-	949,123
-	-	-	-	-
-	-	-	-	1,673,926
33,465	-	-	33,465	33,465
-	-	-	-	480
-	-	-	-	7,731
<u>\$ 835,874</u>	<u>\$ 24,143</u>	<u>\$ 76,896</u>	<u>\$ 936,913</u>	<u>\$ 5,664,192</u>
\$ 68,186	\$ -	\$ -	\$ 68,186	\$ 109,182
-	-	-	-	1,921
194,516	-	2,000	196,516	243,539
262,702	-	2,000	264,702	354,642
-	-	-	-	1,512,297
-	-	-	-	19,578
-	-	-	-	1,531,875
-	-	-	-	7,731
-	-	-	-	-
-	-	-	-	42,913
-	24,143	-	24,143	36,212
46,697	-	-	46,697	46,697
-	-	-	-	822,305
-	-	-	-	2,169,733
-	-	74,896	74,896	125,609
-	-	-	-	-
180,005	-	-	180,005	180,005
346,470	-	-	346,470	346,470
573,172	24,143	74,896	672,211	3,777,675
<u>\$ 835,874</u>	<u>\$ 24,143</u>	<u>\$ 76,896</u>	<u>\$ 936,913</u>	<u>\$ 5,664,192</u>

City of Texarkana, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds – Nonmajor
Year Ended December 31, 2019

	<u>Special Revenue</u>			
	<u>Community Development Block Grant</u>	<u>Police Fund</u>	<u>Front Street Project</u>	<u>Domestic Violence</u>
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Fines, forfeitures and penalties	-	-	-	1,927
Grants and entitlements	309,136	5,733	-	-
Investment income	-	-	-	-
Miscellaneous	12,403	7,869	-	-
Total revenues	<u>321,539</u>	<u>13,602</u>	<u>-</u>	<u>1,927</u>
Expenditures				
Current				
General government	56,993	-	-	-
Other public safety	-	1,996	-	1,937
Public works	40,013	-	-	-
Public services	55,333	-	-	-
Cultural and recreation	-	-	1,063	-
Capital outlay	160,827	-	-	-
Total expenditures	<u>313,166</u>	<u>1,996</u>	<u>1,063</u>	<u>1,937</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,373</u>	<u>11,606</u>	<u>(1,063)</u>	<u>(10)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	(6,621)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(6,621)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	8,373	4,985	(1,063)	(10)
Fund Balances (Deficit), Beginning of Year	<u>3,801</u>	<u>(1,223)</u>	<u>12,923</u>	<u>438</u>
Fund Balances, End of Year	<u>\$ 12,174</u>	<u>\$ 3,762</u>	<u>\$ 11,860</u>	<u>\$ 428</u>

Special Revenue

Special Revenue					
Bail Bond	Library	Court Automation	North Texarkana Redevelopment District	Public Safety	Total
\$ -	\$ 381,506	\$ -	\$ 205,628	\$ -	\$ 587,134
7,706	-	17,801	-	411	27,845
-	76,485	-	-	-	391,354
-	47	105	18	-	170
-	-	-	-	-	20,272
<u>7,706</u>	<u>458,038</u>	<u>17,906</u>	<u>205,646</u>	<u>411</u>	<u>1,026,775</u>
-	-	30,443	-	-	87,436
4,950	-	-	-	-	8,883
-	-	-	-	-	40,013
-	-	-	-	-	55,333
-	477,206	-	-	-	478,269
-	-	-	-	-	160,827
<u>4,950</u>	<u>477,206</u>	<u>30,443</u>	<u>-</u>	<u>-</u>	<u>830,761</u>
<u>2,756</u>	<u>(19,168)</u>	<u>(12,537)</u>	<u>205,646</u>	<u>411</u>	<u>196,014</u>
-	5,000	-	-	-	5,000
-	-	-	-	-	(6,621)
-	5,000	-	-	-	(1,621)
2,756	(14,168)	(12,537)	205,646	411	194,393
<u>576</u>	<u>53,021</u>	<u>63,181</u>	<u>604,485</u>	<u>4,136</u>	<u>741,338</u>
<u>\$ 3,332</u>	<u>\$ 38,853</u>	<u>\$ 50,644</u>	<u>\$ 810,131</u>	<u>\$ 4,547</u>	<u>\$ 935,731</u>

City of Texarkana, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds – Nonmajor (Continued)
Year Ended December 31, 2019

	Debt Service				
	2012 Franchise Fee Refunding Revenue	2012 Cap Imp & Refunding Limited Tax GO Bonds	2015 Franchise Fee Refunding Revenue	2018 Franchise Fee Revenue Bonds	Total
Revenues					
Property taxes	\$ -	\$ 953,770	\$ -	\$ -	\$ 953,770
Fines, forfeitures and penalties	-	-	-	-	-
Grants and entitlements	-	-	-	-	-
Investment income	10,827	1,616	4,835	3,716	20,994
Miscellaneous	-	-	-	-	-
Total revenues	<u>10,827</u>	<u>955,386</u>	<u>4,835</u>	<u>3,716</u>	<u>974,764</u>
Expenditures					
Current					
General government	-	-	-	-	-
Other public safety	-	-	-	-	-
Public works	-	-	-	-	-
Public services	-	-	-	-	-
Cultural and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal retirement	305,000	600,000	115,000	135,000	1,155,000
Interest and fiscal charges	312,553	298,945	118,697	65,462	795,657
Bond issuance costs	-	-	-	2,078	2,078
Total expenditures	<u>617,553</u>	<u>898,945</u>	<u>233,697</u>	<u>202,540</u>	<u>1,952,735</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(606,726)</u>	<u>56,441</u>	<u>(228,862)</u>	<u>(198,824)</u>	<u>(977,971)</u>
Other Financing Sources (Uses)					
Proceeds from issuance of debt	-	-	-	-	-
Transfers in	617,553	-	235,756	214,264	1,067,573
Transfers out	-	-	(2,608)	(3,081)	(5,689)
Total other financing sources (uses)	<u>617,553</u>	<u>-</u>	<u>233,148</u>	<u>211,183</u>	<u>1,061,884</u>
Net Change in Fund Balances	10,827	56,441	4,286	12,359	83,913
Fund Balances, Beginning of Year	<u>527,961</u>	<u>1,076,169</u>	<u>263,342</u>	<u>218,348</u>	<u>2,085,820</u>
Fund Balances, End of Year	<u>\$ 538,788</u>	<u>\$ 1,132,610</u>	<u>\$ 267,628</u>	<u>\$ 230,707</u>	<u>\$ 2,169,733</u>

