

City of Texarkana, Arkansas

Annual Comprehensive Financial Report

For the Year Ended December 31, 2020



Finance Department

TyRhonda Henderson
Finance Director

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City of Texarkana, Arkansas
Annual Comprehensive Financial Report
For the Fiscal Year Ended December 31, 2020

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Introductory Section

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CITY OF TEXARKANA ARKANSAS

FINANCE DEPARTMENT

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P O BOX 2711 TEXARKANA ARKANSAS 75504-2711

PHONE (870) 779-4954 FAX (870) 772-8182

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

The Annual Comprehensive Financial Report (ACFR) of the City of Texarkana, Arkansas (the City) for the year ended December 31, 2020, 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, 2020. 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.

We are on the web @ www.txkusa.org/ar

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, 2020.

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 developments have taken place in 2020 and 2021 within the City. Fifty-nine certificates of occupancy were issued in 2021. New construction projects are ongoing for a new subdivision on East 44th Street. Major remodeling projects are ongoing at the Miller County Courthouse, FedEx, and Advanced Interventional Pain Management.

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 December 22, 2020 the City of Texarkana, Arkansas Public Facilities Board issued \$5,000,000 in Taxable Lease Revenue Bonds for the purpose of acquiring an industrial site and ancillary property to be utilized in securing and developing industry which will be leased to the City of Texarkana, Arkansas. The Bonds are payable solely from the rent payments and other amounts derived from the project. The bond bears an interest of 3.95%.

On January 19, 2021, the City issued \$3,165,000 in Franchise Fee Secured Refunding Revenue Bonds, Series 2021-A for the purpose of refunding the Issuer's \$3,770,000 Franchise Fee Secured Refunding Revenue Bonds, Series 2015, of which \$3,250,000 remains outstanding, funding a debt service reserve fund, and to pay the costs of issuing the series 2021-A Bonds. The City also issued \$8,420,000 in Franchise Fee Secured Refunding Revenue Bonds, Taxable Series 2021-B for the purpose of advance refunding of the issue's \$10,300,000 original principal amount Franchise Fee Secured Refunding Revenue Bonds, Series 2012, of which \$7,920,000 remains outstanding, funding a debt service reserve fund, and to pay the cost of issuing the Taxable Series 2021-B Bonds. The Bonds are not general obligations of the Issuer but are special obligations payable solely from the revenues received by the Issuer from all franchise fees charged to public utilities for the privilege of using the City's streets and rights-a-way and from fund and moneys pledged to the payment of the Bonds under a Trust Indenture, dated as of January 19, 2021 between the City and Bank OZK Trustee. The bonds bear interest between 0.50% and 2.785%.

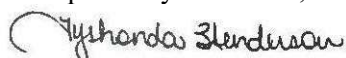
Awards and Acknowledgements

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 annual comprehensive financial reports (ACFR) for the fiscal year ended December 31, 2019. In order to be awarded a Certificate of Achievement, the government has to publish an easily readable and efficiently organized ACFR 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 ACFR 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

January 14, 2022



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

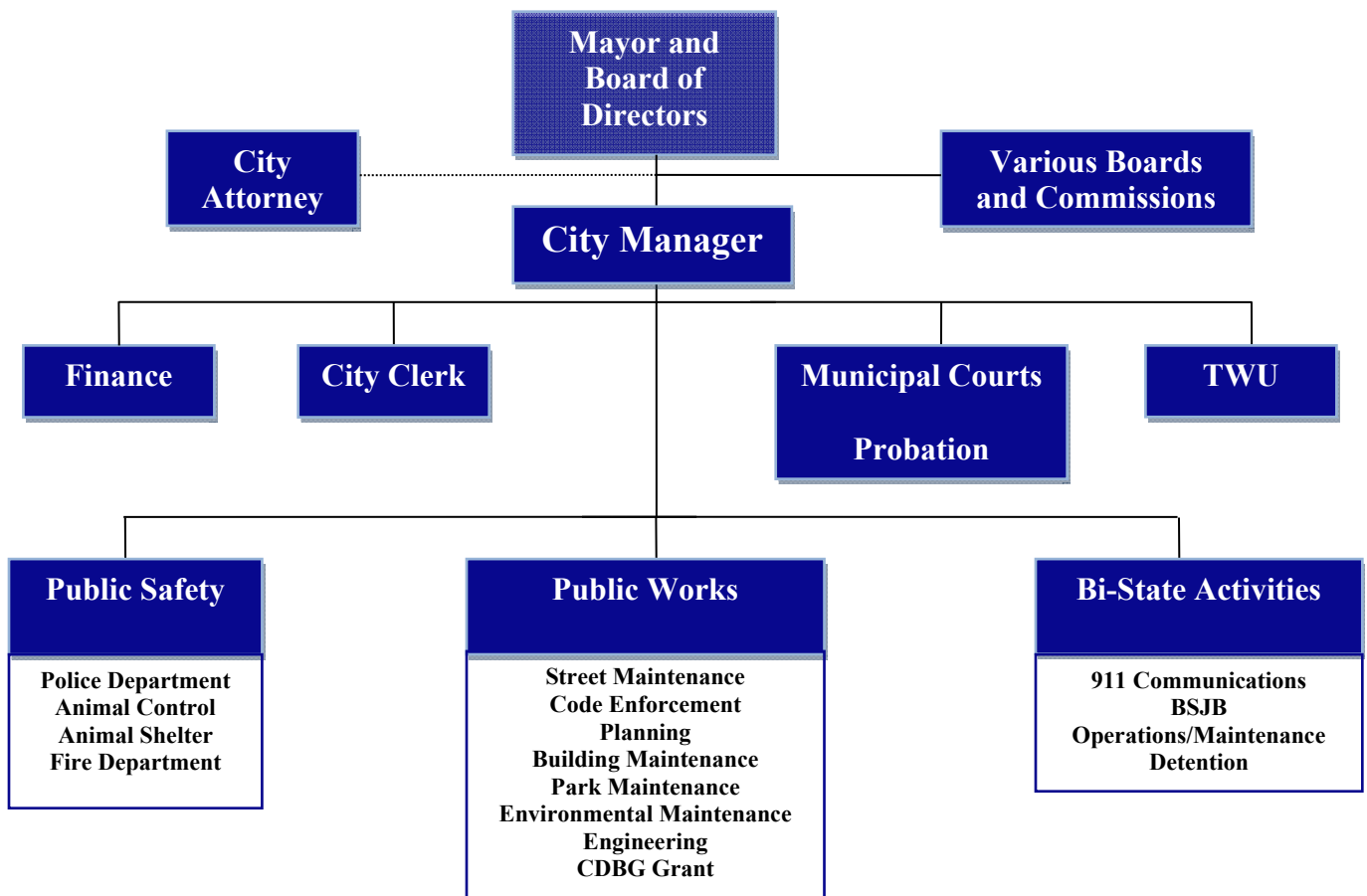
December 31, 2019

Christopher P. Morill

Executive Director/CEO



CITY OF TEXARKANA, ARKANSAS ORGANIZATIONAL CHART



City of Texarkana, Arkansas

Elected Officials:

| | |
|------------------|------------------------------------|
| Allen L. Brown | Mayor |
| Terry Roberts | Director – Ward 1 |
| Laney J. Harris | Director – Ward 2 |
| Steven Hollibush | Assistant Mayor, Director – Ward 3 |
| Ulysses Brewer | Director – Ward 4 |
| Barbara S. Miner | Director – Ward 5 |
| Jeff Hart | Director – Ward 6 |
| Wren Autrey | District Court Judge |

Appointed Officials:

| | |
|--------------------|---------------|
| E.J. Ellington | 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, 2020, 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, 2020, is \$12,739,458, which includes a current year increase of \$472,144. 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, 2020, is \$880,572 which includes a current year decrease of \$79,431. 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, 2020 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general and public works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2020, the City adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – and amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefit information 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.

Honorable Mayor, City Manager
and Members of the Board of Directors
City of Texarkana, Arkansas
Page 3

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 January 14, 2022, 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
January 14, 2022

City of Texarkana, Arkansas

Management's Discussion and Analysis

December 31, 2020

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, 2020. 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 \$52,030,349 (net position).
- The City's total net position decreased by \$666,030 from operations during fiscal year 2020.
- Governmental funds reported combined ending fund balances of \$14,628,982.
- At the end of the current fiscal year, unassigned fund balance was \$6,993,171.

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 since it is considered to be a major fund of the City. Individual fund data for the two non-major proprietary funds are provided in the form of combining statements elsewhere in this report. These statements are as of September 30, 2020, 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 two custodial 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 \$52,030,349 as of December 31, 2020. The largest portion of the City's net position, 89.58% (\$46,607,001), 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 | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Current and other assets | \$ 35,468,177 | \$ 32,640,970 | \$ 11,315,776 | \$ 11,827,145 | \$ 46,783,953 | \$ 44,468,115 |
| Capital assets | 34,354,470 | 34,100,317 | 53,459,166 | 54,844,400 | 87,813,636 | 88,944,717 |
| Other assets | - | - | 2,035,558 | 1,805,922 | 2,035,558 | 1,805,922 |
| Total assets | 69,822,647 | 66,741,287 | 66,810,500 | 68,477,467 | 136,633,147 | 135,218,754 |
| Deferred outflows of resources | 6,395,705 | 8,929,435 | 382,543 | 951,718 | 6,778,248 | 9,881,153 |
| Long-term liabilities | 58,780,865 | 62,358,064 | 20,984,068 | 24,695,387 | 79,764,933 | 87,053,451 |
| Other liabilities | 3,778,768 | 2,136,004 | 4,039,523 | 1,970,046 | 7,818,291 | 4,106,050 |
| Total liabilities | 62,559,633 | 64,494,068 | 25,023,591 | 26,665,433 | 87,583,224 | 91,159,501 |
| Deferred inflows of resources | 2,640,406 | 340,366 | 1,157,416 | 903,661 | 3,797,822 | 1,244,027 |
| Net position: | | | | | | |
| Net investment in capital assets | 11,573,523 | 11,887,149 | 35,033,478 | 34,951,626 | 46,607,001 | 46,838,775 |
| Restricted | 5,021,170 | 3,778,615 | 2,035,558 | 1,805,922 | 7,056,728 | 5,584,537 |
| Unrestricted | (5,576,380) | (4,829,476) | 3,943,000 | 5,102,543 | (1,633,380) | 273,067 |
| Total net position | \$ 11,018,313 | \$ 10,836,288 | \$ 41,012,036 | \$ 41,860,091 | \$ 52,030,349 | \$ 52,696,379 |

Analysis of the City's Operations - The following table provides a summary of the City's operations for the year ended December 31, 2020. Governmental activities increased the City's net position by \$182,025. From 2019 to the 2020 revenues increased by \$2,662,589 and expenses increased by \$1,620,884. The increase in revenue can be attributed to the increases in sales tax, grant entitlements, and miscellaneous. The increase in expenses can be attributed to an increase in general administration expenses of \$1,154,189 primarily due to demolition of Regency Building, Hazard Pay, an increase in insurance premiums, and Economic Development from CDBG funds and an increase in police department expenditures of \$909,561 primarily due to Hazard Pay and expenditures due to Stop School Violence Grant. These increases were offset by a decrease of \$724,706 in other public safety expense primarily due to decrease in BiState expenditures. Business-type activities decreased the City's net position by \$848,055. For the business type activities, the revenues from 2019 to 2020 increased by \$459,614. Expenses (excluding transfers out) from 2019 to 2020 increased by \$847,361 (8.8%).

In addition, deferred outflows for the governmental-type activities decreased by \$2,533,730 while the deferred inflows increased \$2,300,040, due to the annual activity within the various pension and other postemployment benefit plans of the City, which are shown in detail within *Notes 9 and 11*. Long term liabilities for the governmental activities decreased \$3,577,199 due to scheduled payments and the decrease in net pension liabilities and for the business-type activities decreased by \$3,711,319 due to annual payments and a decrease in the net pension liability of \$1,104,640. Additional information on the City of Texarkana, Arkansas' debt can be found in *Note 5* of this report.

City of Texarkana, Arkansas
Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|--|--------------------------------|--------------|---------------------------------|--------------|--------------|---------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 5,911,828 | \$ 5,571,532 | \$ 9,689,488 | \$ 9,285,223 | \$15,601,316 | \$ 14,856,755 |
| Operating grants and contributions | 4,819,791 | 3,944,769 | - | - | 4,819,791 | 3,944,769 |
| Capital grants and contributions | 509,874 | 724,333 | - | - | 509,874 | 724,333 |
| General revenues: | | | | | | |
| Property taxes | 4,143,548 | 4,490,963 | - | - | 4,143,548 | 4,490,963 |
| Other taxes | 14,653,881 | 13,275,563 | - | - | 14,653,881 | 13,275,563 |
| Other revenue | 1,300,352 | 669,525 | 234,884 | 179,535 | 1,535,236 | 849,060 |
| Total revenues | 31,339,274 | 28,676,685 | 9,924,372 | 9,464,758 | 41,263,646 | 38,141,443 |
| Expenses: | | | | | | |
| General administration | 3,585,283 | 2,431,094 | - | - | 3,585,283 | 2,431,094 |
| Police department | 10,057,223 | 9,147,662 | - | - | 10,057,223 | 9,147,662 |
| Fire department | 6,316,894 | 6,424,089 | - | - | 6,316,894 | 6,424,089 |
| Other public safety | 1,083,063 | 1,807,769 | - | - | 1,083,063 | 1,807,769 |
| Protective inspection | 602,488 | 542,856 | - | - | 602,488 | 542,856 |
| Public works | 7,125,056 | 6,931,855 | - | - | 7,125,056 | 6,931,855 |
| Public services | 71,343 | 61,695 | - | - | 71,343 | 61,695 |
| Health and welfare | 696,837 | 609,728 | - | - | 696,837 | 609,728 |
| Cultural and recreation | 1,260,562 | 1,214,342 | - | - | 1,260,562 | 1,214,342 |
| Interest on long-term debt | 762,801 | 769,576 | - | - | 762,801 | 769,576 |
| Water and sewer | - | - | 10,479,232 | 9,631,871 | 10,479,232 | 9,631,871 |
| Total expenses | 31,561,550 | 29,940,666 | 10,479,232 | 9,631,871 | 42,040,782 | 39,572,537 |
| Increase (decrease) in net position before transfers | (222,276) | (1,263,981) | (554,860) | (167,113) | (777,136) | (1,431,094) |
| Transfers | 404,301 | 560,828 | (293,195) | (609,087) | 111,106 | (48,259) |
| Increase (Decrease) in net position | 182,025 | (703,153) | (848,055) | (776,200) | (666,030) | (1,479,353) |
| Net position - beginning of year | 10,836,288 | 11,539,441 | 41,860,091 | 42,636,291 | 52,696,379 | 54,175,732 |
| Net position - end of year | \$11,018,313 | \$10,836,288 | \$41,012,036 | \$41,860,091 | \$52,030,349 | \$ 52,696,379 |

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 \$14,628,982.

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 \$6,993,171. Unassigned fund balance represents approximately 35.93% of the total General Fund expenditures. There are 131 days of expenditures in unassigned fund balance, representing a decrease of 4 days from 2019.

For the City's General Fund, from 2019 to 2020, total revenue increased by 15.15% due to an increase in sales tax, grants and entitlement, and miscellaneous and total expenditures increased by 8.02%. The City's General Fund balance increased by \$1,332,360 and resulted in an ending fund balance of \$8,188,368.

For the City's Public Works Fund, from 2019 to 2020, total revenue decreased by 3.14% primarily due to a decrease in intergovernmental and miscellaneous. Total expenditures increased by 1.83% due to an overall increase in protective inspections and capital outlay. The Public Works Fund reported a net decrease and change in fund balance of \$156,804, which resulted in an ending fund balance of \$1,855,815.

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 \$3,553,634. The total decrease in net position for Texarkana, Arkansas Water Utilities was \$950,965. The decrease for the Texarkana, Arkansas Water Utilities was primarily attributable to a mild, wet summer and the COVID-19 pandemic.

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 \$1,332,360 or ending fund balance of \$8,188,368. 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 \$3,539,158. This is mostly a result of expenditures being under budget by \$3,323,233 and revenues being over budget by \$1,099,497. This was offset by other financing uses being over budget by \$883,572. Capital Outlay expenditures were under budget by \$704,875. This is primarily due various budgeted capital outlay projects that were not completed during 2020 due to time constraints or planned multi-year projects. Other Public Safety expenditures were under budget by \$374,181. This is primarily due to contributions to the Bi-State Justice Center being under budget. Total revenues were over budget due to miscellaneous revenue being over budget by \$908,313.

Capital Assets

The City of Texarkana, Arkansas' investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounts to \$87,813,636 (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 | |
|-----------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 2,563,907 | \$ 2,563,907 | \$ 832,844 | \$ 864,911 | \$ 3,396,751 | \$ 3,428,818 |
| Buildings | 5,547,080 | 5,683,908 | 1,510,246 | 1,608,101 | 7,057,326 | 7,292,009 |
| Improvements other than buildings | 3,366,928 | 3,942,204 | 31,051,110 | 32,349,037 | 34,418,038 | 36,291,241 |
| Machinery and equipment | 3,722,094 | 3,570,206 | 1,853,811 | 1,882,863 | 5,575,905 | 5,453,069 |
| Infrastructure | 16,355,342 | 16,906,415 | - | - | 16,355,342 | 16,906,415 |
| Water rights | - | - | 17,784,128 | 17,784,128 | 17,784,128 | 17,784,128 |
| Construction in progress | 2,799,119 | 1,433,677 | 427,027 | 355,360 | 3,226,146 | 1,789,037 |
| Total | <u>\$ 34,354,470</u> | <u>\$ 34,100,317</u> | <u>\$ 53,459,166</u> | <u>\$ 54,844,400</u> | <u>\$ 87,813,636</u> | <u>\$ 88,944,717</u> |

Major capital asset additions for the governmental activities during 2020 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 \$20,003,223. Of this amount, \$6,846,208 comprises bonded debt backed by the full faith and credit of the government and \$13,157,015 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 \$5,429,525 represents bonds secured solely by water and sewer revenues.

General Obligation and Revenue Bonds

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| General obligation bonds | \$ 6,846,208 | \$ 7,509,672 | \$ - | \$ - | \$ 6,846,208 | \$ 7,509,672 |
| Revenue bonds | 13,157,015 | 13,727,370 | 5,429,525 | 6,728,413 | 18,586,540 | 20,455,783 |
| Total | <u>\$ 20,003,223</u> | <u>\$ 21,237,042</u> | <u>\$ 5,429,525</u> | <u>\$ 6,728,413</u> | <u>\$ 25,432,748</u> | <u>\$ 27,965,455</u> |

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In order to offset salary increase and associated benefits since 1996, the City has collected a special 0.25% sales tax for both the Police and Fire departments. The board of directors adopted competitive pay ordinances for both the Police and Fire departments, ordinances 18-2019 and 19-2019, in order to regain control of determining the amount and timing of COLA increases.

The cost of housing inmates continues to be an issue for the City and will continue to be a budget issue for 2021 and beyond.

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 2021. 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, 2020

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|--------------|-----------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Texarkana Advertising & Promotion |
| Assets | | | | |
| Cash | \$ 3,899,268 | \$ 2,656,738 | \$ 6,556,006 | \$ 403,675 |
| Investments | 1,515,742 | 2,241,242 | 3,756,984 | - |
| Accounts receivable, net of allowance | | | | |
| Property taxes | 5,264,006 | - | 5,264,006 | - |
| Accounts | 1,307,560 | 1,413,338 | 2,720,898 | - |
| Other government agencies | 3,639,151 | 180,756 | 3,819,907 | - |
| Accrued interest | - | 1,852 | 1,852 | - |
| Other | 1,857 | - | 1,857 | 132,566 |
| Due from fiduciary funds | - | - | - | - |
| Due from component units | 8,642 | - | 8,642 | - |
| Internal balances | - | 27,074 | 27,074 | - |
| Inventories | - | 294,631 | 294,631 | - |
| Prepaid items | 137,874 | 97,429 | 235,303 | - |
| Restricted assets | | | | |
| Cash | 5,583,801 | 1,248,516 | 6,832,317 | - |
| Investments | - | 102,239 | 102,239 | - |
| Accounts receivable | - | 4,382 | 4,382 | - |
| Prepaid capital improvement deposits | - | 536,188 | 536,188 | - |
| Net investment in direct financing lease: | | | | |
| Due within one year | - | 327,137 | 327,137 | - |
| Due in more than one year | - | 2,184,254 | 2,184,254 | - |
| Investment in joint ventures | 14,110,276 | - | 14,110,276 | - |
| Capital assets - non-depreciable | 5,363,026 | 19,043,999 | 24,407,025 | - |
| Capital assets - depreciable, net | 28,991,444 | 34,415,167 | 63,406,611 | - |
| Net pension asset | - | 2,035,558 | 2,035,558 | - |
| Total assets | 69,822,647 | 66,810,500 | 136,633,147 | 536,241 |
| Deferred Outflows of Resources | | | | |
| Deferred outflows - pension | 3,877,469 | 28,804 | 3,906,273 | - |
| Deferred outflows - pension contributions | 1,840,844 | 312,130 | 2,152,974 | - |
| Deferred outflows - other postemployment benefits | 677,392 | 41,609 | 719,001 | - |
| Total deferred outflows of resources | 6,395,705 | 382,543 | 6,778,248 | - |

| | Primary Government | | | Component |
|--|--------------------|---------------|---------------|---|
| | Governmental | Business-Type | Total | Unit |
| | Activities | Activities | | Texarkana Advertising & Promotion |
| Liabilities | | | | |
| Accounts payable | \$ 1,332,098 | \$ 550,364 | \$ 1,882,462 | \$ 68,695 |
| Accrued liabilities | 468,685 | 734,467 | 1,203,152 | - |
| Due to other governments | 92,557 | 107,887 | 200,444 | - |
| Due to fiduciary funds | 487,263 | - | 487,263 | - |
| Due to primary government | - | - | - | 8,642 |
| Customer deposits | - | 601,536 | 601,536 | - |
| Capital improvement deposits | - | 661,437 | 661,437 | - |
| Other liabilities | - | 12,538 | 12,538 | - |
| Long-term liabilities | | | | |
| Due within one year: | | | | |
| Bonds payable | 825,000 | 1,175,539 | 2,000,539 | - |
| Installment loans payable | 203,558 | - | 203,558 | - |
| Obligations under capital leases | 6,700 | - | 6,700 | - |
| Accrued compensated absences | 151,235 | 31,844 | 183,079 | - |
| Contracts payable | - | 163,911 | 163,911 | - |
| Other postemployment benefits liability | 211,672 | - | 211,672 | - |
| Due in more than one year | | | | |
| Bonds payable | 19,178,223 | 4,253,986 | 23,432,209 | - |
| Installment loans payable | 1,358,109 | - | 1,358,109 | - |
| Accrued compensated absences | 2,117,710 | 226,543 | 2,344,253 | - |
| Net pension and other postemployment benefits liability | 36,126,823 | 2,320,532 | 38,447,355 | - |
| Contracts payable | - | 14,183,007 | 14,183,007 | - |
| Total liabilities | 62,559,633 | 25,023,591 | 87,583,224 | 77,337 |
| Deferred Inflows of Resources | | | | |
| Deferred inflows - pension | 2,545,866 | 571,827 | 3,117,693 | - |
| Deferred inflows - other postemployment benefits | 94,540 | 585,589 | 680,129 | - |
| Total deferred inflows of resources | 2,640,406 | 1,157,416 | 3,797,822 | - |
| Net Position | | | | |
| Net investment in capital assets | 11,573,523 | 35,033,478 | 46,607,001 | - |
| Restricted | | | | |
| General administration | 9,944 | - | 9,944 | - |
| Police department | 41,057 | - | 41,057 | - |
| Fire department | 89,227 | - | 89,227 | - |
| Public works | 952,685 | - | 952,685 | - |
| Pension | - | 2,035,558 | 2,035,558 | - |
| Animal Shelter | 1,000,000 | - | 1,000,000 | - |
| Cultural and recreation | 30,754 | - | 30,754 | 458,904 |
| Debt service | 2,897,503 | - | 2,897,503 | - |
| Unrestricted (deficit) | (5,576,380) | 3,943,000 | (1,633,380) | - |
| Total net position | \$ 11,018,313 | \$ 41,012,036 | \$ 52,030,349 | \$ 458,904 |