Capital Projects Funds				
Capital Improvement Fund	Project Fund 2018 Franchise Fee Bonds	Section 108 Loan	Total	Total Nonmajor Governmental Fund
\$ -	\$ -	\$ -	\$ -	\$ 1,540,904
-	-	-	-	27,845
410,019	-	-	410,019	801,373
708	-	-	708	21,872
<u>103,034</u>	<u>-</u>	<u>-</u>	<u>103,034</u>	<u>123,306</u>
<u>513,761</u>	<u>-</u>	<u>-</u>	<u>513,761</u>	<u>2,515,300</u>
160,161	-	-	160,161	247,597
-	-	-	-	8,883
-	-	-	-	40,013
-	-	-	-	55,333
-	-	-	-	478,269
163,387	15,309	104	178,800	339,627
-	-	-	-	-
-	-	-	-	1,155,000
-	-	-	-	795,657
-	-	-	-	2,078
<u>323,548</u>	<u>15,309</u>	<u>104</u>	<u>338,961</u>	<u>3,122,457</u>
<u>190,213</u>	<u>(15,309)</u>	<u>(104)</u>	<u>174,800</u>	<u>(607,157)</u>
-	-	75,000	75,000	75,000
-	-	-	-	1,072,573
<u>(342,812)</u>	<u>-</u>	<u>-</u>	<u>(342,812)</u>	<u>(355,122)</u>
<u>(342,812)</u>	<u>-</u>	<u>75,000</u>	<u>(267,812)</u>	<u>792,451</u>
(152,599)	(15,309)	74,896	(93,012)	185,294
<u>725,771</u>	<u>39,452</u>	<u>-</u>	<u>765,223</u>	<u>3,592,381</u>
<u>\$ 573,172</u>	<u>\$ 24,143</u>	<u>\$ 74,896</u>	<u>\$ 672,211</u>	<u>\$ 3,777,675</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Community Development Block Grant Fund
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants and entitlements	\$ 477,169	\$ 256,778	\$ 309,136	\$ 52,358
Miscellaneous	-	100	12,403	12,303
Total revenues	<u>477,169</u>	<u>256,878</u>	<u>321,539</u>	<u>64,661</u>
Expenditures				
Current:				
General government	49,910	49,910	56,993	(7,083)
Public works	42,000	14,000	40,013	(26,013)
Public services	84,955	40,000	55,333	(15,333)
Capital outlay	<u>300,304</u>	<u>150,000</u>	<u>160,827</u>	<u>(10,827)</u>
Total expenditures	<u>477,169</u>	<u>253,910</u>	<u>313,166</u>	<u>(59,256)</u>
Net Change in Fund Balances	-	2,968	8,373	5,405
Fund Balances, Beginning of Year	<u>3,801</u>	<u>3,801</u>	<u>3,801</u>	-
Fund Balances, End of Year	<u><u>\$ 3,801</u></u>	<u><u>\$ 6,769</u></u>	<u><u>\$ 12,174</u></u>	<u><u>\$ 5,405</u></u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Police Fund
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants and entitlements	\$ 8,621	\$ 3,433	\$ 5,733	\$ 2,300
Miscellaneous	7,200	6,700	7,869	1,169
Total revenues	<u>15,821</u>	<u>10,133</u>	<u>13,602</u>	<u>3,469</u>
Expenditures				
Current:				
Other public safety	5,450	4,102	1,996	2,106
Total expenditures	<u>5,450</u>	<u>4,102</u>	<u>1,996</u>	<u>2,106</u>
Excess of Revenues Over Expenditures	<u>10,371</u>	<u>6,031</u>	<u>11,606</u>	<u>5,575</u>
Other Financing Uses				
Transfers out	(6,621)	(6,621)	(6,621)	-
Total other financing uses	<u>(6,621)</u>	<u>(6,621)</u>	<u>(6,621)</u>	<u>-</u>
Net Change in Fund Balances (Deficit)	3,750	(590)	4,985	5,575
Fund Balances (Deficit), Beginning of Year	<u>(1,223)</u>	<u>(1,223)</u>	<u>(1,223)</u>	<u>-</u>
Fund Balances (Deficit), End of Year	<u>\$ 2,527</u>	<u>\$ (1,813)</u>	<u>\$ 3,762</u>	<u>\$ 5,575</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Domestic Violence Fund
Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Fines, forfeitures and penalties	\$ 1,445	\$ 1,700	\$ 1,927	\$ 227
Total revenues	<u>1,445</u>	<u>1,700</u>	<u>1,927</u>	<u>227</u>
Expenditures				
Current:				
Other public safety	<u>1,937</u>	<u>1,937</u>	<u>1,937</u>	<u>-</u>
Total expenditures	<u>1,937</u>	<u>1,937</u>	<u>1,937</u>	<u>-</u>
Net Change in Fund Balances	(492)	(237)	(10)	227
Fund Balances, Beginning of Year	<u>438</u>	<u>438</u>	<u>438</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ (54)</u>	<u>\$ 201</u>	<u>\$ 428</u>	<u>\$ 227</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Front Street Project Fund
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current:				
Cultural and recreation	3,556	1,700	1,063	637
Total expenditures	3,556	1,700	1,063	637
Net Change in Fund Balances	(3,556)	(1,700)	(1,063)	637
Fund Balances, Beginning of Year	12,923	12,923	12,923	-
Fund Balances, End of Year	\$ 9,367	\$ 11,223	\$ 11,860	\$ 637

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Bail Bond Fund
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 4,950	\$ 6,700	\$ 7,706	\$ 1,006
Total revenues	<u>4,950</u>	<u>6,700</u>	<u>7,706</u>	<u>1,006</u>
Expenditures				
Current:				
Other public safety	<u>4,950</u>	<u>4,950</u>	<u>4,950</u>	<u>-</u>
Total expenditures	<u>4,950</u>	<u>4,950</u>	<u>4,950</u>	<u>-</u>
Net Change in Fund Balances	-	1,750	2,756	1,006
Fund Balances, Beginning of Year	<u>576</u>	<u>576</u>	<u>576</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 576</u>	<u>\$ 2,326</u>	<u>\$ 3,332</u>	<u>\$ 1,006</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Court Automation Fund
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 20,000	\$ 18,000	\$ 17,801	\$ (199)
Investment income	25	110	105	(5)
Total revenues	<u>20,025</u>	<u>18,110</u>	<u>17,906</u>	<u>(204)</u>
Expenditures				
Current:				
General government	<u>39,385</u>	<u>33,785</u>	<u>30,443</u>	<u>3,342</u>
Total expenditures	<u>39,385</u>	<u>33,785</u>	<u>30,443</u>	<u>3,342</u>
Net Change in Fund Balances	(19,360)	(15,675)	(12,537)	3,138
Fund Balances, Beginning of Year	<u>63,181</u>	<u>63,181</u>	<u>63,181</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 43,821</u>	<u>\$ 47,506</u>	<u>\$ 50,644</u>	<u>\$ 3,138</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
North Texarkana Redevelopment District
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 117,000	\$ 153,000	\$ 205,628	\$ 52,628
Investment income	10	10	18	8
Total revenues	<u>117,010</u>	<u>153,010</u>	<u>205,646</u>	<u>52,636</u>
Expenditures				
Current:				
Capital outlay	<u>534,196</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>534,196</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(417,186)	153,010	205,646	52,636
Fund Balances, Beginning of Year	<u>604,485</u>	<u>604,485</u>	<u>604,485</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 187,299</u>	<u>\$ 757,495</u>	<u>\$ 810,131</u>	<u>\$ 52,636</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Library Fund
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 334,000	\$ 340,000	\$ 381,506	\$ 41,506
Grants and entitlements	73,000	75,000	76,485	1,485
Investment income	60	30	47	17
Total revenues	<u>407,060</u>	<u>415,030</u>	<u>458,038</u>	<u>43,008</u>
Expenditures				
Current:				
Cultural and recreation	<u>412,060</u>	<u>420,030</u>	<u>477,206</u>	<u>(57,176)</u>
Total expenditures	<u>412,060</u>	<u>420,030</u>	<u>477,206</u>	<u>(57,176)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,000)</u>	<u>(5,000)</u>	<u>(19,168)</u>	<u>(14,168)</u>
Other Financing Sources				
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total other financing sources	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net Change in Fund Balances	-	-	(14,168)	(14,168)
Fund Balances, Beginning of Year	<u>53,021</u>	<u>53,021</u>	<u>53,021</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 53,021</u></u>	<u><u>\$ 53,021</u></u>	<u><u>\$ 38,853</u></u>	<u><u>\$ (14,168)</u></u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Public Safety Fund
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 225	\$ 400	\$ 411	\$ 11
Total revenues	<u>225</u>	<u>400</u>	<u>411</u>	<u>11</u>
Expenditures				
Current:				
Other public safety	<u>1,495</u>	<u>1,495</u>	<u>-</u>	<u>1,495</u>
Total expenditures	<u>1,495</u>	<u>1,495</u>	<u>-</u>	<u>1,495</u>
Net Change in Fund Balances	(1,270)	(1,095)	411	1,506
Fund Balances, Beginning of Year	<u>4,136</u>	<u>4,136</u>	<u>4,136</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 2,866</u>	<u>\$ 3,041</u>	<u>\$ 4,547</u>	<u>\$ 1,506</u>

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, 2019

	City Employee Retirement System	Water Utilities Employee Retirement System	Policemen's Relief and Pension	Total
Assets				
Cash and cash equivalents	\$ 386,340	\$ 50,574	\$ 194,068	\$ 630,982
Investments				
U. S. government obligations	56,578	157,324	-	213,902
Mortgage backed securities	-	342,070	-	342,070
Corporate bonds and notes	-	558,177	-	558,177
Mutual funds and other investments	2,945,674	1,724,795	4,439,648	9,110,117
Interest receivable	16,141	8,983	15,932	41,056
Due from other funds	-	-	453,016	453,016
	<u>3,404,733</u>	<u>2,841,923</u>	<u>5,102,664</u>	<u>11,349,320</u>
Total assets				
Liabilities				
Accounts payable	2,521	1,317	3,710	7,548
Due to other funds	-	-	11,032	11,032
	<u>2,521</u>	<u>1,317</u>	<u>14,742</u>	<u>18,580</u>
Total liabilities				
Net Position				
Net position restricted for pensions	<u>\$ 3,402,212</u>	<u>\$ 2,840,606</u>	<u>\$ 5,087,922</u>	<u>\$ 11,330,740</u>

City of Texarkana, Arkansas
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended December 31, 2019

	City Employee Retirement System	Water Utilities Employee Retirement System	Policemen's Relief and Pension	Total
Additions				
Contributions				
Employer	\$ 108,742	\$ -	\$ 592,879	\$ 701,621
Employee	12,582	-	-	12,582
Intergovernmental	-	-	303,188	303,188
Other	1,463	-	26,114	27,577
Total contributions	<u>122,787</u>	<u>-</u>	<u>922,181</u>	<u>1,044,968</u>
Investment income				
Net increase in fair value of investments	69,223	123,342	632,807	825,372
Interest and dividends	39,266	76,136	87,691	203,093
	108,489	199,478	720,498	1,028,465
Less investment expense	-	-	23,945	23,945
Net investment income	<u>108,489</u>	<u>199,478</u>	<u>696,553</u>	<u>1,004,520</u>
Total additions	<u>231,276</u>	<u>199,478</u>	<u>1,618,734</u>	<u>2,049,488</u>
Deductions				
Benefits paid directly to participants	467,864	74,350	1,235,348	1,777,562
Administrative expenses	46,350	21,395	6,100	73,845
Total deductions	<u>514,214</u>	<u>95,745</u>	<u>1,241,448</u>	<u>1,851,407</u>
Net Increase (Decrease) in Net Position	(282,938)	103,733	377,286	198,081
Net Position Restricted for Pensions, Beginning of Year	<u>3,685,150</u>	<u>2,736,873</u>	<u>4,710,636</u>	<u>11,132,659</u>
Net Position Restricted for Pensions, End of Year	<u>\$ 3,402,212</u>	<u>\$ 2,840,606</u>	<u>\$ 5,087,922</u>	<u>\$ 11,330,740</u>

City of Texarkana, Arkansas
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended December 31, 2019

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
Police Bond Fund				
Assets				
Cash and cash equivalents	\$ 168,964	\$ 1,842,805	\$ 1,817,377	\$ 194,392
Interest receivable	3,556	-	-	3,556
Total assets	<u>172,520</u>	<u>1,842,805</u>	<u>1,817,377</u>	<u>197,948</u>
Liabilities				
Escrow deposits	<u>172,520</u>	<u>2,430,278</u>	<u>2,404,850</u>	<u>197,948</u>
Total liabilities	<u>172,520</u>	<u>2,430,278</u>	<u>2,404,850</u>	<u>197,948</u>
Net position	<u>\$ -</u>	<u>\$ (587,473)</u>	<u>\$ (587,473)</u>	<u>\$ -</u>
Drug Seizure Fund				
Assets				
Cash and cash equivalents	\$ 9	\$ -	\$ -	\$ 9
Total assets	<u>9</u>	<u>-</u>	<u>-</u>	<u>9</u>
Liabilities				
Escrow deposits	<u>9</u>	<u>-</u>	<u>-</u>	<u>9</u>
Total liabilities	<u>9</u>	<u>-</u>	<u>-</u>	<u>9</u>
Net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Municipal Court Operations Fund				
Assets				
Cash and cash equivalents	\$ 10,899	\$ 51,499	\$ 56,220	\$ 6,178
Total assets	<u>10,899</u>	<u>51,499</u>	<u>56,220</u>	<u>6,178</u>
Liabilities				
Accounts payable	<u>10,899</u>	<u>51,499</u>	<u>56,220</u>	<u>6,178</u>
Total liabilities	<u>10,899</u>	<u>51,499</u>	<u>56,220</u>	<u>6,178</u>
Net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Agency Funds				
Assets				
Cash and cash equivalents	\$ 179,872	\$ 1,894,304	\$ 1,873,597	\$ 200,579
Interest receivable	3,556	-	-	3,556
Total assets	<u>183,428</u>	<u>1,894,304</u>	<u>1,873,597</u>	<u>204,135</u>
Liabilities				
Accounts payable	10,899	51,499	56,220	6,178
Escrow deposits	<u>172,529</u>	<u>2,430,278</u>	<u>2,404,850</u>	<u>197,957</u>
Total liabilities	<u>183,428</u>	<u>2,481,777</u>	<u>2,461,070</u>	<u>204,135</u>
Net position	<u>\$ -</u>	<u>\$ (587,473)</u>	<u>\$ (587,473)</u>	<u>\$ -</u>