City of Texarkana, Arkansas
Statement of Activities
Year Ended December 31, 2020

| | | Net (Expense) Revenue and Changes in Net Assets | | | | | | |
|--------------------------------|---------------|--|--|--|----------------------------|-----------------------------|----------------|---|
| | | Program Revenues | | | Primary Government | | | Component Unit |
| Functions/Programs | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | Texarkana Advertising & Promotion |
| Primary Government | Expenses | | | | | | | |
| Governmental Activities | | | | | | | | |
| General administration | \$ 3,585,283 | \$ 217,574 | \$ 1,328,820 | \$ 134,277 | \$ (1,904,612) | \$ - | \$ (1,904,612) | |
| Police department | 10,057,223 | 588,851 | 1,559,119 | - | (7,909,253) | - | (7,909,253) | |
| Fire department | 6,316,894 | - | - | - | (6,316,894) | - | (6,316,894) | |
| Other public safety | 1,083,063 | - | - | - | (1,083,063) | - | (1,083,063) | |
| Protective inspection | 602,488 | - | - | - | (602,488) | - | (602,488) | |
| Public works | 7,125,056 | 4,697,194 | 1,753,678 | - | (674,184) | - | (674,184) | |
| Public services | 71,343 | 408,209 | 110,961 | 375,597 | 823,424 | - | 823,424 | |
| Health and welfare | 696,837 | - | - | - | (696,837) | - | (696,837) | |
| Cultural and recreation | 1,260,562 | - | 67,213 | - | (1,193,349) | - | (1,193,349) | |
| Interest on long-term debt | 762,801 | - | - | - | (762,801) | - | (762,801) | |
| Total governmental activities | 31,561,550 | 5,911,828 | 4,819,791 | 509,874 | (20,320,057) | - | (20,320,057) | |
| Business-Type Activities | | | | | | | | |
| Water and sewer | 10,479,232 | 9,689,488 | - | - | - | (789,744) | (789,744) | |
| Total business-type activities | 10,479,232 | 9,689,488 | - | - | - | (789,744) | (789,744) | |
| Total primary government | \$ 42,040,782 | \$ 15,601,316 | \$ 4,819,791 | \$ 509,874 | (20,320,057) | (789,744) | (21,109,801) | |

| | | | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|-----------------------------------|--------------------------------------|-------------------------|--|--|--|-----------------------------|---------------|---|
| | | Program Revenues | | | Primary Government | | | Component Unit |
| Functions/Programs | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | Texarkana Advertising & Promotion |
| Primary Government | Expenses | | | | | | | |
| Component Unit | | | | | | | | |
| Texarkana Advertising & Promotion | \$ 1,151,206 | \$ - | \$ 16,245 | \$ - | | | | \$ (1,134,961) |
| | | | | | | | | |
| | General revenues | | | | | | | |
| | Property taxes | | | | \$ 4,143,548 | \$ - | \$ 4,143,548 | - |
| | Sales taxes | | | | 12,000,098 | - | 12,000,098 | - |
| | Franchise taxes | | | | 2,580,633 | - | 2,580,633 | - |
| | Other taxes | | | | 73,150 | - | 73,150 | 1,149,666 |
| | Unrestricted investment earnings | | | | 11,095 | 234,884 | 245,979 | 323 |
| | Miscellaneous | | | | 1,289,257 | - | 1,289,257 | - |
| | Transfers | | | | 404,301 | (293,195) | 111,106 | - |
| | Total general revenues and transfers | | | | 20,502,082 | (58,311) | 20,443,771 | 1,149,989 |
| | Change in Net Position | | | | 182,025 | (848,055) | (666,030) | 15,028 |
| | Net Position, Beginning of Year | | | | 10,836,288 | 41,860,091 | 52,696,379 | 443,876 |
| | Net Position, End of Year | | | | \$ 11,018,313 | \$ 41,012,036 | \$ 52,030,349 | \$ 458,904 |

City of Texarkana, Arkansas

Balance Sheet

Governmental Funds

December 31, 2020

| | General | Public Works | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Cash | \$ 3,899,268 | \$ 2,085,887 | \$ 3,497,914 | \$ 9,483,069 |
| Investments | 599,422 | - | 916,320 | 1,515,742 |
| Receivables | | | | |
| Property taxes, net of allowance for uncollectible accounts of \$303,123 | 3,410,804 | 30,046 | 1,823,156 | 5,264,006 |
| Accounts | 1,307,560 | - | - | 1,307,560 |
| Other government agencies | 3,119,511 | 494,752 | 24,888 | 3,639,151 |
| Other | 203 | 1,414 | 240 | 1,857 |
| Due from other funds | 47,255 | 113,926 | 2,168 | 163,349 |
| Due from component units | - | 8,642 | - | 8,642 |
| Prepaid items | 129,438 | 334 | 8,102 | 137,874 |
| Total assets | <u>\$ 12,513,461</u> | <u>\$ 2,735,001</u> | <u>\$ 6,272,788</u> | <u>\$ 21,521,250</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 448,127 | \$ 798,284 | \$ 85,687 | \$ 1,332,098 |
| Accrued liabilities | 186,034 | 22,392 | 672 | 209,098 |
| Due to other governments | 92,557 | - | - | 92,557 |
| Due to other funds | 596,409 | 47,420 | 6,783 | 650,612 |
| Total liabilities | <u>1,323,127</u> | <u>868,096</u> | <u>93,142</u> | <u>2,284,365</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue-property taxes | 2,963,707 | 11,090 | 1,591,850 | 4,566,647 |
| Unavailable revenue-grants | 38,259 | - | 2,997 | 41,256 |
| Total deferred inflows of resources | <u>3,001,966</u> | <u>11,090</u> | <u>1,594,847</u> | <u>4,607,903</u> |
| Fund Balances | | | | |
| Nonspendable | | | | |
| Prepaid items | 129,438 | 334 | 8,102 | 137,874 |
| Restricted | | | | |
| General administration | - | - | 1,842 | 1,842 |
| Police department | - | - | 41,057 | 41,057 |
| Fire department | - | - | 46,697 | 46,697 |
| Public works | - | - | 952,685 | 952,685 |
| Debt service | - | - | 2,098,635 | 2,098,635 |
| Animal Shelter | 1,000,000 | - | - | 1,000,000 |
| Cultural and recreation | - | - | 904,535 | 904,535 |
| Committed | | | | |
| Public works | - | 389,125 | - | 389,125 |
| Cultural and recreation | 10,577 | - | - | 10,577 |
| Assigned | | | | |
| Police department | 24,890 | - | 141,598 | 166,488 |
| Public works | 30,292 | 1,466,356 | 389,648 | 1,886,296 |
| Unassigned | 6,993,171 | - | - | 6,993,171 |
| Total fund balances | <u>8,188,368</u> | <u>1,855,815</u> | <u>4,584,799</u> | <u>14,628,982</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 12,513,461</u> | <u>\$ 2,735,001</u> | <u>\$ 6,272,788</u> | <u>\$ 21,521,250</u> |

City of Texarkana, Arkansas
Balance Sheet (Continued)
Governmental Funds
December 31, 2020

Total fund balances - total governmental funds \$ 14,628,982

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. 34,354,470

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. 3,755,299

The City's equity investment in joint ventures is not a financial resource and is, therefore, not reported in the funds. 14,110,276

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. 4,607,903

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

Accrued interest payable (259,587)

Accrued compensated absences (2,268,945)

Net pension and other postemployment benefits liability (36,338,495)

Bonds payable, net of unamortized premiums (20,003,223)

Obligations under installment loans and capital lease (1,568,367)

Total net position - governmental activities \$ 11,018,313

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2020

| | General | Public Works | Other Governmental Funds | Total |
|--|---------------------|-------------------------|---|----------------------|
| Revenues | | | | |
| Property taxes | \$ 2,454,392 | \$ 103,889 | \$ 1,361,878 | \$ 3,920,159 |
| Sales taxes | 11,082,601 | 917,497 | - | 12,000,098 |
| Other taxes | 73,150 | - | - | 73,150 |
| Utility franchise | 2,579,878 | - | - | 2,579,878 |
| Licenses and permits | 57,782 | 228,038 | - | 285,820 |
| Fines, forfeitures and penalties | 565,576 | - | 23,160 | 588,736 |
| Charges for services | 175,288 | 4,469,156 | - | 4,644,444 |
| Grants and entitlements | 1,542,664 | 434,563 | 587,677 | 2,564,904 |
| Intergovernmental | 1,462,461 | 1,334,731 | - | 2,797,192 |
| Investment income | 3,177 | 1,967 | 5,951 | 11,095 |
| Miscellaneous | 1,096,046 | 168,759 | 24,452 | 1,289,257 |
| Total revenues | <u>21,093,015</u> | <u>7,658,600</u> | <u>2,003,118</u> | <u>30,754,733</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 2,654,196 | - | 335,503 | 2,989,699 |
| Police department | 8,647,948 | - | - | 8,647,948 |
| Fire department | 5,256,566 | - | - | 5,256,566 |
| Other public safety | 1,064,126 | - | 18,141 | 1,082,267 |
| Protective inspection | - | 515,739 | - | 515,739 |
| Public works | - | 5,282,603 | 1,760 | 5,284,363 |
| Public services | - | - | 60,953 | 60,953 |
| Health and welfare | 593,169 | - | - | 593,169 |
| Cultural and recreation | 542 | 331,318 | 447,819 | 779,679 |
| Capital outlay | 1,038,484 | 1,387,721 | 120,000 | 2,546,205 |
| Debt service: | | | | |
| Principal retirement | 185,759 | - | 1,257,000 | 1,442,759 |
| Interest and fiscal charges | 23,116 | - | 761,853 | 784,969 |
| Bond issuance costs | - | - | 2,038 | 2,038 |
| Total expenditures | <u>19,463,906</u> | <u>7,517,381</u> | <u>3,005,067</u> | <u>29,986,354</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>1,629,109</u> | <u>141,219</u> | <u>(1,001,949)</u> | <u>768,379</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 852,571 | 190,572 | 1,041,510 | 2,084,653 |
| Transfers out | (1,149,320) | (488,595) | (42,437) | (1,680,352) |
| Issuance of debt | - | - | 810,000 | 810,000 |
| Total other financing sources (uses) | <u>(296,749)</u> | <u>(298,023)</u> | <u>1,809,073</u> | <u>1,214,301</u> |
| Net Change in Fund Balances | <u>1,332,360</u> | <u>(156,804)</u> | <u>807,124</u> | <u>1,982,680</u> |
| Fund Balances, Beginning of Year | <u>6,856,008</u> | <u>2,012,619</u> | <u>3,777,675</u> | <u>12,646,302</u> |
| Fund Balances, End of Year | <u>\$ 8,188,368</u> | <u>\$ 1,855,815</u> | <u>\$ 4,584,799</u> | <u>\$ 14,628,982</u> |

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
Year Ended December 31, 2020

Net change in fund balances - total governmental funds \$ 1,982,680

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 | 2,546,205 |
| Depreciation expense | (2,292,052) |

| | |
|--|---------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 191,713 |
|--|---------|

| | |
|--|---------|
| Gains from the change in the equity investment in joint ventures do not provide current financial resources are not reported in the funds. | 392,828 |
|--|---------|

| | |
|---|---------|
| 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. | 641,578 |
|---|---------|

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 | 15,387 |
| Accrued compensated absences | (91,529) |
| Net pension liability | 2,239,849 |
| Other postemployment benefits liability | (610,864) |
| Net change in deferred inflows/outflows of resources related to pensions and other postemployment benefits liability | (4,833,770) |

| | |
|--|-------------------|
| Change in net position of governmental activities | \$ 182,025 |
|--|-------------------|

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes
In Fund Balances – Budget and Actual – General Fund
Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Property taxes | \$ 2,591,600 | \$ 2,349,400 | \$ 2,454,392 | \$ 104,992 |
| Sales taxes | 10,328,153 | 10,870,937 | 11,082,601 | 211,664 |
| Other taxes | - | - | 73,150 | 73,150 |
| Utility franchise | 2,614,575 | 2,618,000 | 2,579,878 | (38,122) |
| Licenses and permits | 68,450 | 60,930 | 57,782 | (3,148) |
| Fines, forfeitures and penalties | 799,880 | 703,264 | 565,576 | (137,688) |
| Charges for services | 228,430 | 206,830 | 175,288 | (31,542) |
| Grants and entitlements | 315,480 | 1,609,061 | 1,542,664 | (66,397) |
| Intergovernmental | 1,426,500 | 1,387,363 | 1,462,461 | 75,098 |
| Investment income | - | - | 3,177 | 3,177 |
| Miscellaneous | 396,130 | 187,733 | 1,096,046 | 908,313 |
| | <u>18,769,198</u> | <u>19,993,518</u> | <u>21,093,015</u> | <u>1,099,497</u> |
| Total revenues | | | | |
| Expenditures | | | | |
| Current: | | | | |
| General government | 2,060,199 | 3,384,398 | 2,604,196 | 780,202 |
| Police department | 8,828,841 | 8,928,268 | 8,662,143 | 266,125 |
| Fire department | 5,171,794 | 5,300,996 | 5,256,566 | 44,430 |
| Other public safety | 1,387,191 | 1,438,307 | 1,064,126 | 374,181 |
| Health and welfare | 445,953 | 478,073 | 593,169 | (115,096) |
| Cultural and recreation | 235,286 | 235,286 | 542 | 234,744 |
| Capital outlay | 1,895,573 | 1,729,164 | 1,024,289 | 704,875 |
| Debt service: | | | | |
| Principal retirement | 166,333 | 166,333 | 185,759 | (19,426) |
| Interest and fiscal charges | 22,225 | 22,225 | 23,116 | (891) |
| | <u>20,213,395</u> | <u>21,683,050</u> | <u>19,413,906</u> | <u>2,269,144</u> |
| Total expenditures | | | | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(1,444,197)</u> | <u>(1,689,532)</u> | <u>1,679,109</u> | <u>3,368,641</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 773,570 | 536,823 | 852,571 | 315,748 |
| Transfers out | (1,054,179) | (1,054,179) | (1,199,320) | (145,141) |
| | <u>(280,609)</u> | <u>(517,356)</u> | <u>(346,749)</u> | <u>170,607</u> |
| Total other financing sources (uses) | | | | |
| Net Change in Fund Balances | <u>(1,724,806)</u> | <u>(2,206,888)</u> | <u>1,332,360</u> | <u>3,539,248</u> |
| Fund Balances, Beginning of Year | <u>6,856,008</u> | <u>6,856,008</u> | <u>6,856,008</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 5,131,202</u> | <u>\$ 4,649,120</u> | <u>\$ 8,188,368</u> | <u>\$ 3,539,248</u> |

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund
Balances – Budget and Actual - Public Works Fund
Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Property taxes | \$ 110,700 | \$ 99,600 | \$ 103,889 | \$ 4,289 |
| Sales taxes | 715,000 | 721,000 | 917,497 | 196,497 |
| Licenses and permits | 302,600 | 160,050 | 228,038 | 67,988 |
| Charges for services | 4,548,500 | 4,653,000 | 4,469,156 | (183,844) |
| Grants and entitlements | 700,706 | 903,791 | 434,563 | (469,228) |
| Intergovernmental | 1,379,500 | 1,403,500 | 1,334,731 | (68,769) |
| Investment income | 2,000 | 1,850 | 1,967 | 117 |
| Miscellaneous | 324,362 | 322,497 | 168,759 | (153,738) |
| Total revenues | <u>8,083,368</u> | <u>8,265,288</u> | <u>7,658,600</u> | <u>(606,688)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Protective inspection | 554,353 | 543,199 | 515,739 | 27,460 |
| Public works | 5,856,272 | 5,587,908 | 5,282,603 | 305,305 |
| Cultural and recreation | 376,125 | 338,392 | 331,318 | 7,074 |
| Capital outlay | <u>1,962,978</u> | <u>2,001,522</u> | <u>1,387,721</u> | <u>613,801</u> |
| Total expenditures | <u>8,749,728</u> | <u>8,471,021</u> | <u>7,517,381</u> | <u>953,640</u> |
| Excess (Deficiencies) of Revenues Over (Under) Expenditures | <u>(666,360)</u> | <u>(205,733)</u> | <u>141,219</u> | <u>346,952</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 33,951 | 162,631 | 190,572 | 27,941 |
| Transfers out | <u>(482,040)</u> | <u>(476,000)</u> | <u>(488,595)</u> | <u>(12,595)</u> |
| Total other financing sources (uses) | <u>(448,089)</u> | <u>(313,369)</u> | <u>(298,023)</u> | <u>15,346</u> |
| Net Change in Fund Balances | <u>(1,114,449)</u> | <u>(519,102)</u> | <u>(156,804)</u> | <u>362,298</u> |
| Fund Balances, Beginning of Year | <u>2,012,619</u> | <u>2,012,619</u> | <u>2,012,619</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 898,170</u> | <u>\$ 1,493,517</u> | <u>\$ 1,855,815</u> | <u>\$ 362,298</u> |

City of Texarkana, Arkansas
Statement of Net Position
Proprietary Funds
December 31, 2020

| | Texarkana Water Utilities | | |
|---|----------------------------------|--|---------------------------------------|
| | Water Utilities | Nonmajor Enterprise Funds | Total Enterprise Funds |
| Assets | | | |
| Current assets | | | |
| Cash | \$ 2,221,984 | \$ 434,754 | \$ 2,656,738 |
| Investments | 2,197,425 | 43,817 | 2,241,242 |
| Receivables: | | | |
| Accounts (net of allowance for uncollectible) | 1,370,104 | 43,234 | 1,413,338 |
| Accrued interest | 1,118 | 734 | 1,852 |
| Due from other funds | 31,941 | 293 | 32,234 |
| Due from other governments | 180,034 | 722 | 180,756 |
| Inventories | 294,631 | - | 294,631 |
| Prepaid items | 96,297 | 1,132 | 97,429 |
| Net investment in direct financing leases - current | 327,137 | - | 327,137 |
| Total current assets | 6,720,671 | 524,686 | 7,245,357 |
| Noncurrent assets | | | |
| Restricted assets | | | |
| Cash | 1,104,724 | 143,792 | 1,248,516 |
| Investments | - | 102,239 | 102,239 |
| Receivables | | | |
| Interest | 2,670 | 1,712 | 4,382 |
| Total restricted assets | 1,107,394 | 247,743 | 1,355,137 |
| Capital assets (net of accumulated depreciation) | | | |
| Land | 817,397 | 15,447 | 832,844 |
| Buildings | 1,025,600 | 968 | 1,026,568 |
| Improvements other than buildings | 21,292,151 | 1,967,812 | 23,259,963 |
| Machinery and equipment | 1,833,618 | 20,260 | 1,853,878 |
| Property under capital leases | 8,274,758 | - | 8,274,758 |
| Water rights | 17,784,128 | - | 17,784,128 |
| Construction in progress | 410,899 | 16,128 | 427,027 |
| Net capital assets | 51,438,551 | 2,020,615 | 53,459,166 |
| Other assets | | | |
| Prepaid capital improvement deposits | 534,951 | 1,237 | 536,188 |
| Net pension asset | 2,035,558 | - | 2,035,558 |
| Net investment in direct financing leases | 2,184,254 | - | 2,184,254 |
| Total other assets | 4,754,763 | 1,237 | 4,756,000 |
| Total noncurrent assets | 57,300,708 | 2,269,595 | 59,570,303 |
| Total assets | 64,021,379 | 2,794,281 | 66,815,660 |
| Deferred Outflows of Resources | | | |
| Deferred outflows - pension | 28,351 | 453 | 28,804 |
| Deferred outflows - pension contributions | 307,227 | 4,903 | 312,130 |
| Deferred outflows - OPEB | 41,609 | - | 41,609 |
| Total deferred outflows of resources | 377,187 | 5,356 | 382,543 |

| | Texarkana Water Utilities | | |
|--|----------------------------------|--|---------------------------------------|
| | Water Utilities | Nonmajor Enterprise Funds | Total Enterprise Funds |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | \$ 532,389 | \$ 17,975 | \$ 550,364 |
| Construction contracts payable | 163,911 | - | 163,911 |
| Accrued liabilities | 253,115 | 7,939 | 261,054 |
| Accrued interest payable | 454,860 | 18,553 | 473,413 |
| Due to other funds | 293 | 4,867 | 5,160 |
| Due to other governments | 99,048 | 8,839 | 107,887 |
| Other payables | 11,234 | 1,304 | 12,538 |
| Compensated absences - current portion | 31,844 | - | 31,844 |
| Bonds payable - current portion | 926,989 | 248,550 | 1,175,539 |
| Total current liabilities | 2,473,683 | 308,027 | 2,781,710 |
| Noncurrent liabilities | | | |
| Customer deposits | 559,657 | 41,879 | 601,536 |
| Capital improvement deposits | 651,836 | 9,601 | 661,437 |
| Contracts payable | 14,183,007 | - | 14,183,007 |
| Compensated absences | 226,543 | - | 226,543 |
| Net pension and OPEB liability | 2,298,475 | 22,057 | 2,320,532 |
| Revenue bonds | 3,257,084 | 996,902 | 4,253,986 |
| Total noncurrent liabilities | 21,176,602 | 1,070,439 | 22,247,041 |
| Total liabilities | 23,650,285 | 1,378,466 | 25,028,751 |
| Deferred Inflows of Resources | | | |
| Deferred inflows - pension | 561,216 | 10,611 | 571,827 |
| Deferred inflows - other postemployment benefits | 585,589 | - | 585,589 |
| Total deferred inflows of resources | 1,146,805 | 10,611 | 1,157,416 |
| Net Position | | | |
| Net investment in capital assets | 34,012,284 | 1,021,194 | 35,033,478 |
| Restricted for pensions | 2,035,558 | - | 2,035,558 |
| Unrestricted | 3,553,634 | 389,366 | 3,943,000 |
| Total net position | \$ 39,601,476 | \$ 1,410,560 | \$ 41,012,036 |

City of Texarkana, Arkansas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2020

| | Texarkana Water Utilities | | |
|--|----------------------------------|--|---------------------------------------|
| | Water Utilities | Nonmajor Enterprise Funds | Total Enterprise Funds |
| Operating Revenues | | | |
| Water sales | \$ 3,750,103 | \$ 483,465 | \$ 4,233,568 |
| Wholesale water sales | 57,800 | - | 57,800 |
| Water connection fees | 3,200 | 1,100 | 4,300 |
| Sewer charges | 3,926,605 | - | 3,926,605 |
| Penalties and service charges | 252,497 | 18,233 | 270,730 |
| Other income | 1,186,741 | 9,744 | 1,196,485 |
| Total operating revenues | 9,176,946 | 512,542 | 9,689,488 |
| Operating Expenses | | | |
| Administrative | 226,619 | - | 226,619 |
| Finance | 494,588 | 10,364 | 504,952 |
| Customer service | 343,712 | 48,992 | 392,704 |
| Water production | 1,528,125 | 121,416 | 1,649,541 |
| Waster distribution | 522,512 | 33,282 | 555,794 |
| Sewer collection | 437,886 | - | 437,886 |
| Wastewater treatment | 1,615,078 | - | 1,615,078 |
| Environmental service | 135,485 | - | 135,485 |
| Engineer design | 269,592 | 1,045 | 270,637 |
| Geographical information systems | 130,870 | - | 130,870 |
| Composting | 117,173 | - | 117,173 |
| Operations administration | 105,075 | - | 105,075 |
| Service center | 340,349 | - | 340,349 |
| Field service | 209,504 | 32,564 | 242,068 |
| Construction oversight | 234,643 | 840 | 235,483 |
| Depreciation | 2,253,533 | 121,348 | 2,374,881 |
| Other expenses | - | 719 | 719 |
| Contract water & sewer expense - International Paper | 336,087 | 1,959 | 338,046 |
| Other managed systems | 14,218 | - | 14,218 |
| Legal services | 2,600 | - | 2,600 |
| Total operating expenses | 9,317,649 | 372,529 | 9,690,178 |
| Operating Income (loss) | (140,703) | 140,013 | (690) |
| Nonoperating Revenues (Expenses) | | | |
| Interest income - investments | 58,359 | 5,671 | 64,030 |
| Interest income - capital leases | 170,854 | - | 170,854 |
| Interest expense and paying agent fees | (732,682) | (42,774) | (775,456) |
| Loss on disposal of capital assets | (13,598) | - | (13,598) |
| Total nonoperating revenues (expenses) | (517,067) | (37,103) | (554,170) |
| Income (loss) Before Transfers | (657,770) | 102,910 | (554,860) |
| Transfers Out | (293,195) | - | (293,195) |
| Changes in Net Position | (950,965) | 102,910 | (848,055) |
| Net Position, Beginning of Year | 40,552,441 | 1,307,650 | 41,860,091 |
| Net Position, End of Year | \$ 39,601,476 | \$ 1,410,560 | \$ 41,012,036 |