Statistical Section

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City of Texarkana, Arkansas

Statistical Section

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

Contents	Page
 Financial Trends (Tables 1-5)	
These schedules contain trend information to assist the reader in understanding how the City’s financial performance and well-being have changed over time.	136
 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.	141
 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.	148
 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.	153
 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.	155

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

Table 1

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015*</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental activities:										
Net investment in capital assets	\$ 12,850,864	\$ 13,405,075	\$ 14,107,659	\$ 14,788,840	\$ 13,177,214	\$ 13,418,445	\$ 12,228,378	\$ 12,173,375	\$ 12,149,281	\$ 11,887,149
Restricted	2,225,926	2,406,273	1,833,731	2,243,056	2,510,859	1,838,537	2,948,305	3,085,466	3,575,927	3,778,615
Unrestricted	<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>	<u>(4,185,767)</u>	<u>(4,829,476)</u>
Total governmental activities net position	<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>	<u>11,539,441</u>	<u>10,836,288</u>
Business-type activities:										
Net investment in capital assets	28,029,483	27,882,314	27,877,180	28,478,111	29,067,354	29,689,707	32,066,618	32,849,130	33,457,909	34,951,626
Restricted	2,442,605	3,322,117	4,041,329	5,211,194	5,090,980	6,617,438	5,271,993	5,259,198	5,027,526	1,805,922
Unrestricted	<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>	<u>4,150,856</u>	<u>5,102,543</u>
Total business-type activities net position	<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>	<u>42,636,291</u>	<u>41,860,091</u>
Primary government										
Net investment in capital assets	40,880,347	41,287,389	41,984,839	43,266,951	42,244,568	43,108,152	44,294,996	45,022,505	45,607,190	46,838,775
Restricted	4,668,531	5,728,390	5,875,060	7,454,250	7,601,839	8,455,975	8,220,298	8,344,664	8,603,453	5,584,537
Unrestricted	<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>	<u>(34,911)</u>	<u>273,067</u>
Total primary government net position	<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>	<u>\$ 54,175,732</u>	<u>\$ 52,696,379</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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
Current:										
General administration	\$ 2,085,755	\$ 2,619,263	\$ 2,581,483	\$ 2,268,194	\$ 2,444,068	\$ 2,489,042	\$ 2,582,956	\$ 2,272,254	\$ 2,128,025	\$ 2,431,094
Police department	12,410,163	7,644,104	7,872,806	7,960,946	7,795,405	6,265,820	6,351,864	8,535,330	9,082,042	9,147,662
Fire department	5,626,796	4,493,231	4,776,959	4,605,814	4,569,164	3,606,197	4,577,604	5,930,240	6,369,763	6,424,089
Other public safety	-	3,869,368	3,639,484	3,383,828	3,053,598	3,205,227	2,877,212	2,106,118	1,909,304	1,807,769
Protective inspection	467,872	467,210	494,102	516,458	434,499	474,893	567,880	473,860	433,700	542,856
Public works	5,723,499	5,697,414	5,503,577	6,100,657	5,868,092	5,922,407	6,365,907	6,145,067	6,284,490	6,931,855
Public services	6,518	15,381	1,252	245,174	565,398	532,551	541,432	31,950	32,746	61,695
Health and welfare	347,763	361,460	436,639	394,764	426,422	410,477	459,236	573,179	386,403	609,728
Cultural and recreation	895,119	825,434	1,895,921	1,190,349	1,469,648	1,157,670	1,171,381	1,138,931	1,119,164	1,214,342
Interest on long-term debt	1,172,912	678,252	1,683,764	908,021	894,852	933,184	811,774	773,234	861,792	769,576
Total governmental activities expenses	28,736,397	26,671,117	28,885,987	27,574,205	27,521,146	24,997,468	26,307,246	27,980,163	28,607,429	29,940,666
Business-type activities:										
Water and sewer	8,631,993	8,828,758	9,383,771	9,239,788	8,883,064	8,827,599	8,724,209	9,016,083	9,221,277	9,631,871
Total business-type activities expenses	8,631,993	8,828,758	9,383,771	9,239,788	8,883,064	8,827,599	8,724,209	9,016,083	9,221,277	9,631,871
Total primary government expenses	37,368,390	35,499,875	38,269,758	36,813,993	36,404,210	33,825,067	35,031,455	36,996,246	37,828,706	39,572,537
Program Revenues										
Governmental activities:										
Charges for services	5,416,351	5,444,642	5,463,368	5,421,842	5,340,907	5,338,355	5,485,953	8,458,140	5,154,080	5,571,532
Operating grants and contributions	4,423,291	4,722,269	4,113,562	3,124,576	3,293,167	3,153,469	3,320,465	3,673,664	3,625,951	3,944,769
Capital grants and contributions	2,246,130	1,028,843	1,309,384	1,812,264	1,260,110	1,199,000	1,078,636	851,360	750,793	724,333
Total governmental activities program revenues	12,085,772	11,195,754	10,886,314	10,358,682	9,894,184	9,690,824	9,885,054	12,983,164	9,530,824	10,240,634
Business-type activities:										
Charges for services	10,141,700	10,264,791	10,202,790	9,750,066	9,247,531	9,413,488	9,590,596	9,560,808	9,598,816	9,285,223
Capital grants and contributions	43,157	78,337	-	-	37,484	27,748	-	-	-	-
Total business-type activities program revenues	10,184,857	10,343,128	10,202,790	9,750,066	9,285,015	9,441,236	9,590,596	9,560,808	9,598,816	9,285,223
Total primary government program revenues	\$ 22,270,629	\$ 21,538,882	\$ 21,089,104	\$ 20,108,748	\$ 19,179,199	\$ 19,132,060	\$ 19,475,650	\$ 22,543,972	\$ 19,129,640	\$ 19,525,857

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

Table 2

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense)/Revenue										
Governmental activities	\$ (16,650,625)	\$ (15,475,363)	\$ (17,999,673)	\$ (17,215,523)	\$ (17,626,962)	\$ (15,306,644)	\$ (16,422,192)	\$ (14,996,999)	\$ (19,076,605)	\$ (19,700,032)
Business-type activities	1,552,864	1,514,370	819,019	510,278	401,951	613,637	866,387	544,725	377,539	(346,648)
Total primary government net expense	(15,097,761)	(13,960,993)	(17,180,654)	(16,705,245)	(17,225,011)	(14,693,007)	(15,555,805)	(14,452,274)	(18,699,066)	(20,046,680)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	3,453,940	3,102,615	3,132,701	3,420,043	3,595,334	3,868,690	3,902,704	4,161,676	3,752,005	4,490,963
Sales taxes	8,417,648	8,751,952	8,987,936	9,553,656	9,647,077	9,758,447	9,646,473	9,828,654	10,681,031	10,848,072
Franchise taxes	2,726,391	2,688,227	2,649,392	2,748,310	2,898,182	2,859,259	2,640,381	2,528,697	2,637,048	2,427,491
Other taxes	136,636	76,338	76,764	81,189	70,308	67,975	57,884	79,969	81,351	80,414
Unrestricted investment earnings	27,651	14,105	59,233	12,775	9,603	15,444	5,885	10,570	19,591	26,472
Gain(loss) on sale of capital assets	-	47,145	18,426	-	-	-	-	-	-	-
Miscellaneous	153,869	248,202	146,005	257,213	182,129	289,351	100,279	541,419	471,372	562,639
Transfers	-	-	832,090	246,723	237,539	183,034	335,094	238,504	1,036,864	560,828
Total governmental activities	14,916,135	14,928,584	15,902,547	16,319,909	16,640,172	17,042,200	16,688,700	17,389,489	18,679,262	18,996,879
Business-type activities:										
Unrestricted investment earnings	414,316	318,080	299,162	291,104	266,596	267,423	152,922	156,212	174,072	179,535
Gain on sale of capital assets	1,178	(7,050)	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	1,723	-	-	-	-	-	-
Transfers	(240,599)	(255,035)	(853,170)	(249,864)	(236,198)	(233,566)	(227,751)	(255,377)	(853,431)	(609,087)
Total business-type activities	174,895	55,995	(554,008)	42,963	30,398	33,857	(74,829)	(99,165)	(679,359)	(429,552)
Total primary government general revenues and other changes in net position	15,091,030	14,984,579	15,348,539	16,362,872	16,670,570	17,076,057	16,613,871	17,290,324	17,999,903	18,567,327
Change in Net Position										
Governmental activities	(1,734,490)	(546,779)	(2,097,126)	(895,614)	(986,790)	1,735,556	266,508	2,392,490	(397,343)	(703,153)
Business-type activities	1,727,759	1,570,365	265,011	553,241	432,349	647,494	791,558	445,560	(301,820)	(776,200)
Total primary government changes in net position	\$ (6,731)	\$ 1,023,586	\$ (1,832,115)	\$ (342,373)	\$ (554,441)	\$ 2,383,050	\$ 1,058,066	\$ 2,838,050	\$ (699,163)	\$ (1,479,353)

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

Table 3

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Function/ Program										
Governmental activities:										
General administration	\$ 3,566,739	\$ 2,625,764	\$ 2,768,877	\$ 2,662,848	\$ 2,317,860	\$ 2,429,549	\$ 2,309,740	\$ 2,355,799	\$ 2,097,646	\$ 2,053,071
Police department	1,105,987	1,501,591	1,274,930	1,159,664	1,129,322	979,346	1,174,511	1,314,276	892,312	1,053,188
Fire department	3,981	7,782	5,694	1,600	8,740	7,481	5,870	-	-	-
Other public safety	-	1,501	1,501	1,501	1,501	1,501	178,555	-	-	-
Public works	5,405,150	5,656,598	5,755,338	5,626,372	5,933,325	5,930,278	5,862,094	5,699,490	6,489,157	6,791,276
Public services	962,988	1,334,235	993,090	826,299	418,254	263,869	274,870	3,510,486	(32,500)	263,804
Cultural and recreation	80,254	68,283	86,884	80,398	85,182	78,800	79,414	103,113	84,209	79,295
Subtotal governmental activities	<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>	<u>9,530,824</u>	<u>10,240,634</u>
Business-type activities:										
Water and sewer	<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>	<u>9,598,816</u>	<u>9,285,223</u>
Subtotal business-type activities	<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>	<u>9,598,816</u>	<u>9,285,223</u>
Total primary government	<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>	<u>\$ 19,129,640</u>	<u>\$ 19,525,857</u>

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

Table 4

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable										
Prepaid items		\$ 276,177	\$ 339,756	\$ 7,922	\$ 124,629	\$ 180,061	\$ 263,696	\$ 5,087	\$ 10,961	\$ 124,016
Restricted										
Police department		-	-	4,885	330	-	19,105	-	-	13,796
Committed										
Cultural and recreation		13,855	14,956	15,101	16,998	17,723	17,254	14,106	13,175	14,175
Assigned										
Police department		164,470	210,776	77,016	38,594	33,090	18,646	18,646	39,173	20,902
Public works		194,394	30,292	30,292	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	5,309,483	6,652,827
Reserved	\$ 291,361									
Unreserved, designated	1,744,280									
Unreserved	2,000,819									
Total general fund	<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>	<u>\$ 5,403,084</u>	<u>\$ 6,856,008</u>
All Other Governmental Funds										
Nonspendable										
Prepaid items		\$ 36,249	\$ 45,966	\$ 2,346	\$ 6,125	\$ 35,044	\$ 32,878	\$ 9,084	\$ 10,338	\$ 8,650
Restricted										
General administration		92,050	63,547	64,023	73,662	76,600	74,710	69,204	55,803	42,913
Police department		9,192	10,512	9,163	11,845	15,332	6,167	4,422	44,602	36,212
Fire department		110,312	103,798	44,678	46,185	29,607	20,322	22,669	24,514	46,697
Public works		2,326,807	9,622,070	4,217,938	3,019,336	302,180	356,038	502,289	608,286	822,305
Debt service		1,567,579	1,151,164	1,539,365	1,689,089	1,734,277	1,768,212	1,820,312	2,085,820	2,169,733
Cultural and recreation		2,358	6,163	57,454	70,830	91,864	98,952	92,679	65,944	125,609
Committed										
Public works		260,346	277,816	215,191	284,701	307,575	240,855	309,211	302,820	375,357
Assigned										
General administration		156,683	-	-	-	-	-	-	-	-
Police department		287,796	214,670	155,086	316,855	321,472	406,223	371,024	371,024	180,005
Fire department		10,000	-	-	-	-	-	-	-	-
Public works		256,227	813,527	563,078	1,181,131	1,397,208	1,829,769	1,965,830	1,901,999	1,982,813
Unassigned		(4,390)	-	-	-	-	-	(769)	(1,223)	-
Reserved	\$ 30,738									
Unreserved, reported in:										
Special revenue fund	367,851									
Debt service fund	1,537,546									
Capital projects fund	3,510,284									
Unreserved, designated for, reported in:										
Special revenue fund	139,042									
Total all other governmental funds	<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>	<u>\$ 5,469,927</u>	<u>\$ 5,790,294</u>