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City of Texarkana, Arkansas
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2020

| | Texarkana Water Utilities | | |
|---|----------------------------------|-------------------|-------------------|
| | Water | Nonmajor | Total |
| | Utilities | Enterprise | Enterprise |
| | Funds | Funds | Funds |
| Cash Flows From Operating Activities | | | |
| Cash received from customers | \$ 9,424,683 | \$ 559,405 | \$ 9,984,088 |
| Cash paid to suppliers | (5,106,924) | (186,077) | (5,293,001) |
| Cash paid to employees | (2,400,649) | (61,040) | (2,461,689) |
| Net cash provided by operating activities | 1,917,110 | 312,288 | 2,229,398 |
| Cash Flows From Noncapital Financing Activities | | | |
| Transfers to City general fund | (293,195) | - | (293,195) |
| Net cash used for noncapital financing activities | (293,195) | - | (293,195) |
| Cash Flows From Capital and Related Financing Activities | | | |
| Acquisition and construction of capital assets | (959,865) | (43,381) | (1,003,246) |
| Principal paid on bonds | (1,058,224) | (240,664) | (1,298,888) |
| Interest paid on bonds | (583,614) | (46,358) | (629,972) |
| Principal received on direct financing leases | 355,248 | - | 355,248 |
| Interest received on direct financing leases | 170,854 | - | 170,854 |
| Capital improvement deposits paid | 544,206 | - | 544,206 |
| Capital improvement deposits received | - | 15,356 | 15,356 |
| Net cash used for capital and related financing activities | (1,531,395) | (315,047) | (1,846,442) |
| Cash Flows From Investing Activities | | | |
| Purchase of investments | (1,596,401) | (45,787) | (1,642,188) |
| Proceeds from sale and maturities of investments | 1,593,596 | 43,434 | 1,637,030 |
| Interest received on investments | 58,359 | 3,620 | 61,979 |
| Net cash provided by investing activities | 55,554 | 1,267 | 56,821 |
| Increase (Decrease) in Cash | 148,074 | (1,492) | 146,582 |
| Cash, Beginning of Year | 3,178,634 | 580,038 | 3,758,672 |
| Cash, End of Year | \$ 3,326,708 | \$ 578,546 | \$ 3,905,254 |
| Cash of Proprietary Funds, as Presented, on the | | | |
| "Statement of Fund Net Position - Proprietary Funds" | | | |
| is as follows: | | | |
| Cash | \$ 2,221,984 | \$ 434,754 | \$ 2,656,738 |
| Restricted cash | 1,104,724 | 143,792 | 1,248,516 |
| | \$ 3,326,708 | \$ 578,546 | \$ 3,905,254 |

City of Texarkana, Arkansas
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended December 31, 2020

| | Texarkana Water Utilities | | Total |
|---|---------------------------|---------------------------------|---------------------|
| | Water Utilities | Nonmajor Enterprise Funds | Enterprise Funds |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities | | | |
| Operating income (loss) | \$ (140,703) | \$ 140,013 | \$ (690) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Depreciation expense | 2,253,533 | 121,348 | 2,374,881 |
| (Increase) decrease in assets: | | | |
| Accounts receivable | 223,667 | 44,114 | 267,781 |
| Due from other governments | 584 | - | 584 |
| Due from other funds | (88,800) | (454) | (89,254) |
| Inventories | 22,379 | - | 22,379 |
| Prepaid expenses | (20,082) | (26) | (20,108) |
| Net pension asset | (229,636) | - | (229,636) |
| Decrease in deferred outflows | (151,264) | (3,116) | (154,380) |
| Increase (decrease) in liabilities: | | - | |
| Accounts payable | (186,049) | 3,333 | (182,716) |
| Accrued liabilities | 199,266 | 4,308 | 203,574 |
| Due to other funds | 99,341 | (2,049) | 97,292 |
| Accrued compensated absences | (199) | - | (199) |
| Customer deposits | 40,304 | 3,794 | 44,098 |
| Net pension and postemployment benefits liabilities | (1,022,596) | (18,342) | (1,040,938) |
| Other payables | (40,171) | (409) | (40,580) |
| Increase in deferred inflows | 957,536 | 19,774 | 977,310 |
| Net cash provided by operating activities | <u>\$ 1,917,110</u> | <u>\$ 312,288</u> | <u>\$ 2,229,398</u> |

City of Texarkana, Arkansas
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

| | Pension Trust Funds | Custodial Funds |
|--------------------------------------|------------------------------------|----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 651,838 | \$ 121,544 |
| Investments | | |
| U. S. government obligations | 264,705 | - |
| Mortgage backed securities | 330,000 | - |
| Corporate bonds and notes | 681,103 | - |
| Mutual funds and other investments | 8,809,046 | - |
| Interest receivable | 18,504 | 3,556 |
| Due from other funds | 487,263 | - |
| | <hr/> | <hr/> |
| Total assets | 11,242,459 | 125,100 |
| | <hr/> | <hr/> |
| Liabilities | | |
| Accounts payable | 6,254 | - |
| Escrow deposits | - | - |
| Due to other funds | 2,321 | - |
| | <hr/> | <hr/> |
| Total liabilities | 8,575 | - |
| | <hr/> | <hr/> |
| Net Position | | |
| Restricted for: | | |
| Pensions | 11,233,884 | - |
| Other governments | - | 125,100 |
| | <hr/> | <hr/> |
| Net position restricted for pensions | \$ 11,233,884 | \$ 125,100 |
| | <hr/> <hr/> | <hr/> <hr/> |

City of Texarkana, Arkansas
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2020

| | Pension Trust Funds | Custodial Funds |
|--|------------------------------------|----------------------------|
| Additions | | |
| Contributions | | |
| Employer | \$ 689,095 | \$ - |
| Employee | 13,093 | - |
| Intergovernmental | 313,739 | - |
| Other | 26,894 | - |
| | <hr/> | <hr/> |
| Total contributions | 1,042,821 | - |
| | <hr/> | <hr/> |
| Receipt of police bond funds | - | 818,475 |
| Investment income | | |
| Net increase in fair value of investments | 430,383 | - |
| Interest and dividends | 214,371 | 263 |
| | <hr/> | <hr/> |
| | 644,754 | 263 |
| Less investment expense | 20,207 | - |
| | <hr/> | <hr/> |
| Net investment income | 624,547 | 263 |
| | <hr/> | <hr/> |
| Total additions | 1,667,368 | 818,738 |
| | <hr/> | <hr/> |
| Deductions | | |
| Benefits paid directly to participants | 1,695,455 | - |
| Return of police bond funds | - | 891,595 |
| Administrative expenses | 68,769 | - |
| | <hr/> | <hr/> |
| Total deductions | 1,764,224 | 891,595 |
| | <hr/> | <hr/> |
| Net Decrease in Net Position | (96,856) | (72,857) |
| Net Position, Beginning of Year (as restated) | 11,330,740 | 197,957 |
| | <hr/> | <hr/> |
| Net Position, End of Year | <u>\$ 11,233,884</u> | <u>\$ 125,100</u> |

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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 Employee Defined Benefit Retirement System, Water Utilities Employee Defined Benefit Retirement System and Policemen's Defined Benefit Relief and Pension Plans are reported as fiduciary component units as fiduciary funds in the fiduciary funds statements. The other benefit plans are maintained by the Arkansas Local Police and Fire Retirement System (LOPFI), the Texas Municipal Retirement System (TMRS), and Arkansas Public Employees Retirement System (APERS) and are properly excluded from the financial statements.

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, 2020, totaled \$1,149,666. The Commission does not have separately issued financial statements.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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, 2019, consisted of \$2,063,827 by Texarkana, Arkansas and \$2,076,067 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 \$12,739,458 at December 31, 2019, 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, 2020, was \$490,246. 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, 2020

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, 2020, 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, 2019, which is the latest information available, was \$880,572.

Jointly Governed Organizations

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

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Expenses that cannot be specifically identified to a particular function are charged to funds based on time spent for that function and are included in the functional categories. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity.

Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

The City reports the following major enterprise fund:

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.

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 funds are used to account for activities for which a fee is charged to external user for goods or services. The Union and Mandeville Utilities has a September 30 fiscal year-end.

Pension 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.

Custodial Fund – Accounts for monies collected and held by the courts until they are disbursed to various governmental agencies.

Measurement Focus and Basis of Accounting

Government-wide, Proprietary and Fiduciary Funds

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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

Notes to Financial Statements

December 31, 2020

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, 2020, 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

Notes to Financial Statements

December 31, 2020

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

December 31, 2020

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 9*. 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 11*.

In addition to liabilities, the statement of net position, statement of fund net position and the balance sheet will sometimes report a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future 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 on pension plan investments as well as the changes in proportion for cost-sharing plans. These

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

amounts are amortized over future periods as shown within *Note 9*. The third item, deferred inflows – OPEB, consists of changes of assumptions and the difference between expected and actual experience. Deferred inflows – OPEB are amortized to OPEB expense over future periods as shown in *Note 11*.

Long-term Obligations

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

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

Compensated Absences

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

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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 \$458,904 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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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

Adoption of GASB Statement No. 84 (GASB 84), Fiduciary Activities and GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, a supersession of GASB Statement No. 32 (GASB 97)

Effective January 1, 2020, the City implemented GASB 84 and GASB 97. These statements establish criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Adoption of GASB 84 and 97 resulted in activities meeting the criteria being presented in the City's statement of fiduciary net position and statement of changes in fiduciary net position. The adoption of GASB 84 and GASB 97 had no impact on the City's government-wide, governmental fund or proprietary fund financial statements. Adoption of GASB 84 had no effect on the City's fiduciary funds statements other than reporting the police bond fund and the drug seizure fund as a custodial funds rather than an agency funds which resulted in reporting a beginning net position of \$197,957, not previously reported.

Adoption of GASB Statement No. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements (GASB 88)

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities 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 the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to 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 subjective acceleration clauses.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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.

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, 2020:

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.

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.

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.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*: The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). This statement is effective for periods beginning after June 15, 2020, with earlier application encouraged.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*: The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership agreements (PPPs). The statement also provides guidance for accounting and financial reporting for availability payment arrangement (APAs). This statement is effective for periods beginning after June 15, 2022, with earlier application encouraged.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

GASB Statement No 96 – *Subscription-Based Information Technology Arrangements*: This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This statement is effective for periods beginning after June 15, 2022, 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, 2020 and September 30, 2020, 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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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, 2020, 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 | \$ 264,705 | \$ - | \$ 107,197 | \$ 11,988 | \$ 145,520 |
| Corporate bonds | 681,103 | 131,464 | 173,482 | 244,449 | 131,708 |
| Money market mutual funds | 2,505,831 | 2,505,831 | - | - | - |
| Mortgage backed securities | 330,000 | - | 1,547 | 57,446 | 271,007 |
| International bond mutual funds | 72,538 | - | - | 43,491 | 29,047 |
| Bond mutual funds | 3,951,977 | 612,741 | 231,750 | 2,004,213 | 1,103,273 |
| | | <u>\$ 3,250,036</u> | <u>\$ 513,976</u> | <u>\$ 2,361,587</u> | <u>\$ 1,680,555</u> |
| Equity mutual funds | <u>4,784,531</u> | | | | |
| | <u>\$ 12,590,685</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 fair 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, 2020

The City has the following recurring fair value measurements as of December 31, 2020:

- U.S. Treasury obligations of \$264,705 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 \$681,103 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 \$2,505,831 are valued at amortized cost and are not considered a fair value measurement
- Mortgage backed securities of \$330,000 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 \$3,951,977 and \$4,784,531, respectively, are valued using quoted market prices (Level 1 inputs)
- International bond mutual funds of \$72,538 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, 2020, 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, 2020

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 | \$ 15,511,263 | \$ 403,675 |
| Cash on hand | 3,834 | - |
| Investments | 12,590,685 | - |
| | <u>\$ 28,105,782</u> | <u>\$ 403,675</u> |
| Included in the following statement of net position captions | | |
| Cash | \$ 6,556,006 | \$ 403,675 |
| Investments | 3,756,984 | - |
| Restricted cash | 6,832,317 | - |
| Restricted investments | 102,239 | - |
| Included in the following fiduciary net position captions | | |
| Cash and cash equivalents - Custodial Funds | 121,544 | - |
| Cash and cash equivalents - Pension Trust Funds | 651,838 | - |
| Investments-Pension Trust Funds | | |
| U.S. government obligations | 264,705 | - |
| Mortgage backed securities | 330,000 | - |
| Corporate bonds and notes | 681,103 | - |
| Mutual funds and other investments | 8,809,046 | - |
| | <u>\$ 28,105,782</u> | <u>\$ 403,675</u> |

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2020

Note 3: Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2020, was as follows:

| Governmental Activities | Balance, January 1, 2020 | Additions and Transfers, Net | Retirements and Transfers, Net | Balance December 31, 2020 |
|---------------------------------------|---|---|---|--|
| Capital assets, non-depreciable: | | | | |
| Land | \$ 2,563,907 | \$ - | \$ - | \$ 2,563,907 |
| Construction in progress | 1,433,677 | 1,823,553 | (458,111) | 2,799,119 |
| Total capital assets, non-depreciable | 3,997,584 | 1,823,553 | (458,111) | 5,363,026 |
| Capital assets, depreciable | | | | |
| Buildings | 23,698,870 | 442,583 | (10,696) | 24,130,757 |
| Improvements other than buildings | 12,255,562 | - | - | 12,255,562 |
| Machinery and equipment | 9,857,711 | 648,764 | (32,779) | 10,473,696 |
| Infrastructure | 44,914,394 | 89,416 | - | 45,003,810 |
| Total capital assets, depreciable | 90,726,537 | 1,180,763 | (43,475) | 91,863,825 |
| Less accumulated depreciation | | | | |
| Buildings | 18,014,962 | 579,411 | (10,696) | 18,583,677 |
| Improvements other than buildings | 8,313,358 | 575,276 | - | 8,888,634 |
| Machinery and equipment | 6,287,505 | 496,876 | (32,779) | 6,751,602 |
| Infrastructure | 28,007,979 | 640,489 | - | 28,648,468 |
| Total accumulated depreciation | 60,623,804 | 2,292,052 | (43,475) | 62,872,381 |
| Total capital assets, depreciable | 30,102,733 | (1,111,289) | - | 28,991,444 |
| Total governmental activities, net | \$ 34,100,317 | \$ 712,264 | \$ (458,111) | \$ 34,354,470 |

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2020

Capital asset activity in the business-type activities for the year ended December 31, 2020, was as follows:

| Business-Type Activities | Balance January 1, 2020 | Additions and Transfers, Net | Retirements and Transfers, Net | Balance December 31, 2020 |
|---------------------------------------|--|---|---|--|
| Capital Assets, non-depreciable | | | | |
| Land | \$ 832,844 | \$ - | \$ - | \$ 832,844 |
| Water rights | 17,784,128 | - | - | 17,784,128 |
| Construction in progress | 355,381 | 1,238,793 | (1,167,147) | 427,027 |
| Total capital assets, non-depreciable | 18,972,353 | 1,238,793 | (1,167,147) | 19,043,999 |
| Capital assets, depreciable | | | | |
| Buildings and improvements | 4,389,478 | - | - | 4,389,478 |
| Improvements other than buildings | 68,794,551 | - | 523,209 | 69,317,760 |
| Machinery and equipment | 8,547,039 | - | 308,148 | 8,855,187 |
| Total capital assets, depreciable | 81,731,068 | - | 831,357 | 82,562,425 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | 2,749,310 | 129,922 | - | 2,879,232 |
| Improvements other than buildings | 36,445,535 | 1,824,983 | (3,868) | 38,266,650 |
| Machinery and equipment | 6,664,176 | 419,976 | (82,776) | 7,001,376 |
| Total accumulated depreciation | 45,859,021 | 2,374,881 | (86,644) | 48,147,258 |
| Total capital assets, depreciable | 35,872,047 | (2,374,881) | 918,001 | 34,415,167 |
| Total business-type activities, net | \$ 54,844,400 | \$ (1,136,088) | \$ (249,146) | \$ 53,459,166 |

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2020

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

Governmental Activities

| | |
|------------------------|------------|
| General government | |
| General government | \$ 133,787 |
| Police department | 538,713 |
| Fire department | 234,337 |
| Public works | 1,026,056 |
| Health | 11,029 |
| Culture and recreation | 348,130 |

| | |
|--|--------------|
| Total depreciation expense – governmental activities | \$ 2,292,052 |
|--|--------------|

Business-Type Activities

| | |
|-----------------|--------------|
| Water and sewer | \$ 2,374,881 |
|-----------------|--------------|

| | |
|---|--------------|
| Total depreciation expense - business-type activities | \$ 2,374,881 |
|---|--------------|

Note 4: Construction Projects

At December 31, 2020, 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, 2020 | Required Future Financing |
|--------------------------------------|--------------------------|---|---------------------------------|
| Miller County Courthouse Parking Lot | \$ 457,295 | \$ 5,749 | \$ 451,546 |
| Ed Worrell Creek Washout | 14,000 | 13,415 | 585 |
| Dentntion Pond-Crossroads Parkway | 40,000 | 24,500 | 15,500 |
| U of A Road Improvement | 1,333,334 | 959,106 | 374,228 |
| Nix Creek - Jackson St. Trail | 92,140 | 79,479 | 12,661 |
| Animal Shelter | 875,000 | 477,611 | 397,389 |
| E 50th St. Road Improvements | 275,000 | 115,017 | 159,983 |
| E 18th Street Repairs | 286,000 | 122,661 | 163,339 |
| Siebert St. Trail | 39,842 | 30,602 | 9,240 |
| Hastings Crossing Improvement | 92,884 | 91,131 | 1,753 |
| Texarkana Recreation Center | 884,871 | 63,690 | 821,181 |
| Park Trail Connections | 90,749 | 74,893 | 15,856 |
| | \$ 4,481,115 | \$ 2,057,854 | \$ 2,423,261 |
| Total | | | |

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2020

Note 5: Long-term Liabilities

Changes in long-term liabilities in the governmental activities for the year ended December 31, 2020, and for the business-type activities for the year ended December 31, 2020, were as follows:

| Governmental Activities | Balance January 1, 2020 | Increases | Decreases | Balance December 31, 2020 | Amounts Due in One Year |
|---|--|---------------------|---------------------|--|--|
| Bonds payable | | | | | |
| Revenue bonds | \$ 13,725,000 | \$ - | \$ 570,000 | \$ 13,155,000 | \$ 580,000 |
| Less issuance discounts | 33,507 | - | 1,635 | 31,872 | - |
| Add issuance premiums | 35,877 | - | 1,990 | 33,887 | - |
| | <u>13,727,370</u> | <u>-</u> | <u>570,355</u> | <u>13,157,015</u> | <u>580,000</u> |
| General obligation bonds | 7,315,000 | - | 655,000 | 6,660,000 | 245,000 |
| Add issuance premiums | 194,672 | - | 8,464 | 186,208 | - |
| | <u>7,509,672</u> | <u>-</u> | <u>663,464</u> | <u>6,846,208</u> | <u>245,000</u> |
| Bonds payable, net | 21,237,042 | - | 1,233,819 | 20,003,223 | 825,000 |
| Notes payable (direct borrowing) | 950,000 | 810,000 | 198,333 | 1,561,667 | 203,558 |
| Capital lease obligation | 26,126 | - | 19,426 | 6,700 | 6,700 |
| Compensated absences | 2,177,416 | 968,196 | 876,667 | 2,268,945 | 151,235 |
| Net pension liability | 34,425,456 | - | 2,239,849 | 32,185,607 | - |
| Other postemployment benefits GASB 75 | 3,542,024 | 610,864 | - | 4,152,888 | 211,672 |
| Total governmental activities long-term liabilities | <u>\$ 62,358,064</u> | <u>\$ 2,389,060</u> | <u>\$ 4,568,094</u> | <u>\$ 60,179,030</u> | <u>\$ 1,398,165</u> |
| Business-Type Activities | Balance January 1, 2020 | Increases | Decreases | Balance December 31, 2020 | Amounts Due in One Year |
| Bonds payable | | | | | |
| Revenue bonds | \$ 6,724,429 | \$ - | \$ 1,298,217 | \$ 5,426,212 | \$ 1,175,539 |
| Plus issuance premiums | 3,984 | - | 671 | 3,313 | - |
| Bonds payable, net | <u>6,728,413</u> | <u>-</u> | <u>1,298,888</u> | <u>5,429,525</u> | <u>1,175,539</u> |
| Compensated absences | 258,586 | 227,316 | 227,515 | 258,387 | 31,844 |
| Net pension liability | 2,792,194 | - | 1,104,640 | 1,687,554 | - |
| Contracts payable | 14,506,625 | - | 159,707 | 14,346,918 | 163,911 |
| Other postemployment benefits GASB 75 | 569,276 | 63,702 | - | 632,978 | - |
| Total business-type activities long-term liabilities | <u>\$ 24,855,094</u> | <u>\$ 291,018</u> | <u>\$ 2,790,750</u> | <u>\$ 22,355,362</u> | <u>\$ 1,371,294</u> |

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2020

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 (LIBOR) Rate for the purpose of renovating the Texarkana Recreational Facility. As of December 31, 2020, \$885,000 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, 2020

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, 2020

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, 2020.

| Year | Primary Government | | | | Business-Type | |
|-----------|---------------------------------|---------------------|-----------------------|------------------|---------------------|-------------------|
| | Governmental Activities | | | | Revenue Bonds - | |
| | General Obligation Bonds and | | Note Payable - Direct | | Publicly Traded | |
| | Revenue Bonds - Publicly Traded | | Borrowing | | Publicly Traded | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | \$ 825,000 | \$ 722,718 | \$ 203,558 | \$ 20,986 | \$ 1,175,539 | \$ 197,771 |
| 2022 | 860,000 | 696,374 | 208,890 | 16,548 | 1,043,863 | 157,080 |
| 2023 | 885,000 | 668,157 | 214,332 | 11,998 | 1,082,894 | 118,121 |
| 2024 | 915,000 | 637,317 | 219,887 | 7,330 | 1,053,453 | 77,925 |
| 2025 | 940,000 | 603,959 | 38,000 | 2,542 | 941,595 | 38,972 |
| 2026-2030 | 4,590,000 | 2,472,649 | 207,000 | 10,767 | 128,868 | 2,094 |
| 2031-2035 | 5,185,000 | 1,535,993 | 244,000 | 7,055 | - | - |
| 2036-2040 | 4,950,000 | 459,597 | 226,000 | 2,472 | - | - |
| 2041-2044 | 665,000 | 35,910 | - | - | - | - |
| | <u>\$ 19,815,000</u> | <u>\$ 7,832,674</u> | <u>\$ 1,561,667</u> | <u>\$ 79,698</u> | <u>\$ 5,426,212</u> | <u>\$ 591,963</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, 2020, 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.