The 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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Property taxes	\$ 3,076,924	\$ 3,132,808	\$ 3,165,147	\$ 3,268,995	\$ 3,475,122	\$ 3,760,473	\$ 3,800,773	\$ 3,813,210	\$ 3,956,051	\$ 4,327,850
Sales taxes	8,417,648	8,751,952	8,987,936	9,553,656	9,647,077	9,758,447	9,646,473	9,828,654	10,681,031	10,848,072
Other taxes	136,636	76,338	76,764	81,189	70,308	67,975	57,884	79,969	81,351	80,414
Utility franchise	2,726,391	2,688,227	2,649,392	2,748,310	2,929,319	2,856,455	2,627,570	2,431,741	2,603,390	2,427,491
Licenses and permits	184,973	183,504	242,339	184,516	187,247	204,483	179,075	183,444	328,393	374,198
Fines, forfeitures and penalties	753,442	774,149	752,300	676,331	716,361	619,982	609,268	648,141	561,880	726,567
Charges for services	4,187,783	4,217,443	4,168,390	4,246,164	4,299,877	4,356,935	4,350,491	4,330,757	4,601,125	4,702,053
Grants and entitlements	2,722,402	1,669,181	2,312,408	2,224,709	2,158,315	1,729,598	1,581,993	1,521,589	1,501,847	1,683,823
Intergovernmental	2,891,491	2,962,420	2,935,853	2,837,814	2,732,124	2,717,855	2,750,738	3,003,435	2,874,897	2,980,101
Investment income	27,651	14,105	59,233	12,775	9,603	15,444	5,885	10,570	19,591	26,472
Miscellaneous	446,488	493,117	418,828	452,206	366,519	499,274	354,056	541,419	471,372	562,639
Total revenues	25,571,829	24,963,244	25,768,590	26,286,665	26,591,872	26,586,921	25,964,206	26,392,929	27,680,928	28,739,680
Expenditures										
Current:										
General government	1,885,204	2,444,686	2,356,604	2,040,771	2,004,404	2,193,123	2,165,381	2,024,355	1,960,905	2,072,000
Police department	9,469,492	6,967,050	7,106,575	7,116,529	6,878,140	6,851,193	7,064,815	7,733,463	8,071,706	8,409,285
Fire department	4,843,559	4,303,165	4,413,736	4,347,838	4,385,773	4,366,156	4,485,336	4,777,857	4,948,694	5,104,631
Other public safety	-	2,817,739	2,808,193	2,963,397	3,052,005	3,188,823	2,864,078	2,098,897	1,906,756	1,797,876
Protective inspection	433,139	428,681	456,482	480,399	456,148	449,576	505,396	457,378	428,638	490,360
Public works	4,536,705	4,335,336	4,271,344	4,714,006	4,708,135	4,799,586	4,731,277	5,010,786	5,241,503	5,422,068
Public services	6,856	14,869	785	353	125,813	37,511	57,434	30,885	32,752	55,333
Health and welfare	312,181	321,430	395,843	352,719	396,664	379,360	388,328	539,384	372,137	555,753
Cultural and recreation	777,069	713,788	1,689,146	1,019,833	1,309,632	758,175	736,245	757,833	768,728	784,469
Capital outlay	2,600,254	1,894,667	4,779,583	8,035,692	1,932,752	3,767,389	735,436	971,816	3,470,847	1,812,390
Debt service:										
Principal retirement	822,448	830,337	1,770,728	484,585	876,214	4,765,324	1,112,724	1,111,675	1,021,044	1,173,453
Interest and fiscal charges	723,961	761,548	972,791	887,829	908,628	873,139	834,415	786,987	798,015	797,521
Bond issuance costs	129,073	-	-	-	-	75,684	-	-	61,778	2,078
Total expenditures	26,539,941	25,833,296	31,021,810	32,443,951	27,034,308	32,505,039	25,680,865	26,301,316	29,083,503	28,477,217
Excess (deficiency) of revenues over expenditures	(968,112)	(870,052)	(5,253,220)	(6,157,286)	(442,436)	(5,918,118)	283,341	91,613	(1,402,575)	262,463

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

Table 5

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Other Financing Sources (Uses)										
Transfers in	\$ 5,848,062	\$ 1,235,622	\$ 12,797,118	\$ 1,736,001	\$ 2,071,853	\$ 5,799,742	\$ 2,232,441	\$ 2,140,719	\$ 5,273,045	\$ 2,460,006
Transfers out	(5,848,062)	(1,235,622)	(11,965,028)	(1,489,278)	(1,834,314)	(5,616,708)	(1,897,347)	(1,902,215)	(4,236,181)	(1,899,178)
Issuance of debt	3,820,907	-	281,859	1,063,523	-	54,460	-	-	2,316,606	950,000
Refunding bonds issued	-	-	20,460,000	-	-	3,770,000	-	-	-	-
Premium on refunding bonds issued	-	-	298,491	-	-	-	-	-	-	-
Discount on refunding bonds issued	-	-	-	-	-	(40,864)	-	-	-	-
Original issue premium	-	-	-	-	-	-	-	-	3,855	-
Payment to refunded bond escrow agent	-	-	(10,397,955)	-	-	-	-	-	-	-
Total other financing sources (uses)	3,820,907	-	11,474,485	1,310,246	237,539	3,966,630	335,094	238,504	3,357,325	1,510,828
Net change in fund balances	\$ 2,852,795	\$ (870,052)	\$ 6,221,265	\$ (4,847,040)	\$ (204,897)	\$ (1,951,488)	\$ 618,435	\$ 330,117	\$ 1,954,750	\$ 1,773,291
Debt Service as a percentage of noncapital expenditures	6.5%	6.6%	10.5%	5.6%	7.1%	19.5%	7.8%	7.5%	7.1%	7.4%

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
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
2018	3,956,051	10,681,031	81,351	2,603,390	17,321,823
2019	4,327,850	10,848,072	80,414	2,427,491	17,683,827

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 (2)	Debt Service	Firemen's Pension (2)	Policemen's Pension (2)	Library Fund	TIF District
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
2019	2018	267,430,380	119,943,230	387,373,610	0.1050	4,067,423	1,890,714	945,357	378,143	378,143	378,143	96,924
2020	2019	271,050,681	117,981,340	389,032,021	0.1050	4,084,837	1,899,004	949,502	379,801	379,801	379,801	96,928

Note:

- (1) Tax rate per \$100 of assessed value.
- (2) Firemen's Pension and Policemen's Pension are initially accounted for within the general fund.

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:										
2010	\$ 5.00	\$ 2.50	\$ 1.00	\$ 1.00	\$ 1.00	\$ 10.50	\$ 38.90	\$ 5.50	\$ 54.90	
2011	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2012	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2013	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2014	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2015	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2016	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2017	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2018	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2019	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
Personal Property Tax Rates:										
2010	\$ 5.00	\$ 2.50	\$ 1.00	\$ 1.00	\$ 1.00	\$ 10.50	\$ 38.90	\$ 5.50	\$ 54.90	
2011	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2012	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2013	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2014	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2015	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2016	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2017	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2018	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2019	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	

Source - Miller County Tax Records.

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

City of Texarkana, Arkansas

Principal Sales Taxpayers

December 31, 2019

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 2019, the city sales tax generated revenue of \$7,633,477. The City's portion of the county sales tax generated revenue of \$2,458,877 and the municipal four-lane highway tax received from the State of Arkansas and the state wholesale fuel tax totaled \$755,718.