Notes Payable from Direct Borrowings

Governmental Activities

The City's outstanding notes payable from direct borrowings of \$1,561,667 contain a provision that in the event of default, the lender may make all or part of the note immediately due. The City has pledged general revenues as collateral for one note and a HUD guarantee for the other note.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

The following is a summary of pledged revenues of the City for the year ended December 31, 2020.

| 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 | \$ 2,580,633 | \$ 617,358 | 23.9% | \$ 11,101,985 | Until 2038 |
| 2015 Franchise Fee Secured Refunding Revenue Bonds | Franchise Taxes | 2,580,633 | 229,047 | 8.9% | 4,583,385 | Until 2040 |
| 2018 Franchise Fee Secured Capital Improvement Revenue Bonds | Franchise Taxes | 2,580,633 | 202,713 | 7.9% | 2,406,356 | Until 2032 |
| Business-Type Activities: | | | | | | |
| 1998 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds | Revenues of the Enterprise Fund | \$ 8,842,634 | \$ 293,224 | 3.3% | \$ 146,627 | Until 2021 |
| 1998B City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds | Revenues of the Enterprise Fund | 8,842,634 | 53,638 | 0.6% | 26,834 | Until 2021 |
| 2001 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds | Revenues of the Enterprise Fund | 8,842,634 | 68,390 | 0.8% | 205,150 | Until 2023 |
| 2004A City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Bonds | Revenues of the Enterprise Fund | 512,542 | 148,406 | 29.0% | 593,598 | Until 2024 |
| 2004B City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Bonds | Revenues of the Enterprise Fund | 512,542 | 261,932 | 51.1% | 1,440,615 | Until 2025 |
| 2007 City of Texarkana, Arkansas Public Facilities Board Waterworks and Sewer Facilities Revenue Refunding Bonds | Revenues of the Enterprise Fund | 8,842,634 | 718,709 | 8.1% | 3,605,351 | Until 2025 |

City of Texarkana, Arkansas
Notes to Financial Statements
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Note 6: Interfund Balances and Transfers

Interfund receivables and payables as of December 31, 2020, are as follows:

| | Interfund Receivables | Interfund Payables |
|-------------------------------------|----------------------------------|-------------------------------|
| General Fund | \$ 47,255 | \$ 596,409 |
| Public Works | 113,926 | 47,420 |
| Non-major governmental funds | <u>2,168</u> | <u>6,783</u> |
| Total governmental funds | <u>163,349</u> | <u>650,612</u> |
| Texarkana, Arkansas Water Utilities | 31,941 | 293 |
| Non-major proprietary funds | <u>293</u> | <u>4,867</u> |
| Total proprietary funds | <u>32,234</u> | <u>5,160</u> |
| Fiduciary Funds: | | |
| Policeman's Relief & Pension | <u>487,263</u> | <u>-</u> |
| Total fiduciary funds | <u>487,263</u> | <u>-</u> |
| Total | <u><u>\$ 682,846</u></u> | <u><u>\$ 655,772</u></u> |

The difference in the interfund receivables and payables of \$27,074 is due to the different year end of the Texarkana, Arkansas Water Utilities (September 30, 2020).

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, 2020, are as follows:

| Fund | Transfer In | Transfer Out |
|-----------------------------------|----------------------------|----------------------------|
| General | \$ 852,571 | \$ 1,149,320 |
| Public Works | 190,572 | 488,595 |
| Other Nonmajor Governmental Funds | <u>1,041,510</u> | <u>42,437</u> |
| Total governmental funds | <u><u>\$ 2,084,653</u></u> | <u><u>\$ 1,680,352</u></u> |

City of Texarkana, Arkansas

Notes to Financial Statements

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

| | | |
|-------------------------------------|---------------------|---------------------|
| Proprietary Funds | | |
| Texarkana, Arkansas Water Utilities | \$ - | \$ 293,195 |
| | <u> </u> | <u> </u> |
| Total proprietary funds | <u>\$ -</u> | <u>\$ 293,195</u> |
| | | |
| Total primary government | <u>\$ 2,084,653</u> | <u>\$ 1,973,547</u> |

The difference in the transfer in/out of \$111,106 is due to the different year end of the Texarkana, Arkansas Water Utilities (September 30, 2020).

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 \$642,252 and \$673,391 for 2020 and 2019, respectively. In addition, the Union Utility made total transfers to the Texas Utilities for water purchases of \$48,858 and \$50,497 for 2020 and 2019, respectively. The Mandeville Utility made total transfers to the Texas Utilities for water purchases of \$13,852 and \$12,994 for 2020 and 2019, respectively.

City of Texarkana, Arkansas

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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 with the related asset recorded in the respective capital asset classification and the liability recorded as contracts payable. 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 \$1,075,526 and \$742,792 for 2020 and 2019, respectively. In addition, the Union Utility made total transfers to the Arkansas Utilities for water purchases of \$45,434 and \$28,713 for 2020 and 2019, respectively. The Mandeville Utility made total transfers to the Arkansas Utilities for water purchases of \$13,272 and \$7,553 for 2020 and 2019, 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 2020 and 2019, the Texas Utilities made total transfers to the Arkansas Utilities for debt service of \$307,701 and \$417,044, 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

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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 2020 and 2019, the Texas Utilities made transfers to the Arkansas Utilities for debt service in the amounts of \$106,185 and \$107,654, respectively. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease between the Utilities.

City of Texarkana, Arkansas

Notes to Financial Statements

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Note 9: 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, 2020. 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.

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, 2020 | | December 31, 2020 |
|----------------------------|---------------|---------|-------------------|
| | TAPERS | TWUPERS | PRPF |
| Retirees and beneficiaries | | | |
| receiving benefits | 33 | 10 | 40 |
| Active plan members | 14 | 16 | - |
| Terminated members | 33 | 21 | - |
| Transitioned members | 14 | - | - |
| Total | 94 | 47 | 40 |

City of Texarkana, Arkansas
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December 31, 2020

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, 2020 | | December 31, 2020 | |
| | TAPERS | TWUPERS | PRPF | Total |
| Assets | | | | |
| Cash and cash equivalents | \$ 294,583 | \$ 81,291 | \$ 275,964 | \$ 651,838 |
| Investments | 2,720,655 | 2,880,647 | 4,483,552 | 10,084,854 |
| Receivables | 3,022 | 8,620 | 6,862 | 18,504 |
| Due from other funds | - | - | 487,263 | 487,263 |
| Total assets | 3,018,260 | 2,970,558 | 5,253,641 | 11,242,459 |
| Liabilities | | | | |
| Accounts payable | 4,271 | - | 1,983 | 6,254 |
| Due to other funds | 2,321 | - | - | 2,321 |
| Total liabilities | 6,592 | - | 1,983 | 8,575 |
| Net Position | | | | |
| Net position restricted for pensions | \$ 3,011,668 | \$ 2,970,558 | \$ 5,251,658 | \$ 11,233,884 |
| Statement of Changes in Fiduciary Net Position | | | | |
| Additions | | | | |
| Contributions | \$ 162,865 | \$ - | \$ 879,956 | \$ 1,042,821 |
| Net investment income (loss) | (28,531) | 187,877 | 465,201 | 624,547 |
| Total additions | 134,334 | 187,877 | 1,345,157 | 1,667,368 |
| Deductions | | | | |
| Benefits paid directly to participants | 487,188 | 33,046 | 1,175,221 | 1,695,455 |
| Administrative expenses and other | 37,690 | 24,879 | 6,200 | 68,769 |
| Total deductions | 524,878 | 57,925 | 1,181,421 | 1,764,224 |
| Net Increase (Decrease) in Net Position | (390,544) | 129,952 | 163,736 | (96,856) |
| Net Position Restricted For Pensions, Beginning of Year | | | | |
| | 3,402,212 | 2,840,606 | 5,087,922 | 11,330,740 |
| Net Position Restricted For Pensions, End of Year | | | | |
| | \$ 3,011,668 | \$ 2,970,558 | \$ 5,251,658 | \$ 11,233,884 |

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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 | \$ - | \$ 8,680,018 | \$ 206,973 | \$ 31,188 | \$ - | \$ 1,667,143 |
| TWUPERS | 2,035,558 | - | - | - | - | (229,636) |
| PRPF | - | 7,098,844 | 472,741 | - | - | 609,251 |
| LOPFI | - | 15,987,658 | 3,182,730 | 1,809,656 | 2,255,252 | 3,952,183 |
| APERS | - | 90,213 | 15,025 | - | 1,859 | 17,102 |
| FRPF | - | 328,874 | - | - | 288,755 | (91,468) |
| TMRS | - | 1,687,554 | 28,804 | 312,130 | 571,827 | 351,833 |
| Total | <u>\$ 2,035,558</u> | <u>\$ 33,873,161</u> | <u>\$ 3,906,273</u> | <u>\$ 2,152,974</u> | <u>\$ 3,117,693</u> | <u>\$ 6,276,408</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, 2020, were \$148,799.

The asset concentrations of over 5% are as follows:

| | |
|--|------------|
| Eaton Vance Floating Rate | \$ 198,401 |
| Goldman Sachs Access Investment | 354,559 |
| JP Morgan Ultra Short Income ETF | 200,130 |
| Vanguard Short-Term Corporate Bond | 305,429 |
| Ishares Russell Midcap Growth Index Fund | 177,094 |
| Ishares Russell 1000 Growth Index Fund | 216,904 |

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

City of Texarkana, Arkansas

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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 2020 contributions to the Policemen's Fund were \$879,956. The City's share of contributions was \$879,956 and included \$540,296 in property taxes, \$25,921 in other taxes and \$313,739 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:

| | |
|-------------------------------------|--------------|
| Federated ultrashort Bond | \$ 1,003,280 |
| Metropolitan West Totla Return Bond | 338,832 |
| Vanguard Short Term Federal FD | 303,577 |
| Western Asset Core Bond | 440,924 |
| Harbor Capital Appreciation | 631,312 |
| The Hartford Equity Income | 683,088 |

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, 2020, the balances of these DROP accounts were \$1,584,001.

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.

City of Texarkana, Arkansas

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

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

The asset concentrations of over 5% are as follows:

| | |
|------------------|------------|
| MFS Value Fund | \$ 355,773 |
| I Shares S + 500 | 372,444 |

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, 2020. Actuarial assumptions used in evaluating the fund and applicable to the PRPF include the following:

City of Texarkana, Arkansas
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| | |
|------------------------|-----------------------------|
| Valuation date | December 31, 2020 |
| 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 |

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

| | TAPERS | TWUPERS |
|-------------------------------|----------------------|------------------------|
| Actuarial valuation date | 6/30/2020 | 6/30/2020 |
| 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 |

City of Texarkana, Arkansas

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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) | 6/30/2020 | \$ 11,691,686 | \$ 3,011,668 | \$ (8,680,018) | 25.76% |
| Police Relief and Pension Fund (PRPF) | 12/31/2020 | 12,350,502 | 5,251,658 | (7,098,844) | 42.52% |
| Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS) | 6/30/2020 | 935,000 | 2,970,558 | 2,035,558 | 317.71% |

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:

| Targeted Asset Allocation | | | |
|---------------------------|---------|---------|---------|
| Asset Class | TAPERS | PRPF | TWUPERS |
| Domestic Fixed Income | | 80.00% | |
| Domestic Equity | 48.00% | 10.00% | |
| Foreign Equity | 6.00% | | |
| Equities | | | 44.10% |
| Fixed Income | 39.00% | | 47.30% |
| Real Estate (REIT) | 2.00% | | |
| Marketable | | | 4.60% |
| Cash | 5.00% | 10.00% | 4.00% |
| Total | 100.00% | 100.00% | 100.00% |

City of Texarkana, Arkansas

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Discount Rate

Texarkana, Arkansas Public Employees Retirement System (TAPERS)

In the June 30, 2020 actuarial valuation, a blended discount rate of 2.58% (3.36% 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 5.00% and a municipal bond rate of 2.45% (based on the Fidelity Index's 20-year Municipal GO AA Index as of June 30, 2020). Based on the stated assumptions and the projection of cash flows, the pension plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the 2026 fiscal year. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2026 fiscal year and the municipal bond rate was applied to all benefit payments after that date.

Policemen's Relief and Pension Fund (PRPF)

In the December 31, 2020 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, 2020 actuarial valuation, a single discount rate of 3.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 3.5%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2020

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, 2020 | \$ 10,413,366 | \$ 3,402,212 | \$ 7,011,154 |
| Changes for the year: | | | |
| Service cost | 118,256 | - | 118,256 |
| Interest | 343,890 | - | 343,890 |
| Differences between expected and actual experience | 109,323 | - | 109,323 |
| Assumption changes | 1,185,194 | - | 1,185,194 |
| Contributions - employer | - | 150,227 | (150,227) |
| Contributions - employee | - | 13,379 | (13,379) |
| Net investment income | - | (38,807) | 38,807 |
| Benefit payments, including refunds of employee contributions | (478,343) | (478,343) | - |
| Administrative expense | - | (34,689) | 34,689 |
| Other changes | - | (2,311) | 2,311 |
| Net changes | 1,278,320 | (390,544) | 1,668,864 |
| Balances at December 31, 2020 | <u>\$ 11,691,686</u> | <u>\$ 3,011,668</u> | <u>\$ 8,680,018</u> |

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2020

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, 2020 | \$ 12,424,758 | \$ 5,087,922 | \$ 7,336,836 |
| Changes for the year: | | | |
| Service cost | - | - | - |
| Interest | 594,394 | - | 594,394 |
| Differences between expected and actual experience | 398,320 | - | 398,320 |
| Contributions - employer | - | 678,497 | (678,497) |
| Contributions - employee | - | - | - |
| Net investment income | - | 559,509 | (559,509) |
| Benefit payments, including refunds of employee contributions | (1,066,970) | (1,066,970) | - |
| Administrative expense | - | (7,300) | 7,300 |
| Benefit Change | - | - | - |
| Other changes | - | - | - |
| Net changes | (74,256) | 163,736 | (237,992) |
| Balances at December 31, 2020 | \$ 12,350,502 | \$ 5,251,658 | \$ 7,098,844 |

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, 2020 | \$ 1,034,684 | \$ 2,840,606 | \$ (1,805,922) |
| Changes for the year: | | | |
| Interest | 36,997 | - | 36,997 |
| Differences between expected and actual experience | (8,635) | - | (8,635) |
| Assumption changes | (95,000) | - | (95,000) |
| Net investment income | - | 187,877 | (187,877) |
| Benefit payments, including refunds of employee contributions | (33,046) | (33,046) | - |
| Administrative expense | - | (17,156) | 17,156 |
| Other changes | - | (7,723) | 7,723 |
| Net changes | (99,684) | 129,952 | (229,636) |
| Balances at December 31, 2020 | \$ 935,000 | \$ 2,970,558 | \$ (2,035,558) |

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2020

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 | | |
|----------------|-----------------------|---|----------------|------------------------------|
| | | Current Blended Rate Assumption | | |
| | | 1% Decrease 1.58% | 2.58% | 1% Increase 3.58% |
| TAPERS | Net Pension Liability | \$ 10,438,982 | \$ 8,680,018 | \$ 7,244,399 |
| | | Current Single Rate Assumption | | |
| | | 1% Decrease 4.00% | 5.00% | 1% Increase 6.00% |
| PRPF | Net Pension Liability | \$ 8,005,942 | \$ 7,098,844 | \$ 6,310,691 |
| | | Current Single Rate Assumption | | |
| | | 1% Decrease 2.50% | 3.50% | 1% Increase 4.50% |
| TWUPERS | Net Pension Asset | \$ (1,934,558) | \$ (2,035,558) | \$ (2,120,558) |

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) | 6/30/2020 | -1.20% |
| Police Relief and Pension Fund (PRPF) | 12/31/2020 | 11.61% |
| Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS) | 6/30/2020 | 6.64% |

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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

For the year ended December 31, 2020, the City recognized pension expense (income) of \$1,667,143 for TAPERS, (\$229,636) for TWUPERS and \$609,251 for PRPF. At December 31, 2020, 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 | \$ 206,973 | \$ - |
| Contributions subsequent to the measurement date | 33,188 | - |
| Total | <u>\$ 240,161</u> | <u>\$ -</u> |

PRPF

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Net difference between projected and actual earnings on pension plan investments | \$ - | \$ 472,741 |
| Total | <u>\$ -</u> | <u>\$ 472,741</u> |

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2020

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$33,188 will be recognized as a reduction of the net pension liability for the year ending December 31, 2021. 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 |
|------------------------------------|---|
| 2021 | \$ 32,727 |
| 2022 | 58,091 |
| 2023 | 69,623 |
| 2024 | 46,532 |
| Total | <u>\$ 206,973</u> |

PRPF

| Year Ending December 31 | Net Deferred Inflows of Resources |
|------------------------------------|--|
| 2021 | \$ (139,353) |
| 2022 | (85,723) |
| 2023 | (188,945) |
| 2024 | (58,720) |
| Total | <u>\$ (472,741)</u> |

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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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 15.05% of covered employee's salaries to the plan for the period January 1, 2020 to December 31, 2020. Contributions made to the plan the City for the year ended December 31, 2020, amounted to \$9,417. There were no contributions made by the Member.

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

At December 31, 2020, the City reported a liability of \$90,213 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the City's proportion was .00315034 percent, which was an increase of .00017287 percent from the prior year.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

For the year ended December 31, 2020, the City recognized pension expense of \$17,102. At December 31, 2020, 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 | \$ 1,198 | \$ 60 |
| Change of assumptions | 1,130 | 1,546 |
| Changes in proportion | 3,151 | 253 |
| Net difference between projected and actual earnings on pension plan investments | <u>9,546</u> | <u>-</u> |
| Total | <u><u>\$ 15,025</u></u> | <u><u>\$ 1,859</u></u> |

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

| Year Ending December 31 | |
|------------------------------------|-------------------------|
| 2021 | \$ 797 |
| 2022 | 2,750 |
| 2023 | 3,894 |
| 2024 | <u>5,725</u> |
| Total | <u><u>\$ 13,166</u></u> |

Actuarial Assumptions

The total pension liability in the June 30, 2020 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-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2017. As a result of the 2017 actuarial experience study, the expectation of life after disability was adjusted in the June 30, 2020 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% | 6.22% |
| International Equity | 24% | 6.69% |
| Real Assets | 16% | 4.81% |
| Absolute Return | 5% | 3.05% |
| Domestic Fund | 18% | 0.57% |
| Total | 100% | |

Discount Rate

In the June 30, 2020 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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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 | \$ 137,401 | \$ 90,213 | \$ 51,272 |

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

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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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 20.13% of covered employee's salaries to the plan for policeman and 23.50% of covered employees' salaries to the plan for firemen for the year ended December 31, 2020. Contributions made to the plan by employees and the City for the year ended December 31, 2020 amounted to \$980,987 and \$828,669, respectively.

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

At December 31, 2020, the City reported a liability of \$15,987,658 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 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 2.06896 percent, which was a decrease of .04143 percent from the prior year.

For the year ended December 31, 2020, the City recognized pension expense of \$3,952,183. At December 31, 2020, 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 | \$ 1,573,087 | \$ - |
| Change of assumptions | 1,380,597 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,930,845 |
| Changes in proportion | 229,046 | 324,407 |
| Contributions subsequent to the measurement date | 1,809,656 | - |
| Total | <u>\$ 4,992,386</u> | <u>\$ 2,255,252</u> |

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,809,656 will be recognized as a reduction of the net pension liability for the year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as:

| Year Ending December 31 | |
|------------------------------------|-------------------|
| 2021 | \$ 1,237,957 |
| 2022 | 383,561 |
| 2023 | 163,060 |
| 2024 | <u>(857,100)</u> |
| Total | <u>\$ 927,478</u> |

Actuarial Assumptions

The total pension liability in the December 31, 2019 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 | 3.75 to 18.25 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-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2016.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2012 to December 31, 2016

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2020

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:

| Long-term Expected Real Rate of Return | | |
|---|--------------------------|---|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
| Fixed Income | 30% | 1.30% |
| Domestic Equity | 42% | 5.40% |
| Foreign Equity | 18% | 7.80% |
| Alternative Investments | 10% | 6.70% |
| Total | 100% | |

Discount Rate

In the December 31, 2019 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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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 | \$ 25,474,535 | \$ 15,987,658 | \$ 8,337,341 |

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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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.

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, 2020 amounted to \$35,832.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|----------------------------|-----------|
| Retirees and beneficiaries | 27 |
| DROP members | - |
| Active members | - |
| | <hr/> |
| Total | <u>27</u> |

As the plan is closed to new members and there are no active members included in the plan, there are no contributions made by members to the plan. The contribution rate for the City is actuarially determined on an annual basis.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

Actuarial Assumptions

| | |
|----------------------------|-----------------------------|
| Valuation date | December 31, 2019 |
| Cost method | Individual entry-age normal |
| Asset valuation method | Market value of assets |
| Amortization method | Closed amortization period |
| Amortization period | 14 years |
| Assumptions: | |
| Inflation rate | 2.50% |
| Investment rate of return | 7.00% |
| Projected salary increases | N/A |

Mortality rates for retirees, beneficiaries, and DROP members were based on the RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2016.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2012 to December 31, 2016

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 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:

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2020

| Asset Allocation | | |
|-------------------------|--------------------------|---|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
| Domestic Fixed Income | 30% | 1.30% |
| Domestic Equity | 42% | 5.40% |
| Foreign Equity | 18% | 7.80% |
| Alternative Investments | 10% | 6.70% |
| 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.

Changes in the Net Pension Liability

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|--|--|--|
| Balances at January 1, 2020 | <u>\$ 6,202,454</u> | <u>\$ 5,240,638</u> | <u>\$ 961,816</u> |
| Changes for the year: | | | |
| Service cost | - | - | - |
| Interest | 412,882 | - | 412,882 |
| Differences between expected and actual experience | (67,576) | - | (67,576) |
| Assumption changes | - | - | - |
| Contributions - employer | - | 60,790 | (60,790) |
| Contributions - employee | - | - | - |
| Net investment income | - | 925,598 | (925,598) |
| Benefit payments, including refunds of employee contributions | (608,276) | (608,276) | - |
| Administrative expense | - | (8,140) | 8,140 |
| Other changes | - | - | - |
| Net changes | <u>(262,970)</u> | <u>369,972</u> | <u>(632,942)</u> |
| Balances at December 31, 2020 | <u>\$ 5,939,484</u> | <u>\$ 5,610,610</u> | <u>\$ 328,874</u> |

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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

The following table presents the net pension liability/(asset) for the City using the current rate as compared to what the net pension liability/(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/(Asset) | \$ 818,807 | \$ 328,874 | \$ (99,258) |

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, 2020, the City recognized pension income of \$91,468 related to this plan.

At December 31, 2020, the City reported deferred inflows of resources related to pensions from the following sources:

| | Deferred Inflows of Resources |
|--|----------------------------------|
| Net difference between projected and actual earnings on pension plan investments | \$ 288,755 |
| Total | \$ 288,755 |

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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 |
|----------------------------|---|
| 2021 | \$ (97,518) |
| 2022 | (71,921) |
| 2023 | (3,676) |
| 2024 | <u>(115,640)</u> |
| Total | <u>\$ (288,755)</u> |

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

TMRS issues a publicly available annual comprehensive 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.