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	2019			2010		
	Rank	2019 Assessed Valuation (1) (2)	Percentage of Total Assessed Valuation	Rank	2010 Assessed Valuation (1) (3)	Percentage of Total Assessed Valuation
Union Pacific System	1	\$ 13,204,406	3.39%	9	\$ 4,488,240	1.43%
Southwestern Electric Power co.	2	12,443,150	3.20%			
Southwest AR Electric Co-op	3	11,509,960	2.96%			
Cooper Tire & Rubber Co. - Plant	4	7,420,020	1.91%	5	6,592,201	2.10%
Southwest Ark Telephone Co-op	5	4,407,710	1.13%	3	7,427,840	2.37%
Wal-Mart Stores Inc. #01-0468	6	3,926,425	1.01%			
Valor Telecommunications	7	3,558,200	0.91%			
Truman Arnold Companies	8	3,154,740	0.81%			
Abernathy Company	9	2,602,030	0.67%			
Cable One Inc.	10	2,574,230	0.66%			
BAC Tax Services Corp				1	18,281,668	5.83%
Wells Fargo Home Mortgage				2	12,551,870	4.00%
Chase Home Finance LLC.				4	7,200,270	2.30%
BancorpSouth Bank				6	5,306,563	1.69%
Natural Gas Pipe Line Co.				7	5,233,590	1.67%
Regions Mtg.				8	4,816,487	1.54%
Coleman Cable Inc.				10	3,941,943	1.26%
Total principal taxpayers		<u>\$ 64,800,871</u>	<u>16.66%</u>		<u>\$ 75,840,672</u>	<u>24.20%</u>

Notes:

(1) Net of exemptions

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

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
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%
2018	2017	4,008,163	3,507,408	87.51%	342,965	3,850,373	96.06%	157,790	3.94%
2019	2018	4,067,423	3,692,123	90.77%	581,343	4,273,466	105.07%	375,300	9.23%

(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
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%
2018	2.50%	1.25%
2019	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			
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
2018	8,118,136	14,282,725	-	44,579	7,982,470	-	30,427,910	4.56%	1,010
2019	7,509,672	13,727,370	950,000	26,126	6,728,413	-	28,941,581	4.06%	961

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

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
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
2018	30,120	387,373,610	8,118,136	948,354	7,169,782	1.85%	238
2019	30,104	389,032,021	7,509,672	949,123	6,560,549	1.69%	218

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, 2019

Table 14

Jurisdiction	Debt Outstanding	Percentage of Debt Applicable to City of Texarkana	Amount Applicable to City of Texarkana
Direct:			
City of Texarkana, Arkansas	\$ 22,213,168 (2)	100.00%	<u>\$ 22,213,168</u>
Overlapping:			
Texarkana, Arkansas School District	47,385,000 (1)	78.62%	<u>37,254,087</u>
Subtotal - Overlapping debt			<u>37,254,087</u>
Total direct and overlapping			<u><u>\$ 59,467,255</u></u>
Per capita overlapping debt			<u><u>\$ 1,975.39</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

(2) Including \$7,509,672 of general obligation , \$13,727,370 of revenue bonds, \$950,000 of notes payable, and \$26,126 of capital lease obligations

City of Texarkana, Arkansas

Legal Debt Margin Information

Last Ten Years

Table 15

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 71,078,342	\$ 76,906,774	\$ 80,252,763	\$ 80,252,763	\$ 84,014,042	\$ 89,971,751	\$ 91,944,516	\$ 95,432,442	\$ 96,843,403	\$ 97,258,005
Total net debt applicable to limit	<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>	<u>7,169,782</u>	<u>6,560,549</u>
Legal debt margin	<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>	<u>\$ 89,673,621</u>	<u>\$ 90,697,456</u>
Total net debt applicable to the limit as a percentage of debt limit	2.05%	1.09%	13.86%	13.16%	12.45%	10.92%	9.72%	8.85%	8.00%	7.23%

Legal Debt Margin Calculation for 2019

Assessed value	\$ 389,032,021
Debt limit - 25% of assessed value:	
General obligation debt limitation	97,258,005
Debt applicable to limit:	
General obligation bonds	7,509,672
Less: Amount set aside for repayment in debt services funds	<u>949,123</u>
Total net debt applicable to limit	<u>6,560,549</u>
Legal debt margin	<u>\$ 90,697,456</u>

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

Table 16

Fiscal Year Ended December 31	Gross Revenue(1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)	Coverage
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
2018	10,196,477	6,423,493	3,773,284	1,505,272	2.51
2019	9,464,758	6,788,047	2,676,711	1,467,442	1.82

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.
- (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)
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%
2018	30,120	666,917,040	38.5	22,142	3.6%
2019	30,104	712,591,784	38.8	23,671	3.6%

Notes:

- (1) Source - U.S. Census Bureau
- (2) Source - U.S. Bureau of Labor Statistics
- (3) Personal Income is a calculation of per capital 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	2019			2010		
	Employees	Rank	Percentage of Total MSA Employment (1)	Employees	Rank	Percentage of Total MSA Employment (2)
Red River Army Depot & Tenants	3,797	1	6.05%	7,200	1	11.54%
Christus St. Michael Health Care	1,902	2	3.03%	1,850	3	2.97%
Cooper Tire & Rubber	1,750	3	2.79%	1,860	2	2.98%
Texarkana, TX ISD	1,200	4	1.91%	795	8	1.27%
Southern Refrigerated Transport	1,115	5	1.78%	750	10	1.20%
Wal-Mart/Sam's	1,091	6	1.74%	1,100	5	1.76%
Graphic Packaging	829	7	1.32%	925	6	1.48%
Domtar, Inc.	800	8	1.27%	1,150	4	1.84%
DLA Distributions	731	9	1.16%			
Wadley Regional Medical	719	10	1.14%	850	7	1.36%
Texarkana, AR ISD				785	9	1.26%
Total	13,934		22.19%	17,265		27.68%

Source:
Chamber of Commerce
Texas Workforce Commission LMI Tracer

Notes:
(1) MSA employment for 2019 is 62,805
(2) MSA employment for 2010 is 62,380

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

Table 19

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
Administration	4	4	4	3	3	3	5	4	4	4
Finance	8	8	8	8	9	9	8	8	8	8
City Clerk	3	3	3	2	2	2	2	2	2	2
Courts	4	5	5	5	5	5	5	5	5	5
Marketing & Communications	0	0	1	2	2	1	0	0	0	0
Police department										
Police General	71	71	71	76	76	76	76	77	77	77
Police Housing	3	3	3	2	2	2	2	2	2	2
Cops in School	1	1	1	1	1	1	1	0	0	0
Police Narcotics	5	5	5	5	5	5	5	5	5	5
Police Support	10	11	11	11	11	11	11	26	26	26
Police Animal	2	2	2	2	0	0	0	0	0	0
Probation	3	4	4	4	4	4	4	4	4	4
Police CHRP	0	4	4	0	0	0	0	0	0	0
Fire department										
Fire	59	59	59	59	59	59	59	59	59	59
Public works										
Street	18	17	17	17	17	17	13	13	13	13
Environmental	3	4	4	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	6	4	5	5	4	4	4	4	4	4
Building maintenance	2	2	1	1	1	1	1	1	1	1
ADC	0	3	3	3	3	3	9	9	9	9
Refuse Operator	0	0	0	1	1	1	1	1	1	1
Public services										
HCD	1	0	0	0	0	0	0	0	0	0
RSVP - Arkansas	1	1	1	1	1	1	0	0	0	0
RSVP - Texas	1	1	1	1	1	1	0	0	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	8	8	7	7	7	5	5	5	5	6
	0	0	0	0	2	3	3	3	3	2
Total	236	243	243	243	243	241	241	255	255	255