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

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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, 2019 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 | 51 |
| Active Employees | 161 |
| Total | <u>326</u> |

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

Employees for the Utility were required to contribute 7% of their annual gross earnings during the fiscal year. The Utility's contributions to TMRS for the year ended December 31, 2020, were \$422,060, and were equal to the required contributions.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

Actuarial Assumptions

| | |
|---------------------------|--|
| Inflation | 2.50% per year |
| Overall Payroll Growth | 3.50% per year to 11.50% including inflation |
| 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, 2019 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 2019 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, 2020

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 |
| Global Equity | 30.00% | 5.30% |
| Core Fixed Income | 10.00% | 1.25% |
| Non-Core Fixed Income | 20.00% | 4.14% |
| Real Return | 10.00% | 3.85% |
| Real Estate | 10.00% | 4.00% |
| Absolute Return | 10.00% | 3.48% |
| Private Equity | 10.00% | 7.75% |
| Total | 100.00% | |

Discount Rate

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

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2020

Changes in the Net Pension Liability

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|--|--|--|
| Balances at January 1, 2020 | \$ 14,651,977 | \$ 11,859,783 | \$ 2,792,194 |
| Changes for the year: | | | |
| Service cost | 408,103 | - | 408,103 |
| Interest | 984,505 | - | 984,505 |
| Differences between expected and actual experience | (108,853) | - | (108,853) |
| Assumption changes | 20,628 | - | 20,628 |
| Contributions - employer | - | 400,134 | (400,134) |
| Contributions - employee | - | 174,297 | (174,297) |
| Net investment income | - | 1,845,333 | (1,845,333) |
| Benefit payments, including refunds of employee contributions | (672,531) | (672,531) | - |
| Administrative expense | - | (10,428) | 10,428 |
| Other changes | - | (313) | 313 |
| Net changes | <u>631,852</u> | <u>1,736,492</u> | <u>(1,104,640)</u> |
| Balances at December 31, 2020 | <u>\$ 15,283,829</u> | <u>\$ 13,596,275</u> | <u>\$ 1,687,554</u> |

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

The following table presents the net pension liability/(asset) for the Utility using the current rate as compared to what the net pension liability/(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:

| | 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/(Asset) | \$ 3,781,157 | \$ 1,687,554 | \$ (38,174) |

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

For the year ended December 31, 2020, the Utility recognized pension expense of \$351,833.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2020

At December 31, 2020, 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 | \$ 12,770 | \$ 157,174 |
| Change of assumptions | 16,034 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 414,653 |
| Contributions subsequent to the measurement date | <u>312,130</u> | <u>-</u> |
| Total | <u><u>\$ 340,934</u></u> | <u><u>\$ 571,827</u></u> |

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$312,130 will be recognized as a reduction of the net pension liability for the year ending December 31, 2021. 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 | |
|------------------------------------|----------------------------|
| 2021 | \$ (186,823) |
| 2022 | (157,803) |
| 2023 | 18,529 |
| 2024 | <u>(216,926)</u> |
| Total | <u><u>\$ (543,023)</u></u> |

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

Note 10: 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, 2020.

Note 11: 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 | \$ 4,152,888 | \$ 677,392 | \$ 94,540 | \$ 239,951 |
| Proprietary Funds | 632,978 | 41,609 | 585,589 | (104,894) |
| | <u>\$ 4,785,866</u> | <u>\$ 719,001</u> | <u>\$ 680,129</u> | <u>\$ 135,057</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

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December 31, 2020

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, 2020, there are 30 retirees participating in the postemployment health benefit program. Participant contributions totaled \$221,420 in 2020.

Employees covered by benefit terms – at December 31, 2020, the following employees were covered by the benefit terms:

| | |
|---|-------------------|
| Inactive plan members or beneficiaries currently receiving benefit payments | 30 |
| Inactive plan members entitled to but not receiving benefit payments | - |
| Active members | <u>215</u> |
| Total | <u><u>245</u></u> |

Total OPEB Liability – The City's total OPEB liability of \$4,152,888 was measured as of December 31, 2020 and was determined by an actuarial valuation as December 31, 2020.

Actuarial Methods and Assumptions – The total OPEB liability in the December 31, 2020 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 | 1.93 percent based on the 20 year municipal bond rate from the S & P Municipal Bond index. Prior discount rate was 3.26 percent based on the 20 year municipal bond rate |
| Inflation rate | 3.00 percent |
| Healthcare cost trend rates | 8.00 percent for 2021 decreasing 0.5% annually, to an ultimate rate of 5.00 percent for 2028 |
| Cost method | Entry age normal |
| Mortality | RP 2014 Mortality Table |

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2020

Changes in Total OPEB Liability

| | |
|--|----------------------------|
| Total OPEB obligation - January 1, 2020 | <u>\$ 3,542,024</u> |
| Service Cost | 73,735 |
| Interest | 114,265 |
| Differences between expected and actual experience | 271,731 |
| Changes of assumptions or other inputs | 372,553 |
| Benefit payments | <u>(221,420)</u> |
| Net change in total OPEB liability | <u>610,864</u> |
| Total OPEB obligation - December 31, 2020 | <u><u>\$ 4,152,888</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 0.93% | Discount Rate 1.93% | 1% Increase 2.93% |
| Other Postemployment Benefits Liability | <u>\$ 4,454,673</u> | <u>\$ 4,152,888</u> | <u>\$ 3,869,580</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 (7.00% decreasing to 4.00%) | Healthcare Cost Trend Rates (8.00% decreasing to 5.00%) | 1% Increase (9.00% decreasing to 6.00%) |
| Other Postemployment Benefits Liability | <u>\$ 3,982,510</u> | <u>\$ 4,152,888</u> | <u>\$ 4,919,902</u> |

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2020

OPEB Expense and Deferred Outflows/ Inflows of Resources Related to OPEB – For the year ended December 31, 2020, the City recognized OPEB expense of \$239,951. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 256,717 | \$ - |
| Changes of assumptions | 420,675 | 94,540 |
| Total | <u>\$ 677,392</u> | <u>\$ 94,540</u> |

The balances as of December 31, 2020 of the deferred outflows/inflows of resources will be recognized in OPEB expense in the future fiscal years as follows:

| Fiscal Year Ended | |
|--------------------------|-------------------------|
| December 31, | Annual OPEB Cost |
| 2021 | \$ 51,951 |
| 2022 | 51,951 |
| 2023 | 51,951 |
| 2024 | 51,951 |
| 2025 | 51,951 |
| Thereafter | <u>323,097</u> |
| | <u>\$ 582,852</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 9*, 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, 2020

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, 2019 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.

Total OPEB Liability

The Utility's Total OPEB Liability was measured as of September 30, 2020 and Total OPEB liability used to calculate the Total OPEB liability was determined by an actuarial valuation as of September 30, 2019.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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.

| | |
|---------------------------------------|---|
| Valuation Date | October 1, 2018 |
| Measurement Date | September 30, 2020 |
| Discount Rate for Valuing Liabilities | 2.14% per annum, as required by GASB 75 (3.97% 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% |
| 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, 2020

Changes in Total OPEB Liability

| | |
|---|-------------------|
| Balance as of January 1, 2020 | \$ 569,276 |
| Changes for the year: | |
| Service cost | 25,013 |
| Interest on total OPEB liability | 20,703 |
| Difference between expected and actual experience | - |
| Effect of assumptions changes or inputs | 49,931 |
| Benefit payments | <u>(31,945)</u> |
| Balance as of December 31, 2020 | <u>\$ 632,978</u> |

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> |
| <i>1.14%</i> | <i>2.14%</i> | <i>3.14%</i> | <i>4.31/4.42%</i> | <i>5.31/5.52%</i> | <i>6.31/6.52%</i> |
| \$ 670,670 | \$ 632,978 | \$ 597,781 | \$ 629,627 | \$ 632,978 | \$ 635,744 |

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

For the year ended December 31, 2020, the Utility recognized the OPEB income of \$104,894.

At December 31, 2020, 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 | \$ - | \$ 7,904 |
| Changes of assumptions | <u>41,609</u> | <u>577,685</u> |
| Total | <u>\$ 41,609</u> | <u>\$ 585,589</u> |

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2020

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

| <i>Year</i> <i>December 31</i> | <i>Amounts to be</i> <i>expenses in future</i> <i>expense calculations</i> |
|-----------------------------------|--|
| 2021 | \$ (150,609) |
| 2022 | (133,888) |
| 2023 | (133,888) |
| 2024 | (133,889) |
| 2025 | 8,294 |
| | \$ (543,980) |

Note 12: 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 2019 to 2020; nor have settlement amounts exceeded insurance coverage for each of the past three years.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

Note 13: 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, 2020, property taxes receivable and related deferred inflows of resources of \$4,566,647 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 14: 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, 2020, the City abated A&P taxes totaling approximately \$65,000, which account for approximately 5.6% 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, 2020, the City made an annual contribution of \$250,000 to the company.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2020

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

Note 15: Contingencies and Commitments

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, 2020

Commitments

On December 22, 2020, the City entered into a joint lease agreement with the City of Texarkana, Arkansas, Public Facilities Board and Bowie County. The lease agreement is for a one-year period with options to extend in annual increments through 2041. In the event that the extensions are exercised, the City will pay approximately \$306,000 annually beginning in 2022.

Note 16: Subsequent Events

In 2021, the City issued \$11,585,000 of City of Texarkana, Arkansas Franchise Fee Secured Refunding Revenue Bonds, Series 2021 consisting of Series 2021-A for \$3,165,000 and Taxable Series 2021-B \$8,420,000.

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Required Supplementary Information

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City of Texarkana, Arkansas

Required Supplementary Information

Defined Benefit Pension Plan

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

| Fiscal year ended December 31, | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability | | | | | | | |
| Service Cost | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest | 594,394 | 408,721 | 628,849 | 659,269 | 751,303 | 878,014 | 888,913 |
| Benefit Changes | - | - | - | - | - | (378,000) | - |
| Difference Between Actual & Expected Experience | 398,320 | 193,934 | 57,548 | 195,575 | (1,311,299) | (476,658) | 14,625 |
| Assumption Changes | - | - | - | - | - | - | - |
| Benefit Payments | (1,066,970) | (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 | (74,256) | (527,613) | (336,852) | (551,887) | (1,724,088) | (1,138,977) | (274,382) |
| Total Pension Liability - Beginning | 12,424,758 | 12,952,371 | 13,289,223 | 13,841,110 | 15,565,198 | 16,704,175 | 16,978,557 |
| Total Pension Liability - Ending (a) | \$ 12,350,502 | \$ 12,424,758 | \$ 12,952,371 | \$ 13,289,223 | \$ 13,841,110 | \$ 15,565,198 | \$ 16,704,175 |
| Plan Fiduciary Net Position | | | | | | | |
| Contributions - Employee | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions - Employer | 678,497 | 759,151 | 734,533 | 893,926 | 895,983 | 854,698 | 827,917 |
| Net Investment Income | 559,509 | 742,303 | (186,564) | 469,539 | 365,678 | (229,837) | 201,657 |
| Benefit Payments | (1,066,970) | (1,130,268) | (1,023,249) | (1,406,731) | (1,164,092) | (1,162,333) | (1,177,920) |
| Administrative Expense | (7,300) | 6,100 | (6,000) | (5,850) | (5,750) | (5,650) | (4,500) |
| Reconciliation Adjustment | - | - | - | - | - | - | - |
| Net Change in Plan Fiduciary Net Position | 163,736 | 377,286 | (481,280) | (49,116) | 91,819 | (543,122) | (152,846) |
| Plan Fiduciary Net Position - Beginning | 5,087,922 | 4,710,636 | 5,191,916 | 5,241,032 | 5,149,213 | 5,692,335 | 5,845,181 |
| Plan Fiduciary Net Position - Ending (b) | \$ 5,251,658 | \$ 5,087,922 | \$ 4,710,636 | \$ 5,191,916 | \$ 5,241,032 | \$ 5,149,213 | \$ 5,692,335 |
| Net Pension Liability (a) - (b) | \$ 7,098,844 | \$ 7,336,836 | \$ 8,241,735 | \$ 8,097,307 | \$ 8,600,078 | \$ 10,415,985 | \$ 11,011,840 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 42.52% | 40.95% | 36.37% | 39.07% | 37.87% | 33.08% | 34.08% |
| Covered Payroll | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net Pension Liability as a Percentage of Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

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

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

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

| FY Ended December 31, | Actuarially Determined Contribution (ADC) | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|----------------------------------|--|--------------------------------|---|------------------------|--|
| 2012 | \$ 2,823,487 | \$ 913,700 | \$ 1,909,787 | N/A | N/A |
| 2013 | 2,719,883 | 859,774 | 1,860,109 | N/A | N/A |
| 2014 | 2,596,511 | 827,917 | 1,768,594 | N/A | N/A |
| 2015 | 2,572,506 | 854,698 | 1,717,808 | N/A | N/A |
| 2016 | 2,443,461 | 895,983 | 1,547,478 | N/A | N/A |
| 2017 | 2,034,940 | 893,926 | 1,141,014 | N/A | N/A |
| 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 |
| 2020 | 1,755,461 | 879,956 | 875,505 | 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% |
| 2020 | 11.61% |

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, | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | | | | |
| Service Cost | \$ 118,256 | \$ 127,376 | \$ 155,442 | \$ 190,741 | \$ 148,947 | \$ 157,063 | \$ 146,612 |
| Interest | 343,890 | 369,514 | 371,029 | 312,689 | 352,380 | 383,918 | 437,404 |
| Difference Between Actual & Expected Experience | 109,323 | (773) | (189,311) | 244,662 | (12,438) | (303,978) | (680,274) |
| Assumption Changes | 1,185,194 | 643,576 | (37,703) | (567,285) | 1,176,834 | 533,271 | 285,779 |
| Benefit Payments | (478,343) | (467,864) | (333,624) | (284,717) | (427,407) | (599,657) | (1,134,456) |
| Net Change in Total Pension Liability | 1,278,320 | 671,829 | (34,167) | (103,910) | 1,238,316 | 170,617 | (944,935) |
| Total Pension Liability - Beginning | 10,413,366 | 9,741,537 | 9,775,704 | 9,879,614 | 8,641,298 | 8,470,681 | 9,415,616 |
| Total Pension Liability - Ending (a) | <u>\$ 11,691,686</u> | <u>\$ 10,413,366</u> | <u>\$ 9,741,537</u> | <u>\$ 9,775,704</u> | <u>\$ 9,879,614</u> | <u>\$ 8,641,298</u> | <u>\$ 8,470,681</u> |
| Plan Fiduciary Net Position | | | | | | | |
| Contributions - Employer | \$ 150,227 | \$ 108,742 | \$ 125,659 | \$ 124,282 | \$ 162,438 | \$ 100,142 | \$ 118,862 |
| Contributions - Member | 13,379 | 12,582 | 15,132 | 16,340 | 16,870 | 18,255 | 22,989 |
| Net Investment Income | (38,807) | 94,486 | 269,494 | 336,470 | (23,036) | 74,808 | 577,706 |
| Benefit Payments | (478,343) | (467,864) | (333,624) | (284,717) | (427,407) | (599,657) | (1,134,456) |
| Administrative Expense | (34,689) | (30,884) | (28,179) | (46,899) | (29,946) | (59,688) | (54,386) |
| Other changes | (2,311) | - | - | - | - | - | - |
| Net Change in Plan Fiduciary Net Position | (390,544) | (282,938) | 48,482 | 145,476 | (301,081) | (466,140) | (469,285) |
| Plan Fiduciary Net Position - Beginning | 3,402,212 | 3,685,150 | 3,636,668 | 3,491,192 | 3,792,273 | 4,258,413 | 4,727,698 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 3,011,668</u> | <u>\$ 3,402,212</u> | <u>\$ 3,685,150</u> | <u>\$ 3,636,668</u> | <u>\$ 3,491,192</u> | <u>\$ 3,792,273</u> | <u>\$ 4,258,413</u> |
| Net Pension Liability (a) - (b) | <u>\$ 8,680,018</u> | <u>\$ 7,011,154</u> | <u>\$ 6,056,387</u> | <u>\$ 6,139,036</u> | <u>\$ 6,388,422</u> | <u>\$ 4,849,025</u> | <u>\$ 4,212,268</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 25.76% | 32.67% | 37.83% | 37.20% | 35.34% | 43.89% | 50.27% |
| Covered Payroll | \$ 597,900 | \$ 625,483 | \$ 807,499 | \$ 817,749 | \$ 823,930 | \$ 943,584 | \$ 1,189,105 |
| Net Pension Liability as a Percentage of Covered Payroll | 1451.75% | 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 Payroll | Actual Contribution as a % of Covered Payroll |
|----------------------------------|--|--------------------------------|---|------------------------|--|
| 2014 | \$ 382,196 | \$ 104,565 | \$ 277,631 | \$ 1,045,650 | 10.00% |
| 2015 | 383,177 | 86,486 | 296,691 | 864,860 | 10.00% |
| 2016 | 424,388 | 133,570 | 290,818 | 835,690 | 15.98% |
| 2017 | 416,373 | 121,286 | 295,087 | 817,749 | 14.83% |
| 2018 | 440,488 | 125,659 | 314,829 | 807,499 | 15.56% |
| 2019 (1) | 433,759 | 108,742 | 325,017 | 625,483 | 17.39% |
| 2020 (2) | 440,502 | 148,799 | 291,703 | 597,900 | 24.89% |

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

(2): Assumption changes for the 2020 valuation include a change in discount rate from 3.36% in 2019 to 2.58% in 2020

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% |
| 2020 | -1.20% |

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, | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability | | | | | | | |
| Interest | \$ 36,997 | \$ 25,715 | \$ 49,713 | \$ 42,459 | \$ 48,445 | \$ 48,440 | 59,393 |
| Difference Between Actual & Expected Experience | (8,635) | (29,670) | 10,643 | (14,236) | (113,096) | (17,519) | (26,078) |
| Assumption Changes | (95,000) | (5,000) | 41,000 | 3,000 | 3,000 | 3,000 | 166,000 |
| Benefit Payments | (33,046) | (68,697) | (172,696) | (121,267) | (87,302) | (66,248) | (128,315) |
| Net Change in Total Pension Liability | (99,684) | (77,652) | (71,340) | (90,044) | (148,953) | (32,327) | 71,000 |
| Total Pension Liability - Beginning | <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> | <u>1,384,000</u> |
| Total Pension Liability - Ending (a) | <u>\$ 935,000</u> | <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 | \$ 187,877 | \$ 207,360 | \$ 134,374 | \$ 230,631 | \$ 30,416 | \$ 87,231 | 334,568 |
| Benefit Payments | (33,046) | (68,697) | (172,696) | (121,267) | (87,302) | (66,248) | (128,315) |
| Administrative Expense | (17,156) | (27,370) | (16,053) | (21,467) | (44,277) | (19,991) | (26,642) |
| Reconciliation Adjustment | (7,723) | (7,560) | (8,082) | - | - | - | - |
| Net Change in Plan Fiduciary Net Position | 129,952 | 103,733 | (62,457) | 87,897 | (101,163) | 992 | 179,611 |
| Plan Fiduciary Net Position - Beginning | <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> | <u>2,631,993</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 2,970,558</u> | <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>\$ (2,035,558)</u> | <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 | 317.71% | 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 | N/A |
| Net Pension Asset as a Percentage of Covered Payroll | N/A | 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% |
| 2020 | 6.64% |

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, | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| City's proportion of the net pension liability | 0.00315034% | 0.00298197% | 0.00297747% | 0.00302246% | 0.00293398% | 0.00292311% |
| City's proportionate share of the net pension liability | \$ 90,213 | \$ 71,941 | \$ 65,681 | \$ 78,105 | \$ 70,162 | \$ 53,836 |
| City's covered payroll | 62,575 | 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 payroll | 144.17% | 124.01% | 116.31% | 143.38% | 131.99% | 103.80% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.38% | 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, | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 9,417 | \$ 8,742 | \$ 8,490 | \$ 7,899 | \$ 7,808 | \$ 7,686 |
| Contributions in relate to the contractually required contribution | <u>(9,417)</u> | <u>(8,742)</u> | <u>(8,490)</u> | <u>(7,899)</u> | <u>(7,808)</u> | <u>(7,686)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 62,575 | \$ 58,010 | \$ 56,472 | \$ 55,168 | \$ 53,849 | \$ 52,545 |
| Contributions as a percentage of covered payroll | 15.05% | 15.07% | 15.03% | 14.32% | 14.50% | 14.63% |

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

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

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

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

| City Fiscal year ended December 31, | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-----------------|-----------------|---------------|---------------|-----------------|--------------|
| City's proportion of the net pension liability | (3) 2.06896000% | 2.11039000% (2) | 2.11065000% | 2.02054000% | 2.03802867% (1) | 2.00463000% |
| City's proportionate share of the net pension liability | \$ 15,987,658 | \$ 19,043,709 | \$ 14,998,214 | \$ 11,527,812 | \$ 10,695,056 | \$ 7,256,932 |
| City's covered payroll | 8,288,752 | 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 payroll | 192.88% | 229.19% | 192.28% | 154.02% | 142.29% | 96.41% |
| Plan fiduciary net position as a percentage of the total pension liability | 73.20% | 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%

(3): Assumption changes for 2020 valuation include a salary increases change from a range of 4.25 to 18.75 in 2019 to a range of 3.75 to 18.25

City of Texarkana, Arkansas

Required Supplementary Information

Defined Benefit Pension Plan

Schedule of City Contributions - LOPFI

| City Fiscal year ended December 31, | | 2020 | 2019 | 2019 | 2018 | 2017 | 2016 |
|--|--------|-------------|--------------|--------------|--------------|--------------|------------------|
| Contractually required contribution | (2) \$ | 1,809,656 | \$ 1,726,580 | \$ 1,647,850 | \$ 1,585,751 | \$ 1,334,945 | (1) \$ 1,262,355 |
| Contributions in relate to the contractually required contribution | | (1,809,656) | (1,726,580) | (1,647,850) | (1,585,751) | (1,334,945) | (1,262,355) |
| Contribution deficiency (excess) | \$ | - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ | 8,399,486 | \$ 8,288,751 | \$ 8,465,248 | \$ 7,800,263 | \$ 7,484,833 | \$ 7,516,626 |
| Contributions as a percentage of covered payroll | | 21.54% | 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.

(2): Assumption changes for 2020 valuation include a decrease in price inflation from 2.75 to 2.50 percent; a decrease in wage inflation from 3.75 to 3.25 percent; a decrease in salary increases from 4.25 to 18.75 percent to 3.75 to 18.25 percent; and a decrease in the investment rate of return from 7.75 to 7.50 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 | 17.0 years beginning January 1, 2019 |
| Asset Valuation Method | 5-Year smoothed market, 20% corridor |
| Wage Inflation | 3.25% |
| Price Inflation | 2.5 |
| Salary Increases | 3.75% to 18.25, including inflation |
| Investment rate of return | 7.50% |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. Last update for the 2017 valuation pursuant to the experience study of the period 2012-2016 |
| Mortality | RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2016. |

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, | 2020 | 2019 | 2018 | 2017 | 2016** | 2015** |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | | | |
| Service Cost | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest | 412,882 | 418,380 | 452,267 | 575,430 | 426,648 | 425,030 |
| Benefit Changes | - | - | - | - | - | - |
| Difference Between Actual & Expected Experience | (67,576) | 107,232 | (20) | (967,290) | (635,022) | 123,866 |
| Assumption Changes | - | - | 289,364 | - | - | - |
| Benefit Payments | (608,276) | (600,037) | (600,862) | (552,369) | (594,250) | (611,404) |
| Net Change in Total Pension Liability | (262,970) | (74,425) | 140,749 | (944,229) | (802,624) | (62,508) |
| Total Pension Liability - Beginning | 6,202,454 | 6,276,879 | 6,136,130 | 7,080,359 | 7,882,983 | 7,945,491 |
| Total Pension Liability - Ending (a) | \$ 5,939,484 | \$ 6,202,454 | \$ 6,276,879 | \$ 6,136,130 | \$ 7,080,359 | \$ 7,882,983 |
| Plan Fiduciary Net Position | | | | | | |
| Contributions - Employer | \$ 60,790 | \$ 50,880 | \$ 122,010 | \$ - | \$ 431,342 | \$ 435,704 |
| Contributions - Member | - | - | - | - | 7,732 | 7,134 |
| Net Investment Income | 925,598 | (162,044) | 763,135 | (340,441) | (258,063) | 269,654 |
| Benefit Payments | (608,276) | (600,037) | (600,862) | (552,369) | (594,250) | (611,404) |
| Administrative Expense | (8,140) | (10,743) | (9,784) | (5,753) | (5,650) | (4,500) |
| Reconciliation Adjustment | - | - | - | - | - | - |
| Net Change in Plan Fiduciary Net Position | 369,972 | (721,944) | 274,499 | (898,563) | (418,889) | 96,588 |
| Plan Fiduciary Net Position - Beginning | 5,240,638 | 5,962,582 | 5,688,083 | 6,586,646 | 7,005,535 | 6,908,947 |
| Plan Fiduciary Net Position - Ending (b) | \$ 5,610,610 | \$ 5,240,638 | \$ 5,962,582 | \$ 5,688,083 | \$ 6,586,646 | \$ 7,005,535 |
| Net Pension Liability (a) - (b) | \$ 328,874 | \$ 961,816 | \$ 314,297 | \$ 448,047 | \$ 493,713 | \$ 877,448 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 94.46% | 84.49% | 94.99% | 92.70% | 93.03% | 88.87% |
| Covered Payroll | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net Pension Liability as a Percentage of Covered 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.

**As noted within Note 9, this plan was transferred to the administration of LOPFI in 2016. Therefore, all data shown above for 2016 and prior were previously reported for the plan as a Single-Employer plan. All data from 2017 onward will be reported as an Agent Multiple-Employer Plan.

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

| FY Ended December 31, | Actuarially Determined Contribution (ADC) | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|----------------------------------|--|--------------------------------|---|------------------------|--|
| 2013** | \$ 572,814 | \$ 424,585 | \$ 148,229 | N/A | N/A |
| 2014** | 481,734 | 435,704 | 46,030 | N/A | N/A |
| 2015** | 306,867 | 431,342 | 112,591 | N/A | N/A |
| 2016** | 287,464 | 339,581 | (82,641) | N/A | N/A |
| 2017 | 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 |
| 2020 | 35,832 | 35,832 | - | N/A | N/A |

Key Assumptions for ADC:

| | |
|---------------------------|---|
| Cost Method | Entry Age Normal |
| Amortization Method | Closed |
| Remaining Amortization | 13 Years |
| Asset Valuation | Market Value |
| Investment Rate of Return | 7.50% |
| Mortality | RP-2014 Combined Mortality Table, Projected to 2016 |

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

**As noted within *Note 9*, 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, | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability | | | | | | |
| Service cost | \$ 408,103 | \$ 381,055 | \$ 363,212 | \$ 358,959 | \$ 351,625 | \$ 341,893 |
| Interest | 984,505 | 956,913 | 891,945 | 869,957 | 871,573 | 849,350 |
| Difference between actual & expected experience | (108,853) | 23,346 | (209,579) | (22,844) | (267,852) | (338,578) |
| Assumption Changes | 20,628 | - | - | - | 55,137 | - |
| Benefit payments | (672,531) | (753,210) | (600,972) | (655,406) | (503,086) | (548,171) |
| Net Change in Total Pension Liability | 631,852 | 608,104 | 444,606 | 550,666 | 507,397 | 304,494 |
| Total Pension Liability - Beginning | 14,651,977 | 14,043,873 | 13,599,267 | 13,048,601 | 12,541,204 | 12,236,710 |
| Total Pension Liability - Ending (a) | \$ 15,283,829 | \$ 14,651,977 | \$ 14,043,873 | \$ 13,599,267 | \$ 13,048,601 | \$ 12,541,204 |
| Plan Fiduciary Net Position | | | | | | |
| Contributions - employer | \$ 400,134 | \$ 394,682 | \$ 359,350 | \$ 347,118 | \$ 378,344 | \$ 408,640 |
| Contributions - employee | 174,297 | 161,954 | 155,275 | 153,495 | 158,492 | 161,609 |
| Net investment income | 1,845,333 | (370,678) | 1,498,658 | 707,849 | 15,397 | 564,425 |
| Benefit payments | (672,531) | (753,210) | (600,972) | (655,406) | (503,086) | (548,171) |
| Administrative expense | (10,428) | (7,164) | (7,766) | (7,994) | (9,378) | (5,893) |
| Other | (313) | (376) | (396) | (431) | (463) | (484) |
| Net Change in Plan Fiduciary Net Position | 1,736,492 | (574,792) | 1,404,149 | 544,631 | 39,306 | 580,126 |
| Plan Fiduciary Net Position - Beginning | 11,859,783 | 12,434,575 | 11,030,426 | 10,485,795 | 10,446,489 | 9,866,363 |
| Plan Fiduciary Net Position - Ending (b) | \$ 13,596,275 | \$ 11,859,783 | \$ 12,434,575 | \$ 11,030,426 | \$ 10,485,795 | \$ 10,446,489 |
| Net Pension Liability (a) - (b) | \$ 1,687,554 | \$ 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 | 88.96% | 80.94% | 88.54% | 81.11% | 80.36% | 83.30% |
| Covered Payroll | \$ 2,320,661 | \$ 2,234,955 | \$ 2,234,955 | \$ 2,192,788 | \$ 2,194,045 | \$ 2,308,702 |
| Net Pension Liability as a Percentage of Covered Payroll | 72.72% | 124.93% | 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 Payroll | Actual Contribution as a % of Covered Payroll |
|----------------------------------|--|--------------------------------|---|----------------------------|--|
| 2017 | \$ 378,344 | \$ 378,344 | \$ - | \$ 2,194,045 | 17.24% |
| 2018 | 386,487 | 386,487 | - | 2,192,788 | 17.63% |
| 2019 | 359,350 | 359,350 | - | 2,560,845 | 14.03% |
| 2019 | 386,640 | 386,640 | - | 2,382,218 | 16.23% |
| 2020 | 427,026 | 427,026 | - | 2,489,951 | 17.15% |

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 Totin OPEB Liability and Related Ratios
Retired Healthcare Plan
Year Ended December 31, 2020

| Total OPEB Liability | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|
| Total OPEB obligation - January 1 | \$ 3,542,024 | \$ 3,473,820 | \$ 3,596,608 |
| Service Cost | 73,735 | 68,497 | 72,807 |
| Interest | 114,265 | 124,932 | 113,653 |
| Differences between expected and actual experience | 271,731 | - | 10,174 |
| Changes of assumptions or other inputs | 372,553 | 95,002 | (126,052) |
| Benefit payments | (221,420) | (220,227) | (193,370) |
| Net change in total OPEB liability | 610,864 | 68,204 | (122,788) |
| Total OPEB obligation - December 31 | \$ 4,152,888 | \$ 3,542,024 | \$ 3,473,820 |
| Covered-employee payroll | \$ 12,363,492 | \$ 10,747,289 | \$ 10,549,097 |
| Total OPEB liability as a percentage of covered-employee payroll | 33.59% | 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 to 1.93% in 2020.

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, 2020

| Total OPEB Liability | 2020 | 2019 | 2018 |
|--|-------------------|-------------------|---------------------|
| Service Cost | \$ 25,013 | \$ 42,095 | \$ 60,997 |
| Interest | 20,703 | 57,405 | 49,673 |
| Differences between expected and actual experience | - | (11,856) | - |
| Changes of assumptions or other inputs | 49,931 | (841,406) | (67,822) |
| Benefit payments | (31,945) | (16,367) | (14,042) |
| Net change in total OPEB liability | 63,702 | (770,129) | 28,806 |
| Total OPEB obligation - beginning of year | 569,276 | 1,339,405 | 1,310,599 |
| Total OPEB obligation - end of year | <u>\$ 632,978</u> | <u>\$ 569,276</u> | <u>\$ 1,339,405</u> |
| Covered-employee payroll | \$2,402,258 | \$2,016,091 | \$2,560,845 |
| Total OPEB liability as a percentage of covered-employee payroll | 26.35% | 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 to 2018 to 3.97% in 2019 to 2.14% in 2020.

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, 2020

| | Special Revenue | | | |
|---|---|------------------|----------------------------|----------------------|
| | Community Development Block Grant | Police Fund | Front Street Project | Domestic Violence |
| Assets | | | | |
| Cash | \$ 8,732 | \$ 10,045 | \$ 10,746 | \$ 1,508 |
| Investments | - | - | - | - |
| Receivables (net of allowance) | | | | |
| Property taxes | - | - | - | - |
| Other government agencies | - | - | - | - |
| Other | - | - | - | - |
| Due from other funds | 2,018 | - | - | - |
| Prepaid items | - | - | - | - |
| Total assets | <u>\$ 10,750</u> | <u>\$ 10,045</u> | <u>\$ 10,746</u> | <u>\$ 1,508</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 461 | \$ - | \$ 121 | \$ - |
| Accrued liabilities | 672 | - | - | - |
| Due to other funds | 3,050 | - | - | - |
| Total liabilities | <u>4,183</u> | <u>-</u> | <u>121</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 | - | 10,045 | - | 1,508 |
| Fire department | - | - | - | - |
| Public works | 6,567 | - | - | - |
| Debt service | - | - | - | - |
| Cultural and recreation | - | - | 10,625 | - |
| Assigned | | | | |
| Police department | - | - | - | - |
| Public works | - | - | - | - |
| Total fund balances | <u>6,567</u> | <u>10,045</u> | <u>10,625</u> | <u>1,508</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 10,750</u> | <u>\$ 10,045</u> | <u>\$ 10,746</u> | <u>\$ 1,508</u> |

| Special Revenue | | | | | |
|-----------------|-------------------|------------------|---------------------|-----------------|---------------------|
| North | | | | | |
| Texarkana | | | | | |
| Bail | Library | Court | Redevelopment | Public | Total |
| Bond | | Automation | District | Safety | |
| \$ 1,123 | \$ 25,584 | \$ 5,831 | \$ 938,378 | \$ 4,736 | \$ 1,006,683 |
| - | - | - | - | - | - |
| - | 487,258 | - | 117,753 | - | 605,011 |
| - | - | - | - | - | - |
| 240 | - | - | - | - | 240 |
| - | - | 150 | - | - | 2,168 |
| - | - | 8,102 | - | - | 8,102 |
| <u>\$ 1,363</u> | <u>\$ 512,842</u> | <u>\$ 14,083</u> | <u>\$ 1,056,131</u> | <u>\$ 4,736</u> | <u>\$ 1,622,204</u> |
| | | | | | |
| \$ - | \$ 69,331 | \$ 4,139 | \$ - | \$ - | \$ 74,052 |
| - | - | - | - | - | 672 |
| - | - | - | - | - | 3,050 |
| <u>-</u> | <u>69,331</u> | <u>4,139</u> | <u>-</u> | <u>-</u> | <u>77,774</u> |
| | | | | | |
| - | 423,382 | - | 110,013 | - | 533,395 |
| - | - | - | - | - | - |
| <u>-</u> | <u>423,382</u> | <u>-</u> | <u>110,013</u> | <u>-</u> | <u>533,395</u> |
| | | | | | |
| - | - | 8,102 | - | - | 8,102 |
| - | - | 1,842 | - | - | 1,842 |
| 1,363 | - | - | - | 4,736 | 17,652 |
| - | - | - | - | - | - |
| - | - | - | 946,118 | - | 952,685 |
| - | - | - | - | - | - |
| - | 20,129 | - | - | - | 30,754 |
| - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>1,363</u> | <u>20,129</u> | <u>9,944</u> | <u>946,118</u> | <u>4,736</u> | <u>1,011,035</u> |
| | | | | | |
| <u>\$ 1,363</u> | <u>\$ 512,842</u> | <u>\$ 14,083</u> | <u>\$ 1,056,131</u> | <u>\$ 4,736</u> | <u>\$ 1,622,204</u> |

City of Texarkana, Arkansas
Combining Balance Sheet
Governmental Funds – Nonmajor (Continued)
December 31, 2020

| | 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 |
| Assets | | | | | |
| Cash | \$ 518,997 | \$ - | \$ 272,289 | \$ 231,339 | \$ 1,022,625 |
| Investments | - | 916,320 | - | - | 916,320 |
| Receivables (net of allowance) | | | | | |
| Property taxes | - | 1,218,145 | - | - | 1,218,145 |
| Other government agencies | - | - | - | - | - |
| Other | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| Prepaid items | - | - | - | - | - |
| Total assets | <u>\$ 518,997</u> | <u>\$ 2,134,465</u> | <u>\$ 272,289</u> | <u>\$ 231,339</u> | <u>\$ 3,157,090</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accrued liabilities | - | - | - | - | - |
| Due to other funds | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue-property taxes | - | 1,058,455 | - | - | 1,058,455 |
| Unavailable revenues-grants | - | - | - | - | - |
| Total deferred inflows of resources | <u>-</u> | <u>1,058,455</u> | <u>-</u> | <u>-</u> | <u>1,058,455</u> |
| Fund Balances | | | | | |
| Nonspendable | | | | | |
| Prepaid items | - | - | - | - | - |
| Restricted | | | | | |
| General administration | - | - | - | - | - |
| Police department | - | - | - | - | - |
| Fire department | - | - | - | - | - |
| Public works | - | - | - | - | - |
| Debt service | 518,997 | 1,076,010 | 272,289 | 231,339 | 2,098,635 |
| Culture and recreation | - | - | - | - | - |
| Assigned | | | | | |
| Police department | - | - | - | - | - |
| Public works | - | - | - | - | - |
| Total fund balances | <u>518,997</u> | <u>1,076,010</u> | <u>272,289</u> | <u>231,339</u> | <u>2,098,635</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 518,997</u> | <u>\$ 2,134,465</u> | <u>\$ 272,289</u> | <u>\$ 231,339</u> | <u>\$ 3,157,090</u> |

| Capital Projects Funds | | | | |
|--------------------------------|---|---------------------|---------------------|--|
| Capital Improvement Fund | Project Fund 2018 Franchise Fee Bonds | Section 108 Loan | Total | Total Nonmajor Governmental Funds |
| \$ 558,375 | \$ 23,405 | \$ 886,826 | \$ 1,468,606 | \$ 3,497,914 |
| - | - | - | - | 916,320 |
| - | - | - | - | 1,823,156 |
| 24,888 | - | - | 24,888 | 24,888 |
| - | - | - | - | 240 |
| - | - | - | - | 2,168 |
| - | - | - | - | 8,102 |
| <u>\$ 583,263</u> | <u>\$ 23,405</u> | <u>\$ 886,826</u> | <u>\$ 1,493,494</u> | <u>\$ 6,272,788</u> |
| | | | | |
| \$ 590 | \$ - | 11,045 | \$ 11,635 | \$ 85,687 |
| - | - | - | - | 672 |
| 1,733 | - | 2,000 | 3,733 | 6,783 |
| <u>2,323</u> | <u>-</u> | <u>13,045</u> | <u>15,368</u> | <u>93,142</u> |
| | | | | |
| - | - | - | - | 1,591,850 |
| 2,997 | - | - | 2,997 | 2,997 |
| <u>2,997</u> | <u>-</u> | <u>-</u> | <u>2,997</u> | <u>1,594,847</u> |
| | | | | |
| - | - | - | - | 8,102 |
| - | - | - | - | 1,842 |
| - | 23,405 | - | 23,405 | 41,057 |
| 46,697 | - | - | 46,697 | 46,697 |
| - | - | - | - | 952,685 |
| - | - | - | - | 2,098,635 |
| - | - | 873,781 | 873,781 | 904,535 |
| 141,598 | - | - | 141,598 | 141,598 |
| 389,648 | - | - | 389,648 | 389,648 |
| <u>577,943</u> | <u>23,405</u> | <u>873,781</u> | <u>1,475,129</u> | <u>4,584,799</u> |
| | | | | |
| <u>\$ 583,263</u> | <u>\$ 23,405</u> | <u>\$ 886,826</u> | <u>\$ 1,493,494</u> | <u>\$ 6,272,788</u> |

City of Texarkana, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds – Nonmajor
Year Ended December 31, 2020

| | Special Revenue | | | |
|--|--|------------------------|-------------------------------------|------------------------------|
| | Community Development Block Grant | Police Fund | Front Street Project | Domestic Violence |
| Revenues | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Fines, forfeitures and penalties | - | - | - | 2,832 |
| Grants and entitlements | 375,597 | 5,204 | - | - |
| Investment income | - | - | - | - |
| Miscellaneous | 2,360 | 9,340 | - | - |
| | <u>377,957</u> | <u>14,544</u> | <u>-</u> | <u>2,832</u> |
| Total revenues | | | | |
| | <u>377,957</u> | <u>14,544</u> | <u>-</u> | <u>2,832</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 238,714 | - | - | - |
| Other public safety | - | 5,075 | - | 1,752 |
| Public works | 1,760 | - | - | - |
| Public services | 60,953 | - | - | - |
| Cultural and recreation | - | - | 1,235 | - |
| Capital outlay | 48,634 | - | - | - |
| Debt service | | | | |
| Principal retirement | 32,000 | - | - | - |
| Interest and fiscal charges | 1,503 | - | - | - |
| Bond issuance costs | - | - | - | - |
| | <u>383,564</u> | <u>5,075</u> | <u>1,235</u> | <u>1,752</u> |
| Total expenditures | | | | |
| | <u>383,564</u> | <u>5,075</u> | <u>1,235</u> | <u>1,752</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(5,607)</u> | <u>9,469</u> | <u>(1,235)</u> | <u>1,080</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from issuance of debt | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | - | (3,186) | - | - |
| | <u>-</u> | <u>(3,186)</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | | | | |
| | <u>-</u> | <u>(3,186)</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | <u>(5,607)</u> | <u>6,283</u> | <u>(1,235)</u> | <u>1,080</u> |
| Fund Balances, Beginning of Year | <u>12,174</u> | <u>3,762</u> | <u>11,860</u> | <u>428</u> |
| Fund Balances, End of Year | <u>\$ 6,567</u> | <u>\$ 10,045</u> | <u>\$ 10,625</u> | <u>\$ 1,508</u> |

| Special Revenue | | | | | |
|-----------------|------------|---------------------|--|------------------|--------------|
| North | | | | | |
| Bail Bond | Library | Court Automation | Texarkana Redevelopment District | Public Safety | Total |
| \$ - | \$ 350,147 | \$ - | \$ 135,977 | \$ - | \$ 486,124 |
| 6,107 | - | 14,032 | - | 189 | 23,160 |
| - | 72,599 | - | - | - | 453,400 |
| - | 44 | 34 | 10 | - | 88 |
| - | - | - | - | - | 11,700 |
| 6,107 | 422,790 | 14,066 | 135,987 | 189 | 974,472 |
| - | - | 54,766 | - | - | 293,480 |
| 8,076 | - | - | - | - | 14,903 |
| - | - | - | - | - | 1,760 |
| - | - | - | - | - | 60,953 |
| - | 446,514 | - | - | - | 447,749 |
| - | - | - | - | - | 48,634 |
| - | - | - | - | - | 32,000 |
| - | - | - | - | - | 1,503 |
| - | - | - | - | - | - |
| 8,076 | 446,514 | 54,766 | - | - | 900,982 |
| (1,969) | (23,724) | (40,700) | 135,987 | 189 | 73,490 |
| - | - | - | - | - | - |
| - | 5,000 | - | - | - | 5,000 |
| - | - | - | - | - | (3,186) |
| - | 5,000 | - | - | - | 1,814 |
| (1,969) | (18,724) | (40,700) | 135,987 | 189 | 75,304 |
| 3,332 | 38,853 | 50,644 | 810,131 | 4,547 | 935,731 |
| \$ 1,363 | \$ 20,129 | \$ 9,944 | \$ 946,118 | \$ 4,736 | \$ 1,011,035 |

City of Texarkana, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds – Nonmajor (Continued)
Year Ended December 31, 2020

| | 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 | \$ - | \$ 875,754 | \$ - | \$ - | \$ 875,754 |
| Fines, forfeitures and penalties | - | - | - | - | - |
| Grants and entitlements | - | - | - | - | - |
| Investment income | 2,059 | 396 | 1,487 | 1,270 | 5,212 |
| Miscellaneous | - | - | - | - | - |
| Total revenues | 2,059 | 876,150 | 1,487 | 1,270 | 880,966 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | - | - | - | - | - |
| Other public safety | - | - | - | - | - |
| Public works | - | - | - | - | - |
| Public services | - | - | - | - | - |
| Cultural and recreation | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service | | | | | |
| Principal retirement | 315,000 | 655,000 | 115,000 | 140,000 | 1,225,000 |
| Interest and fiscal charges | 303,403 | 277,750 | 116,484 | 62,713 | 760,350 |
| Bond issuance costs | - | - | - | 2,038 | 2,038 |
| Total expenditures | 618,403 | 932,750 | 231,484 | 204,751 | 1,987,388 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (616,344) | (56,600) | (229,997) | (203,481) | (1,106,422) |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from issuance of debt | - | - | - | - | - |
| Transfers in | 596,553 | - | 235,293 | 204,664 | 1,036,510 |
| Transfers out | - | - | (635) | (551) | (1,186) |
| Total other financing sources (uses) | 596,553 | - | 234,658 | 204,113 | 1,035,324 |
| Net Change in Fund Balances | (19,791) | (56,600) | 4,661 | 632 | (71,098) |
| Fund Balances, Beginning of Year | 538,788 | 1,132,610 | 267,628 | 230,707 | 2,169,733 |
| Fund Balances, End of Year | \$ 518,997 | \$ 1,076,010 | \$ 272,289 | \$ 231,339 | \$ 2,098,635 |

| Capital Projects Funds | | | | |
|--------------------------------|---|---------------------|--------------|---|
| Capital Improvement Fund | Project Fund 2018 Franchise Fee Bonds | Section 108 Loan | Total | Total Nonmajor Governmental Fund |
| \$ - | \$ - | \$ - | \$ - | \$ 1,361,878 |
| - | - | - | - | 23,160 |
| 134,277 | - | - | 134,277 | 587,677 |
| 651 | - | - | 651 | 5,951 |
| 12,752 | - | - | 12,752 | 24,452 |
| 147,680 | - | - | 147,680 | 2,003,118 |
| 42,023 | - | - | 42,023 | 335,503 |
| 2,500 | 738 | - | 3,238 | 18,141 |
| - | - | - | - | 1,760 |
| - | - | - | - | 60,953 |
| - | - | 70 | 70 | 447,819 |
| 60,321 | - | 11,045 | 71,366 | 120,000 |
| - | - | - | - | 1,257,000 |
| - | - | - | - | 761,853 |
| - | - | - | - | 2,038 |
| 104,844 | 738 | 11,115 | 116,697 | 3,005,067 |
| 42,836 | (738) | (11,115) | 30,983 | (1,001,949) |
| - | - | 810,000 | 810,000 | 810,000 |
| - | - | - | - | 1,041,510 |
| (38,065) | - | - | (38,065) | (42,437) |
| (38,065) | - | 810,000 | 771,935 | 1,809,073 |
| 4,771 | (738) | 798,885 | 802,918 | 807,124 |
| 573,172 | 24,143 | 74,896 | 672,211 | 3,777,675 |
| \$ 577,943 | \$ 23,405 | \$ 873,781 | \$ 1,475,129 | \$ 4,584,799 |

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Community Development Block Grant Fund
Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|----------------------------|-------------------------|-----------------|---|
| Revenues | | | | |
| Grants and entitlements | \$ 477,169 | \$ 522,503 | \$ 375,597 | \$ (146,906) |
| Miscellaneous | - | 125 | 2,360 | 2,235 |
| Total revenues | 477,169 | 522,628 | 377,957 | (144,671) |
| Expenditures | | | | |
| Current: | | | | |
| General government | 49,928 | 204,934 | 238,714 | (33,780) |
| Public works | 60,000 | 21,000 | 1,760 | 19,240 |
| Public services | 84,964 | 100,324 | 60,953 | 39,371 |
| Capital outlay | 1,165,277 | 200,000 | 48,634 | 151,366 |
| Debt service | | | | |
| Principal retirement | - | - | 32,000 | (32,000) |
| Interest and fiscal charges | - | - | 1,503 | (1,503) |
| Total expenditures | 1,360,169 | 526,258 | 383,564 | 142,694 |
| Net Change in Fund Balances | (883,000) | (3,630) | (5,607) | (1,977) |
| Fund Balances, Beginning of Year | 12,174 | 12,174 | 12,174 | - |
| Fund Balances, End of Year | <u>\$ (870,826)</u> | <u>\$ 8,544</u> | <u>\$ 6,567</u> | <u>\$ (1,977)</u> |