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

Table 20

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>Function/Program</u>										
Public safety										
Police										
Uniformed employees	90	90	88	84	84	84	84	84	84	82
Fire										
Firefighters	58	58	57	58	58	58	58	58	58	57
Public works										
Building permits issued	477	507	510	426	368	454	464	501	438	358
Building permits (\$)	\$ 20,492,129	\$ 20,275,238	\$ 51,053,360	\$ 26,447,687	\$ 22,747,181	\$ 18,909,224	\$ 24,230,960	\$ 28,894,884	\$ 20,822,418	\$ 47,446,145
Water										
Average daily consumption (millions of gallons)	3.675	4.016	4.134	4.902	4.437	4.703	6.317	4.372	3.814	4.111
Raw water production (millions of gallons)	4.056	6.430	5.509	5.509	4.941	5.076	6.563	4.481	3.783	4.061

Source: Various City Departments

City of Texarkana, Arkansas

Capital Asset Statistics by Function

Last Ten Years

Table 21

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public safety										
Police										
Stations	1	1	1	1	2	2	2	2	2	2
Total units	82	101	110	111	117	117	117	96	96	83
Fire										
Stations	5	5	5	5	5	5	5	5	5	5
Public works										
Streets (miles)	291	250 ⁽¹⁾	250	252	252	252	252	252	252	253
Recreation										
Number of parks	20	24	24	24	24	24	24	24	24	24
Acres	281	288.3	288.3	288.3	296.3	296.3	296.3	311	311	311
Pools	1	1	1	1	1	1	1	1	1	1
Ball Fields	12	15	15	15	15	15	15	16	16	16
Tennis courts:										
Lighted	3	3	3	3	3	3	3	4	4	4
Unlighted	3	1	1	1	1	1	1	1	1	1
Community centers	4	4	4	4	4	4	4	4	4	4
Soccer fields	0	1	1	1	1	1	1	1	1	1
Walking/biking trails (miles)	5.2	7.5	7.5	7.5	7.66	13.91	13.91	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)	409	408	406	395	416	407	412	405	405	408
Number of water meters	10,184	10,103	10,134	10,155	10,126	10,154	10,169	10,155	10,152	10,168
Sewer mains (miles)	216	212	219	214	213	216	233	218	218	219
Number of fire hydrants	1,427	1,438	1,441	1,431	1,450	1,469	1,409	1,447	1,482	1,486
Number of Mandeville water meters	328	322	327	321	318	316	315	315	314	316
Number of Union water meters	1,129	1,135	1,162	1,178	1,200	1,231	1,246	1,252	1,274	1,265

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

Source: Various City Departments

Single Audit Section

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City of Texarkana, Arkansas
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Housing and Urban Development Programs				
<i>CDBG - Entitlement Grants Cluster</i>				
U.S. Department of Housing and Urban Development/Community Development Block Grant/Entitlement Grants	14.218		\$ -	\$ 309,136
		<i>Cluster Total</i>	-	309,136
U.S. Department of Housing and Urban Development/Community Development Block Grant Section 108 Loan Guarantee	14.248	N/A	-	104
Total Department of Housing and Urban Development Programs			-	309,240
Department of Transportation Programs				
<i>Highway Safety Cluster</i>				
U.S. Department of Transportation/Arkansas State Highway and Transportation Department/State and Community Highway Safety	20.600	OP-2018-03-02-33 OP-2019-02-02-29	-	8,044
U.S. Department of Transportation/Arkansas State Highway and Transportation Department/National Priority Safety Programs	20.616	M5X-2018-05-06-33 M5X-2019-06-06-29	-	52,327
		<i>Cluster Total</i>	-	60,371
Total Department of Transportation Programs			-	60,371
Department of Justice Programs				
U.S. Department of Justice/VOCA Crime Victim Assistance	16.575	N/A	-	53,774
U.S. Department of Justice/STOP Violence Against Women Formula Grant Program	16.588	N/A	-	51,641
U.S. Department of Justice/Bulletproof Vest Partnership Program	16.607	N/A	-	1,996
U.S. Department of Justice/Arkansas Department of Finance and Administration/Edward Byrne Memorial Justice Assistance Grant Program	16.738	J19-007-18 J19-007-17 2018-DJ-BX-0851 2017-DJ-BX-0837	-	85,862
U.S. Department of Justice/Equitable Sharing Program	16.922	N/A	-	20,828
Total Department of Justice Programs			-	214,101
Department of Commerce				
<i>Economic Development Cluster</i>				
U.S. Department of Commerce/Economic Adjustment Assistance	11.307	N/A	-	470,995
		<i>Cluster Total</i>	-	470,995
Total United States Environmental Protection Agency			-	470,995
Total Expenditures of Federal Awards			\$ -	\$ 1,054,707

City of Texarkana, Arkansas
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Notes to Schedule

1. This accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal awards activity of the City. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The federal loan program listed subsequently is administered directly by the City, and the balance and transactions related to this program is included in the City’s basic financial statements. The balance of the outstanding loans at December 31, 2019, consist of:

CFDA Number	Program Name	Outstanding Balance at December 31, 2019
14.248	Community Development Block Grant Section 108 Loan Guarantee	\$75,000

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

Independent Auditor's Report

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 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, 2019, and the related notes to the financial statements, and have issued our report thereon dated July 23, 2020, which contains an reference to reports of other auditors. Other auditors audited the financial statements of 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 of the financial statements, 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 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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

Rogers, Arkansas
July 23, 2020

Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

We have audited the City of Texarkana, Arkansas' (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2019. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Texarkana, Arkansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Rogers, Arkansas
July 23, 2020

City of Texarkana, Arkansas
Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Section I – Summary of Auditor’s Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

Unmodified Qualified Adverse Disclaimed

2. The independent auditor’s report on internal control over financial reporting disclosed:

Significant deficiency(ies) identified? Yes None Reported

Material weakness(es) identified? Yes No

3. Noncompliance considered material to the financial statements noted?

Yes No

Federal Awards

4. Internal control over compliance for major federal program:

Significant deficiency(ies) identified? Yes None Reported

Material weakness(es) identified? Yes No

5. Type of auditor’s report issued on compliance for major federal program:

Unmodified Qualified Adverse Disclaimed

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

City of Texarkana, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2019

7. Identification of major federal program:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Economic Adjustment Assistance	11.307

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

9. The City qualified as a low-risk auditee?

Yes No

City of Texarkana, Arkansas
Schedule of Finding and Questioned Costs (Continued)
Year Ended December 31, 2019

Section II – Financial Statement Findings

Reference Number	Finding
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No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
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No matters are reportable.

City of Texarkana, Arkansas
Schedule of Prior Audit findings
Year Ended December 31, 2019

Reference Number	Summary of Finding	Status
	No matters are reportable.	

Other Required Reports

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Independent Accountants' Report on Compliance With Arkansas State Requirements

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

We have examined management's assertions that the City of Texarkana, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2019.

- (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 compliance with the aforementioned Act and State Statutes. Our responsibility is to express an opinion on management's assertion about the City's compliance with the aforementioned requirements above 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, 2019.

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

BKD, LLP

Rogers, Arkansas
July 23, 2020

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