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Police Fund

Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|-----------|---|
| Revenues | | | | |
| Grants and entitlements | \$ 9,590 | \$ 5,074 | \$ 5,204 | \$ 130 |
| Miscellaneous | 6,700 | 9,000 | 9,340 | 340 |
| Total revenues | 16,290 | 14,074 | 14,544 | 470 |
| Expenditures | | | | |
| Current: | | | | |
| Other public safety | 11,290 | 6,774 | 5,075 | 1,699 |
| Total expenditures | 11,290 | 6,774 | 5,075 | 1,699 |
| Excess of Revenues Over Expenditures | 5,000 | 7,300 | 9,469 | 2,169 |
| Other Financing Uses | | | | |
| Transfers out | (3,186) | (3,186) | (3,186) | - |
| Total other financing uses | (3,186) | (3,186) | (3,186) | - |
| Net Change in Fund Balances | 1,814 | 4,114 | 6,283 | 2,169 |
| Fund Balances, Beginning of Year | 3,762 | 3,762 | 3,762 | - |
| Fund Balances, End of Year | \$ 5,576 | \$ 7,876 | \$ 10,045 | \$ 2,169 |

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Domestic Violence Fund

Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|-----------------|---|
| Revenues | | | | |
| Fines, forfeitures and penalties | \$ 1,550 | \$ 2,050 | \$ 2,832 | \$ 782 |
| Total revenues | 1,550 | 2,050 | 2,832 | 782 |
| Expenditures | | | | |
| Current: | | | | |
| Other public safety | 1,752 | 1,752 | 1,752 | - |
| Total expenditures | 1,752 | 1,752 | 1,752 | - |
| Net Change in Fund Balances | (202) | 298 | 1,080 | 782 |
| Fund Balances, Beginning of Year | 428 | 428 | 428 | - |
| Fund Balances, End of Year | <u>\$ 226</u> | <u>\$ 726</u> | <u>\$ 1,508</u> | <u>\$ 782</u> |

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Front Street Project Fund

Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|-----------|---|
| Revenues | | | | |
| Miscellaneous | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| Expenditures | | | | |
| Current: | | | | |
| Cultural and recreation | 8,868 | 2,175 | 1,235 | 940 |
| Total expenditures | 8,868 | 2,175 | 1,235 | 940 |
| Net Change in Fund Balances | (8,868) | (2,175) | (1,235) | 940 |
| Fund Balances, Beginning of Year | 11,860 | 11,860 | 11,860 | - |
| Fund Balances, End of Year | \$ 2,992 | \$ 9,685 | \$ 10,625 | \$ 940 |

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Bail Bond Fund

Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|-----------------|---|
| Revenues | | | | |
| Fines, forfeitures and penalties | \$ 5,750 | \$ 5,100 | \$ 6,107 | \$ 1,007 |
| Total revenues | 5,750 | 5,100 | 6,107 | 1,007 |
| Expenditures | | | | |
| Current: | | | | |
| Other public safety | 8,076 | 8,076 | 8,076 | - |
| Total expenditures | 8,076 | 8,076 | 8,076 | - |
| Net Change in Fund Balances | (2,326) | (2,976) | (1,969) | 1,007 |
| Fund Balances, Beginning of Year | 3,332 | 3,332 | 3,332 | - |
| Fund Balances, End of Year | <u>\$ 1,006</u> | <u>\$ 356</u> | <u>\$ 1,363</u> | <u>\$ 1,007</u> |

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Court Automation Fund

Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|-----------|---|
| Revenues | | | | |
| Fines, forfeitures and penalties | \$ 18,000 | \$ 14,500 | \$ 14,032 | \$ (468) |
| Investment income | 110 | 50 | 34 | (16) |
| Total revenues | 18,110 | 14,550 | 14,066 | (484) |
| Expenditures | | | | |
| Current: | | | | |
| General government | 39,200 | 54,900 | 54,766 | 134 |
| Total expenditures | 39,200 | 54,900 | 54,766 | 134 |
| Net Change in Fund Balances | (21,090) | (40,350) | (40,700) | (350) |
| Fund Balances, Beginning of Year | 50,644 | 50,644 | 50,644 | - |
| Fund Balances, End of Year | \$ 29,554 | \$ 10,294 | \$ 9,944 | \$ (350) |

City of Texarkana, Arkansas
Budgetary Comparison Schedule
North Texarkana Redevelopment District
Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|----------------------------|--------------------------|--------------------------|---|
| Revenues | | | | |
| Property taxes | \$ 120,701 | \$ 123,000 | \$ 135,977 | \$ 12,977 |
| Investment income | 10 | 10 | 10 | - |
| Total revenues | <u>120,711</u> | <u>123,010</u> | <u>135,987</u> | <u>12,977</u> |
| Net Change in Fund Balances | 120,711 | 123,010 | 135,987 | 12,977 |
| Fund Balances, Beginning of Year | <u>810,131</u> | <u>810,131</u> | <u>810,131</u> | <u>-</u> |
| Fund Balances, End of Year | <u><u>\$ 930,842</u></u> | <u><u>\$ 933,141</u></u> | <u><u>\$ 946,118</u></u> | <u><u>\$ 12,977</u></u> |

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Library Fund

Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|------------|---|
| Revenues | | | | |
| Property taxes | \$ 350,000 | \$ 333,000 | \$ 350,147 | \$ 17,147 |
| Grants and entitlements | 75,000 | 72,000 | 72,599 | 599 |
| Investment income | 30 | 30 | 44 | 14 |
| Total revenues | 425,030 | 405,030 | 422,790 | 17,760 |
| Expenditures | | | | |
| Current: | | | | |
| Cultural and recreation | 430,030 | 410,030 | 446,514 | (36,484) |
| Total expenditures | 430,030 | 410,030 | 446,514 | (36,484) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (5,000) | (5,000) | (23,724) | (18,724) |
| Other Financing Sources | | | | |
| Transfers in | 5,000 | 5,000 | 5,000 | - |
| Total other financing sources | 5,000 | 5,000 | 5,000 | - |
| Net Change in Fund Balances | - | - | (18,724) | (18,724) |
| Fund Balances, Beginning of Year | 38,853 | 38,853 | 38,853 | - |
| Fund Balances, End of Year | \$ 38,853 | \$ 38,853 | \$ 20,129 | \$ (18,724) |

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Public Safety Fund

Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|-----------------|---|
| Revenues | | | | |
| Fines, forfeitures and penalties | \$ 300 | \$ 200 | \$ 189 | \$ (11) |
| Total revenues | 300 | 200 | 189 | (11) |
| Expenditures | | | | |
| Current: | | | | |
| Other public safety | 3,341 | 3,341 | - | 3,341 |
| Total expenditures | 3,341 | 3,341 | - | 3,341 |
| Net Change in Fund Balances | (3,041) | (3,141) | 189 | 3,330 |
| Fund Balances, Beginning of Year | 4,547 | 4,547 | 4,547 | - |
| Fund Balances, End of Year | <u>\$ 1,506</u> | <u>\$ 1,406</u> | <u>\$ 4,736</u> | <u>\$ 3,330</u> |

Nonmajor Enterprise Funds

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NONMAJOR ENTERPRISE FUNDS

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

The **Texarkana, Arkansas Mandeville Water Utilities Funds** accounts for the water and sewer services provided by the Mandeville Water Utilities

City of Texarkana, Arkansas
Combining Statement of Net Position
Enterprise Funds - Nonmajor
December 31, 2020

| | Union Utilities | Mandeville Utilities | Total |
|--|--------------------|-------------------------|------------|
| Assets | | | |
| Current assets | | | |
| Cash | \$ 284,649 | \$ 150,105 | \$ 434,754 |
| Investments | 43,817 | - | 43,817 |
| Receivables: | | | |
| Accounts (net of allowance for uncollectible) | 32,746 | 10,488 | 43,234 |
| Accrued interest | 734 | - | 734 |
| Due from other funds | 149 | 144 | 293 |
| Due from other governments | 722 | - | 722 |
| Prepaid items | 907 | 225 | 1,132 |
| Total current assets | 363,724 | 160,962 | 524,686 |
| Noncurrent assets | | | |
| Restricted assets | | | |
| Cash | 127,025 | 16,767 | 143,792 |
| Investments | 102,239 | - | 102,239 |
| Receivables | | | |
| Interest | 1,712 | - | 1,712 |
| Total restricted assets | 230,976 | 16,767 | 247,743 |
| Capital assets (net of accumulated depreciation) | | | |
| Land | 13,750 | 1,697 | 15,447 |
| Buildings | 736 | 232 | 968 |
| Improvements other than buildings | 1,773,444 | 194,368 | 1,967,812 |
| Machinery and equipment | 15,470 | 4,790 | 20,260 |
| Construction in progress | 12,850 | 3,278 | 16,128 |
| Net capital assets | 1,816,250 | 204,365 | 2,020,615 |
| Other assets | | | |
| Prepaid capital improvement deposits | - | 1,237 | 1,237 |
| Total other assets | - | 1,237 | 1,237 |
| Total noncurrent assets | 2,047,226 | 222,369 | 2,269,595 |
| Total assets | 2,410,950 | 383,331 | 2,794,281 |
| Deferred Outflows of Resources | | | |
| Deferred outflows - pension | 4,292 | 1,064 | 5,356 |
| Total deferred outflows of resources | 4,292 | 1,064 | 5,356 |

| | Union Utilities | Mandeville Utilities | Total |
|--------------------------------------|--------------------|-------------------------|--------------|
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | \$ 14,126 | \$ 3,849 | \$ 17,975 |
| Accrued liabilities | 7,236 | 703 | 7,939 |
| Accrued interest payable | 16,232 | 2,321 | 18,553 |
| Due to other funds | 3,868 | 999 | 4,867 |
| Due to other governments | 6,886 | 1,953 | 8,839 |
| Other payables | 327 | 977 | 1,304 |
| Bonds payable - current portion | 219,631 | 28,919 | 248,550 |
| Total current liabilities | 268,306 | 39,721 | 308,027 |
| Noncurrent liabilities | | | |
| Customer deposits | 32,474 | 9,405 | 41,879 |
| Capital improvement deposits | 9,601 | - | 9,601 |
| Net pension and OPEB liability | 17,039 | 5,018 | 22,057 |
| Revenue bonds | 870,058 | 126,844 | 996,902 |
| Total noncurrent liabilities | 929,172 | 141,267 | 1,070,439 |
| Total liabilities | 1,197,478 | 180,988 | 1,378,466 |
| Deferred Inflows of Resources | | | |
| Deferred inflows - pension | 8,645 | 1,966 | 10,611 |
| Total deferred inflows of resources | 8,645 | 1,966 | 10,611 |
| Net Position | | | |
| Net investment in capital assets | 955,825 | 65,369 | 1,021,194 |
| Unrestricted | 253,294 | 136,072 | 389,366 |
| Total net position | \$ 1,209,119 | \$ 201,441 | \$ 1,410,560 |

City of Texarkana, Arkansas
Combining Statement of Revenues, Expenses and
Changes in Net Position
Enterprise Funds - Nonmajor
Year Ended December 31, 2020

| | Union Utilities | Mandeville Utilities | Total |
|--|---------------------|-------------------------|---------------------|
| Operating Revenues | | | |
| Water sales | \$ 405,328 | \$ 78,137 | \$ 483,465 |
| Water connection fees | 900 | 200 | 1,100 |
| Penalties and service charges | 14,343 | 3,890 | 18,233 |
| Other income | 5,560 | 4,184 | 9,744 |
| | <hr/> | <hr/> | <hr/> |
| Total operating revenues | 426,131 | 86,411 | 512,542 |
| | <hr/> | <hr/> | <hr/> |
| Operating Expenses | | | |
| Finance | 8,279 | 2,085 | 10,364 |
| Customer service | 39,095 | 9,897 | 48,992 |
| Water production | 94,292 | 27,124 | 121,416 |
| Waster distribution | 19,936 | 13,346 | 33,282 |
| Engineer design | 1,045 | - | 1,045 |
| Field service | 25,821 | 6,743 | 32,564 |
| Construction oversight | 671 | 169 | 840 |
| Depreciation | 108,135 | 13,213 | 121,348 |
| Other expenses | 719 | - | 719 |
| Contract water & sewer expense - International Paper | 748 | 1,211 | 1,959 |
| | <hr/> | <hr/> | <hr/> |
| Total operating expenses | 298,741 | 73,788 | 372,529 |
| | <hr/> | <hr/> | <hr/> |
| Operating Income | 127,390 | 12,623 | 140,013 |
| | <hr/> | <hr/> | <hr/> |
| Nonoperating Revenues (Expenses) | | | |
| Interest income - investments | 4,864 | 807 | 5,671 |
| Interest expense and paying agent fees | (37,444) | (5,330) | (42,774) |
| | <hr/> | <hr/> | <hr/> |
| Total nonoperating revenues (expenses) | (32,580) | (4,523) | (37,103) |
| | <hr/> | <hr/> | <hr/> |
| Income Before Transfers | 94,810 | 8,100 | 102,910 |
| | <hr/> | <hr/> | <hr/> |
| Changes in Net Position | 94,810 | 8,100 | 102,910 |
| | <hr/> | <hr/> | <hr/> |
| Net Position, Beginning of Year | 1,114,309 | 193,341 | 1,307,650 |
| | <hr/> | <hr/> | <hr/> |
| Net Position, End of Year | <u>\$ 1,209,119</u> | <u>\$ 201,441</u> | <u>\$ 1,410,560</u> |

City of Texarkana, Arkansas
Combining Statement of Cash Flows
Enterprise Funds - Nonmajor
Year Ended December 31, 2020

| | Union Utilities | Mandeville Utilities | Total |
|---|--------------------------|--------------------------|--------------------------|
| Cash Flows From Operating Activities | | | |
| Cash received from customers | \$ 469,751 | \$ 89,654 | \$ 559,405 |
| Cash paid to suppliers | (141,551) | (44,526) | (186,077) |
| Cash paid to employees | (48,900) | (12,140) | (61,040) |
| | <u>279,300</u> | <u>32,988</u> | <u>312,288</u> |
| Cash Flows From Capital and Related Financing Activities | | | |
| Acquisition and construction of capital assets | (24,099) | (19,282) | (43,381) |
| Principal paid on bonds | (212,664) | (28,000) | (240,664) |
| Interest paid on bonds | (40,612) | (5,746) | (46,358) |
| Capital improvement deposits received | 13,053 | 2,303 | 15,356 |
| | <u>(264,322)</u> | <u>(50,725)</u> | <u>(315,047)</u> |
| Cash Flows From Investing Activities | | | |
| Purchase of investments | (45,787) | - | (45,787) |
| Proceeds from sale and maturities of investments | 43,434 | - | 43,434 |
| Interest received on investments | 2,812 | 808 | 3,620 |
| | <u>459</u> | <u>808</u> | <u>1,267</u> |
| Increase (Decrease) in Cash | 15,437 | (16,929) | (1,492) |
| Cash, Beginning of Year | <u>396,237</u> | <u>183,801</u> | <u>580,038</u> |
| Cash, End of Year | <u><u>\$ 411,674</u></u> | <u><u>\$ 166,872</u></u> | <u><u>\$ 578,546</u></u> |
| Cash, as Presented, on the | | | |
| "Combining Statement of Net Position" | | | |
| is as follows: | | | |
| Cash | \$ 284,649 | \$ 150,105 | \$ 434,754 |
| Restricted cash | 127,025 | 16,767 | 143,792 |
| | <u><u>\$ 411,674</u></u> | <u><u>\$ 166,872</u></u> | <u><u>\$ 578,546</u></u> |

City of Texarkana, Arkansas
Combining Statement of Cash Flows (Continued)
Enterprise Funds - Nonmajor
Year Ended December 31, 2020

| | <u>Union Utilities</u> | <u>Mandeville Utilities</u> | <u>Total</u> |
|--|----------------------------|---------------------------------|-------------------|
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | | |
| Operating income | \$ 127,390 | \$ 12,623 | \$ 140,013 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation expense | 108,135 | 13,213 | 121,348 |
| (Increase) decrease in assets: | | | |
| Accounts receivable | 41,001 | 3,113 | 44,114 |
| Due from other funds | (856) | 402 | (454) |
| Prepaid expenses | (22) | (4) | (26) |
| Decrease in deferred outflows | (2,818) | (298) | (3,116) |
| Increase (decrease) in liabilities: | | | |
| Accounts payable | 1,300 | 2,033 | 3,333 |
| Accrued liabilities | 3,644 | 664 | 4,308 |
| Due to other funds | (2,727) | 678 | (2,049) |
| Customer deposits | 3,664 | 130 | 3,794 |
| Net pension and postemployment benefits liabilities | (14,547) | (3,795) | (18,342) |
| Other payables | (703) | 294 | (409) |
| Increase in deferred inflows | 15,839 | 3,935 | 19,774 |
| Net cash provided by operating activities | <u>\$ 279,300</u> | <u>\$ 32,988</u> | <u>\$ 312,288</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.

CUSTODIAL FUNDS

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

City of Texarkana, Arkansas
Combining Statement of Fiduciary Net Position
Pension Trust Funds
December 31, 2020

| | City Employee Retirement System | Water Utilities Employee Retirement System | Policemen's Relief and Pension | Total |
|--------------------------------------|--|---|---|----------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 294,583 | \$ 81,291 | \$ 275,964 | \$ 651,838 |
| Investments | | | | |
| U. S. government obligations | 57,083 | 207,622 | - | 264,705 |
| Mortgage backed securities | - | 330,000 | - | 330,000 |
| Corporate bonds and notes | - | 681,103 | - | 681,103 |
| Mutual funds and other investments | 2,663,572 | 1,661,922 | 4,483,552 | 8,809,046 |
| Interest receivable | 3,022 | 8,620 | 6,862 | 18,504 |
| Due from other funds | - | - | 487,263 | 487,263 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets | 3,018,260 | 2,970,558 | 5,253,641 | 11,242,459 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Liabilities | | | | |
| Accounts payable | 4,271 | - | 1,983 | 6,254 |
| Due to other funds | 2,321 | - | - | 2,321 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities | 6,592 | - | 1,983 | 8,575 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net Position | | | | |
| Net position restricted for pensions | <u>\$ 3,011,668</u> | <u>\$ 2,970,558</u> | <u>\$ 5,251,658</u> | <u>\$ 11,233,884</u> |

City of Texarkana, Arkansas
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended December 31, 2020

| | City Employee Retirement System | Water Utilities Employee Retirement System | Policemen's Relief and Pension | Total |
|--|--|---|---|---------------|
| Additions | | | | |
| Contributions | | | | |
| Employer | \$ 148,799 | \$ - | \$ 540,296 | \$ 689,095 |
| Employee | 13,093 | - | - | 13,093 |
| Intergovernmental | - | - | 313,739 | 313,739 |
| Other | 973 | - | 25,921 | 26,894 |
| Total contributions | 162,865 | - | 879,956 | 1,042,821 |
| Investment income | | | | |
| Net increase (decrease) in fair value of investments | (93,012) | 108,104 | 415,291 | 430,383 |
| Interest and dividends | 64,481 | 79,773 | 70,117 | 214,371 |
| | (28,531) | 187,877 | 485,408 | 644,754 |
| Less investment expense | - | - | 20,207 | 20,207 |
| Net investment income (loss) | (28,531) | 187,877 | 465,201 | 624,547 |
| Total additions | 134,334 | 187,877 | 1,345,157 | 1,667,368 |
| Deductions | | | | |
| Benefits paid directly to participants | 487,188 | 33,046 | 1,175,221 | 1,695,455 |
| Administrative expenses | 37,690 | 24,879 | 6,200 | 68,769 |
| Total deductions | 524,878 | 57,925 | 1,181,421 | 1,764,224 |
| Net Increase (Decrease) in Net Position | (390,544) | 129,952 | 163,736 | (96,856) |
| Net Position Restricted for Pensions, Beginning of Year | 3,402,212 | 2,840,606 | 5,087,922 | 11,330,740 |
| Net Position Restricted for Pensions, End of Year | \$ 3,011,668 | \$ 2,970,558 | \$ 5,251,658 | \$ 11,233,884 |

City of Texarkana, Arkansas
Combining Statement of Fiduciary Net Position
Custodial Funds
December 31, 2020

| | <u>Police Bond Fund</u> | <u>Drug Seizure Fund</u> | <u>Total Custodial Funds</u> |
|---------------------------|-----------------------------|------------------------------|----------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 121,535 | \$ 9 | \$ 121,544 |
| Interest receivable | 3,556 | - | 3,556 |
| Total assets | <u>125,091</u> | <u>9</u> | <u>125,100</u> |
| Liabilities | | | |
| Escrow deposits | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Position | <u><u>\$ 125,091</u></u> | <u><u>\$ 9</u></u> | <u><u>\$ 125,100</u></u> |

City of Texarkana, Arkansas
Combining Statement Changes in Fiduciary Net Position
Custodial Funds
December 31, 2020

| | <u>Police Bond Fund</u> | <u>Drug Seizure Fund</u> | <u>Total Custodial Funds</u> |
|--|-----------------------------|------------------------------|----------------------------------|
| Additions | | | |
| Receipt of police bond funds | \$ 818,475 | \$ - | \$ 818,475 |
| Interest | <u>263</u> | <u>-</u> | <u>263</u> |
| Total additions | <u>818,738</u> | <u>-</u> | <u>818,738</u> |
| Deductions | | | |
| Return of police bond funds | <u>891,595</u> | <u>-</u> | <u>891,595</u> |
| Total Deductions | <u>891,595</u> | <u>-</u> | <u>891,595</u> |
| Change in Net Position | (72,857) | - | (72,857) |
| Net Position, Beginning of Year (as restated) | <u>197,948</u> | <u>9</u> | <u>197,957</u> |
| Net Position, End of Year | <u><u>\$ 125,091</u></u> | <u><u>\$ 9</u></u> | <u><u>\$ 125,100</u></u> |

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Statistical Section

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City of Texarkana, Arkansas

Statistical Section

This section of the City of Texarkana, Arkansas annual comprehensive financial report (ACFR) 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.

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|---|------|
| 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. | 185 |
| 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. | 192 |
| 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. | 199 |
| 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. | 204 |
| 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. | 206 |

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

Table 1

| | 2011 | 2012 | 2013 | 2014 | 2015* | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 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 | \$ 11,573,523 |
| Restricted | 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 | 5,021,170 |
| Unrestricted (deficit) | 9,204,239 | 6,977,071 | 4,990,951 | 5,347,984 | (2,521,327) | (2,174,520) | 135,812 | (4,185,767) | (4,829,476) | (5,576,380) |
| Total governmental activities net position | <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> | <u>11,018,313</u> |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | 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 | 35,033,478 |
| Restricted | 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 | 2,035,558 |
| Unrestricted | 10,050,575 | 9,601,508 | 8,383,953 | 8,060,243 | 6,107,274 | 5,867,366 | 5,543,209 | 4,150,856 | 5,102,543 | 3,943,000 |
| Total business-type activities net position | <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> | <u>41,012,036</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | 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 | 46,607,001 |
| Restricted | 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 | 7,056,728 |
| Unrestricted (deficit) | 19,254,814 | 16,578,579 | 13,374,904 | 13,408,227 | 3,585,947 | 3,692,846 | 5,679,021 | (34,911) | 273,067 | (1,633,380) |
| Total primary government net position | <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> | <u>\$ 52,030,349</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

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General administration | \$ 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 | \$ 3,585,283 |
| Police department | 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 | 10,057,223 |
| Fire department | 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 | 6,316,894 |
| 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 | 1,083,063 |
| Protective inspection | 467,210 | 494,102 | 516,458 | 434,499 | 474,893 | 567,880 | 473,860 | 433,700 | 542,856 | 602,488 |
| Public works | 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 | 7,125,056 |
| Public services | 15,381 | 1,252 | 245,174 | 565,398 | 532,551 | 541,432 | 31,950 | 32,746 | 61,695 | 71,343 |
| Health and welfare | 361,460 | 436,639 | 394,764 | 426,422 | 410,477 | 459,236 | 573,179 | 386,403 | 609,728 | 696,837 |
| Cultural and recreation | 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 | 1,260,562 |
| Interest on long-term debt | 678,252 | 1,683,764 | 908,021 | 894,852 | 933,184 | 811,774 | 773,234 | 861,792 | 769,576 | 762,801 |
| Total governmental activities expenses | <u>26,671,117</u> | <u>28,885,987</u> | <u>27,574,205</u> | <u>27,521,146</u> | <u>24,997,468</u> | <u>26,307,246</u> | <u>27,980,163</u> | <u>28,607,429</u> | <u>29,940,666</u> | <u>31,561,550</u> |
| Business-type activities: | | | | | | | | | | |
| Water and sewer | 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 | 10,479,232 |
| Total business-type activities expenses | <u>8,828,758</u> | <u>9,383,771</u> | <u>9,239,788</u> | <u>8,883,064</u> | <u>8,827,599</u> | <u>8,724,209</u> | <u>9,016,083</u> | <u>9,221,277</u> | <u>9,631,871</u> | <u>10,479,232</u> |
| Total primary government expenses | <u>35,499,875</u> | <u>38,269,758</u> | <u>36,813,993</u> | <u>36,404,210</u> | <u>33,825,067</u> | <u>35,031,455</u> | <u>36,996,246</u> | <u>37,828,706</u> | <u>39,572,537</u> | <u>42,040,782</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services | 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 | 5,911,828 |
| Operating grants and contributions | 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 | 4,819,791 |
| Capital grants and contributions | 1,028,843 | 1,309,384 | 1,812,264 | 1,260,110 | 1,199,000 | 1,078,636 | 851,360 | 750,793 | 724,333 | 509,874 |
| Total governmental activities program revenues | <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> | <u>11,241,493</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services | 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 | 9,689,488 |
| Capital grants and contributions | 78,337 | - | - | 37,484 | 27,748 | - | - | - | - | - |
| Total business-type activities program revenues | <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> | <u>9,689,488</u> |
| Total primary government program revenues | <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> | <u>\$ 20,930,981</u> |

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

Table 2

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (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) | \$ (20,320,057) |
| Business-type activities | 1,514,370 | 819,019 | 510,278 | 401,951 | 613,637 | 866,387 | 544,725 | 377,539 | (346,648) | (789,744) |
| Total primary government net expense | (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) | (21,109,801) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes | 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 | 4,143,548 |
| Sales taxes | 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 | 12,000,098 |
| Franchise taxes | 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 | 2,580,633 |
| Other taxes | 76,338 | 76,764 | 81,189 | 70,308 | 67,975 | 57,884 | 79,969 | 81,351 | 80,414 | 73,150 |
| Unrestricted investment earnings | 14,105 | 59,233 | 12,775 | 9,603 | 15,444 | 5,885 | 10,570 | 19,591 | 26,472 | 11,095 |
| Gain(loss) on sale of capital assets | 47,145 | 18,426 | - | - | - | - | - | - | - | - |
| Miscellaneous | 248,202 | 146,005 | 257,213 | 182,129 | 289,351 | 100,279 | 541,419 | 471,372 | 562,639 | 1,289,257 |
| Transfers | - | 832,090 | 246,723 | 237,539 | 183,034 | 335,094 | 238,504 | 1,036,864 | 560,828 | 404,301 |
| Total governmental activities | 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 | 20,502,082 |
| Business-type activities: | | | | | | | | | | |
| Unrestricted investment earnings | 318,080 | 299,162 | 291,104 | 266,596 | 267,423 | 152,922 | 156,212 | 174,072 | 179,535 | 234,884 |
| Gain on sale of capital assets | (7,050) | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | 1,723 | - | - | - | - | - | - | - |
| Transfers | (255,035) | (853,170) | (249,864) | (236,198) | (233,566) | (227,751) | (255,377) | (853,431) | (609,087) | (293,195) |
| Total business-type activities | 55,995 | (554,008) | 42,963 | 30,398 | 33,857 | (74,829) | (99,165) | (679,359) | (429,552) | (58,311) |
| Total primary government general revenues and other changes in net position | 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 | 20,443,771 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | (546,779) | (2,097,126) | (895,614) | (986,790) | 1,735,556 | 266,508 | 2,392,490 | (397,343) | (703,153) | 182,025 |
| Business-type activities | 1,570,365 | 265,011 | 553,241 | 432,349 | 647,494 | 791,558 | 445,560 | (301,820) | (776,200) | (848,055) |
| Total primary government changes in net position | \$ 1,023,586 | \$ (1,832,115) | \$ (342,373) | \$ (554,441) | \$ 2,383,050 | \$ 1,058,066 | \$ 2,838,050 | \$ (699,163) | \$ (1,479,353) | \$ (666,030) |

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

Table 3

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Function/ Program | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General administration | \$ 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 | \$ 1,680,671 |
| Police department | 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 | 2,147,970 |
| Fire department | 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 | 5,656,598 | 5,755,338 | 5,626,372 | 5,933,325 | 5,930,278 | 5,862,094 | 5,699,490 | 6,489,157 | 6,791,276 | 6,450,872 |
| Public services | 1,334,235 | 993,090 | 826,299 | 418,254 | 263,869 | 274,870 | 3,510,486 | (32,500) | 263,804 | 894,767 |
| Cultural and recreation | 68,283 | 86,884 | 80,398 | 85,182 | 78,800 | 79,414 | 103,113 | 84,209 | 79,295 | 67,213 |
| Subtotal governmental activities | 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 | 11,241,493 |
| Business-type activities: | | | | | | | | | | |
| Water and sewer | 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 | 9,689,488 |
| Subtotal business-type activities | 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 | 9,689,488 |
| Total primary government | <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> | <u>\$ 20,930,981</u> |

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

Table 4

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------------------------|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | | | | | | | |
| Nonspendable | | | | | | | | | | |
| Prepaid items | \$ 276,177 | \$ 339,756 | \$ 7,922 | \$ 124,629 | \$ 180,061 | \$ 263,696 | \$ 5,087 | \$ 10,961 | \$ 124,016 | \$ 129,438 |
| Restricted | | | | | | | | | | |
| Police department | - | - | 4,885 | 330 | - | 19,105 | - | - | 13,796 | - |
| Animal Shelter | - | - | - | - | - | - | - | - | - | 1,000,000 |
| Committed | | | | | | | | | | |
| Cultural and recreation | 13,855 | 14,956 | 15,101 | 16,998 | 17,723 | 17,254 | 14,106 | 13,175 | 14,175 | 10,577 |
| Assigned | | | | | | | | | | |
| Police department | 164,470 | 210,776 | 77,016 | 38,594 | 33,090 | 18,646 | 18,646 | 39,173 | 20,902 | 24,890 |
| Public works | 194,394 | 30,292 | 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 | 6,993,171 |
| Total general fund | <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> | <u>\$ 8,188,368</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 | \$ 8,436 |
| Restricted | | | | | | | | | | |
| General administration | 92,050 | 63,547 | 64,023 | 73,662 | 76,600 | 74,710 | 69,204 | 55,803 | 42,913 | 1,842 |
| Police department | 9,192 | 10,512 | 9,163 | 11,845 | 15,332 | 6,167 | 4,422 | 44,602 | 36,212 | 41,057 |
| Fire department | 110,312 | 103,798 | 44,678 | 46,185 | 29,607 | 20,322 | 22,669 | 24,514 | 46,697 | 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 | 952,685 |
| 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 | 2,098,635 |
| Cultural and recreation | 2,358 | 6,163 | 57,454 | 70,830 | 91,864 | 98,952 | 92,679 | 65,944 | 125,609 | 904,535 |
| Committed | | | | | | | | | | |
| Public works | 260,346 | 277,816 | 215,191 | 284,701 | 307,575 | 240,855 | 309,211 | 302,820 | 375,357 | 389,125 |
| 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 | 141,598 |
| 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 | 1,856,004 |
| Unassigned | (4,390) | - | - | - | - | - | (769) | (1,223) | - | - |
| Total all other governmental funds | <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> | <u>\$ 6,440,614</u> |

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

Table 5

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenues | | | | | | | | | | |
| Property taxes | \$ 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 | \$ 3,920,159 |
| Sales taxes | 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 | 12,000,098 |
| Other taxes | 76,338 | 76,764 | 81,189 | 70,308 | 67,975 | 57,884 | 79,969 | 81,351 | 80,414 | 73,150 |
| Utility franchise | 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 | 2,579,878 |
| Licenses and permits | 183,504 | 242,339 | 184,516 | 187,247 | 204,483 | 179,075 | 183,444 | 328,393 | 374,198 | 285,820 |
| Fines, forfeitures and penalties | 774,149 | 752,300 | 676,331 | 716,361 | 619,982 | 609,268 | 648,141 | 561,880 | 726,567 | 588,736 |
| Charges for services | 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 | 4,644,444 |
| Grants and entitlements | 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 | 2,564,904 |
| Intergovernmental | 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 | 2,797,192 |
| Investment income | 14,105 | 59,233 | 12,775 | 9,603 | 15,444 | 5,885 | 10,570 | 19,591 | 26,472 | 11,095 |
| Miscellaneous | 493,117 | 418,828 | 452,206 | 366,519 | 499,274 | 354,056 | 541,419 | 471,372 | 562,639 | 1,289,257 |
| Total revenues | 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 | 30,754,733 |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 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 | 2,989,699 |
| Police department | 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 | 8,647,948 |
| Fire department | 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 | 5,256,566 |
| 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 | 1,082,267 |
| Protective inspection | 428,681 | 456,482 | 480,399 | 456,148 | 449,576 | 505,396 | 457,378 | 428,638 | 490,360 | 515,739 |
| Public works | 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 | 5,284,363 |
| Public services | 14,869 | 785 | 353 | 125,813 | 37,511 | 57,434 | 30,885 | 32,752 | 55,333 | 60,953 |
| Health and welfare | 321,430 | 395,843 | 352,719 | 396,664 | 379,360 | 388,328 | 539,384 | 372,137 | 555,753 | 593,169 |
| Cultural and recreation | 713,788 | 1,689,146 | 1,019,833 | 1,309,632 | 758,175 | 736,245 | 757,833 | 768,728 | 784,469 | 779,679 |
| Capital outlay | 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 | 2,546,205 |
| Debt service: | | | | | | | | | | |
| Principal retirement | 830,337 | 1,770,728 | 484,585 | 876,214 | 4,765,324 | 1,112,724 | 1,111,675 | 1,021,044 | 1,173,453 | 1,442,759 |
| Interest and fiscal charges | 761,548 | 972,791 | 887,829 | 908,628 | 873,139 | 834,415 | 786,987 | 798,015 | 797,521 | 784,969 |
| Bond issuance costs | - | - | - | - | 75,684 | - | - | 61,778 | 2,078 | 2,038 |
| Total expenditures | 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 | 29,986,354 |
| Excess (deficiency) of revenues over expenditures | (870,052) | (5,253,220) | (6,157,286) | (442,436) | (5,918,118) | 283,341 | 91,613 | (1,402,575) | 262,463 | 768,379 |

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 | 2020 |
|---|--------------|---------------|----------------|--------------|----------------|--------------|--------------|--------------|--------------|--------------|
| Other Financing Sources (Uses) | | | | | | | | | | |
| Transfers in | \$ 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 | \$ 2,084,653 |
| Transfers out | (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) | (1,730,352) |
| Issuance of debt | - | 281,859 | 1,063,523 | - | 54,460 | - | - | 2,316,606 | 950,000 | 810,000 |
| 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) | - | 11,474,485 | 1,310,246 | 237,539 | 3,966,630 | 335,094 | 238,504 | 3,357,325 | 1,510,828 | 1,164,301 |
| Net change in fund balances | \$ (870,052) | \$ 6,221,265 | \$ (4,847,040) | \$ (204,897) | \$ (1,951,488) | \$ 618,435 | \$ 330,117 | \$ 1,954,750 | \$ 1,773,291 | \$ 1,932,680 |
| Debt Service as a percentage of noncapital expenditures | 6.6% | 10.5% | 5.6% | 7.1% | 19.6% | 7.8% | 7.5% | 7.1% | 7.4% | 8.1% |

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 |
|------------------------|-----------------|--------------------------|--------------|------------------------------|---------------|
| 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 |
| 2020 | 3,920,159 | 12,000,098 | 73,150 | 2,579,878 | 18,573,285 |

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 |
| 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 |
| 2021 | 2020 | 287,177,884 | 133,340,310 | 420,518,194 | 0.1050 | 4,415,441 | 2,057,090 | 1,025,545 | 411,418 | 411,418 | 411,418 | 95,552 |

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 | County | Total | | | | | | | |
|------------------------------|-----------------------------|-------------------|-------------------|---------------------|---------|-------|-----------------|--------|-------|-------|----|-------|----|------|----|-------|
| | General Fund | Debt Service Fund | Firemen's Pension | Policemen's Pension | Library | Total | School District | | | | | | | | | |
| Real Property Tax Rates: | | | | | | | | | | | | | | | | |
| 2011 | \$ | 5.00 | \$ | 2.50 | \$ | 1.00 | \$ | 1.00 | \$ | 10.50 | \$ | 38.90 | \$ | 5.50 | \$ | 54.90 |
| 2012 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |
| 2013 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |
| 2014 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |
| 2015 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |
| 2016 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |
| 2017 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |
| 2018 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |
| 2019 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |
| 2020 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |
| Personal Property Tax Rates: | | | | | | | | | | | | | | | | |
| 2011 | \$ | 5.00 | \$ | 2.50 | \$ | 1.00 | \$ | 1.00 | \$ | 10.50 | \$ | 38.90 | \$ | 5.50 | \$ | 54.90 |
| 2012 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |
| 2013 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |
| 2014 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |
| 2015 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |
| 2016 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |
| 2017 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |
| 2018 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |
| 2019 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |
| 2020 | | 5.00 | | 2.50 | | 1.00 | | 1.00 | | 10.50 | | 38.90 | | 5.50 | | 54.90 |

Source - Miller County TaxRecords.

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, 2020

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 2020, the city sales tax generated revenue of \$8,366,454. The City's portion of the county sales tax generated revenue of \$2,716,147 and the municipal four-lane highway tax received from the State of Arkansas and the state wholesale fuel tax totaled \$917,497.

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 | Rank | 2020 | | Rank | 2011 | |
|----------------------------------|------|------------------------------------|--|------|------------------------------------|--|
| | | 2020 Assessed Valuation (1) (2) | Percentage of Total Assessed Valuation | | 2011 Assessed Valuation (1) (3) | Percentage of Total Assessed Valuation |
| Performance Proppants | 1 | \$ 13,811,730 | 3.28% | | | |
| Union Pacific System | 2 | 13,569,370 | 3.23% | 2 | \$ 5,722,830 | 1.86% |
| Southwestern Electric Power co. | 3 | 13,309,650 | 3.17% | 4 | 4,191,600 | 1.36% |
| Southwest AR Electric Co-op | 4 | 11,980,650 | 2.85% | 1 | 7,724,680 | 2.51% |
| Cooper Tire & Rubber Co. - Plant | 5 | 6,367,740 | 1.51% | 7 | 2,902,242 | 0.94% |
| Southwest Ark Telephone Co-op | 6 | 4,648,080 | 1.11% | 8 | 2,675,492 | 0.87% |
| The Links at Texarkana | 7 | 4,033,414 | 0.96% | | | |
| Valor Telecommunications TX LP | 8 | 3,790,000 | 0.90% | | | |
| Goldercrest Farms LLC. | 9 | 4,267,942 | 1.01% | | | |
| Tyson Foods Inc. | 10 | 3,596,527 | 0.86% | 10 | 2,515,875 | 0.82% |
| Natural Gas Pipe Line Co. | | | | 3 | 4,639,630 | 1.51% |
| Wal-Mart Stores Inc. #01-0468 | | | | 5 | 3,962,100 | 1.29% |
| Valor Telecommunications | | | | 6 | 3,465,000 | 1.13% |
| AT&T Mobility LLC. | | | | 9 | 2,545,160 | 0.83% |
| Total principal taxpayers | | <u>\$ 79,375,103</u> | <u>18.88%</u> | | <u>\$ 40,344,609</u> | <u>13.12%</u> |

Notes:

(1) Net of exemptions

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

(3) Source - City of Texarkana AR ACFR statistical section for fiscal year December 31, 2011

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 |
|--------------------|----------------------|-----------------------------|-----------------------------------|---|--------------------------------------|------------------------------|---|-------------------------------------|---|
| 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% |
| 2020 | 2019 | 4,415,441 | 3,359,499 | 76.09% | 364,831 | 3,724,330 | 84.35% | 1,002,305 | 22.70% |

(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 |
|-------------|---------------------------------|-----------------------------------|
| 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% |
| 2020 | 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 | | | |
| 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 |
| 2020 | 6,846,208 | 13,157,015 | 1,561,667 | 6,700 | 5,429,525 | - | 27,001,115 | 3.73% | 903 |

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

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

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

Table 13

| Fiscal Year | Population (1) | Assessed Value (2) | Gross Bonded Debt (3) | Debt Service Monies Available | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|------------------------|---------------------------|-------------------------------|--------------------------------------|--|--------------------------------|---|---|
| 2011 | 29,919 | \$ 307,627,099 | \$ 1,660,000 | \$ 833,633 | \$ 826,367 | 0.27% | \$ 28 |
| 2012 | 30,117 | 321,011,052 | 10,413,920 | 390,932 | 10,022,988 | 3.12% | 333 |
| 2013 | 30,049 | 336,056,167 | 10,405,456 | 824,611 | 9,580,845 | 2.85% | 319 |
| 2014 | 29,972 | 352,115,229 | 10,066,992 | 765,392 | 9,301,600 | 2.64% | 310 |
| 2015 | 30,015 | 359,887,004 | 9,623,528 | 767,335 | 8,856,193 | 2.46% | 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 |
| 2020 | 29,901 | 420,518,194 | 6,846,208 | 916,320 | 5,929,888 | 1.41% | 198 |

Notes:

(1) Source - Bureau of Census

(2) Source - Miller County Tax Records

(3) Gross bonded debt consists of General Obligation bonds only

City of Texarkana, Arkansas
Direct and Overlapping Governmental Activities Debt
December 31, 2020

Table 14

| Jurisdiction | Debt Outstanding | Percentage of Debt Applicable to City of Texarkana | Amount Applicable to City of Texarkana |
|-------------------------------------|-----------------------------|---|---|
| Direct: | | | |
| City of Texarkana, Arkansas | \$ 21,571,590 (2) | 100.00% | <u>\$ 21,571,590</u> |
| Overlapping: | | | |
| Texarkana, Arkansas School District | 73,336,755 (1) | 78.62% | <u>57,657,357</u> |
| Subtotal - Overlapping debt | | | <u>57,657,357</u> |
| Total direct and overlapping | | | <u><u>\$ 79,228,947</u></u> |
| Per capita overlapping debt | | | <u><u>\$ 2,631.84</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 \$6,846,206 of general obligation , \$13,157,015 of revenue bonds, \$1,561,667 of notes payable, and \$6,700 of capital lease obligations

City of Texarkana, Arkansas

Legal Debt Margin Information

Last Ten Years

Table 15

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Debt limit | \$ 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 | \$ 105,129,549 |
| Total net debt applicable to limit | <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> | <u>5,929,888</u> |
| Legal debt margin | <u>\$ 76,080,407</u> | <u>\$ 70,483,695</u> | <u>\$ 70,917,374</u> | <u>\$ 74,712,442</u> | <u>\$ 74,712,442</u> | <u>\$ 83,796,523</u> | <u>\$ 87,669,629</u> | <u>\$ 89,673,621</u> | <u>\$ 90,697,456</u> | <u>\$ 99,199,661</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 1.09% | 13.86% | 13.16% | 12.45% | 11.85% | 9.72% | 8.85% | 8.00% | 7.23% | 5.98% |

Legal Debt Margin Calculation for 2020

| | |
|--|----------------------|
| Assessed value | \$ 420,518,194 |
| Debt limit - 25% of assessed value: | |
| General obligation debt limitation | 105,129,549 |
| Debt applicable to limit: | |
| General obligation bonds | 6,846,208 |
| Less: Amount set aside for repayment in debt services funds | <u>916,320</u> |
| Total net debt applicable to limit | <u>5,929,888</u> |
| Legal debt margin | <u>\$ 99,199,661</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 |
|--|-----------------------------|-----------------------------------|---|--|-----------------|
| 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 | 9,904,342 | 6,788,047 | 3,116,295 | 1,467,442 | 2.12 |
| 2020 | 10,167,404 | 7,315,297 | 2,609,075 | 1,373,310 | 1.90 |

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) |
|--------------------|-----------------------|----------------------------|-----------------------|-----------------------------|-----------------------------|
| 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% |
| 2020 | 29,901 | 723,095,883 | 39.5 | 24,183 | 6.1% |

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 | 2020 | | | 2011 | | |
|----------------------------------|---------------|------|--|---------------|------|--|
| | Employees | Rank | Percentage of Total MSA Employ- ment (1) | Employees | Rank | Percentage of Total MSA Employ- ment (2) |
| Red River Army Depot & Tenants | 3,887 | 1 | 6.76% | 5,500 | 1 | 9.53% |
| Christus St. Michael Health Care | 2,400 | 2 | 4.17% | 2,055 | 2 | 3.56% |
| Cooper Tire & Rubber | 1,744 | 3 | 3.03% | 1,700 | 3 | 2.95% |
| Southern Refrigerated Transport | 1,235 | 4 | 2.15% | 750 | 9 | 1.30% |
| Texarkana, TX ISD | 1,200 | 5 | 2.09% | 1,100 | 4 | 1.91% |
| Graphic Packaging | 840 | 6 | 1.46% | | | |
| Domtar, Inc. | 700 | 7 | 1.22% | 940 | 5 | 1.63% |
| Harte-Hanks | 695 | 8 | 1.21% | | | |
| Wadley Regional Medical | 672 | 9 | 1.17% | 778 | 7 | 1.35% |
| AECOM/URS | 645 | 10 | 1.12% | | | |
| Wal-Mart/Sam's | | | | 1,100 | 4 | 1.91% |
| Texarkana, Arkansas ISD | | | | 785 | 6 | 1.36% |
| International Paper | | | | 777 | 8 | 1.35% |
| City of Texarkana, Texas | | | | 600 | 10 | 1.04% |
| Total | <u>14,018</u> | | <u>24.38%</u> | <u>16,085</u> | | <u>27.89%</u> |

Source:
Chamber of Commerce
Texas Workforce Commission LMI Tracer

Notes:
(1) MSA employment for 2020 is 57,500
(2) MSA employment for 2011 is 57,700

City of Texarkana, Arkansas

Full-time Equivalent City Government Employees by Function Last Ten Years

Table 19

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------------------------|------|------|------|------|------|------|------|------|------|------|
| General government | | | | | | | | | | |
| Administration | 4 | 4 | 3 | 3 | 3 | 5 | 4 | 4 | 4 | 4 |
| Finance | 8 | 8 | 8 | 9 | 9 | 8 | 8 | 8 | 8 | 8 |
| City Clerk | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Courts | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Marketing & Communications | 0 | 1 | 2 | 2 | 1 | 0 | 0 | 0 | 0 | 0 |
| Police department | | | | | | | | | | |
| Police General | 71 | 71 | 76 | 76 | 76 | 76 | 77 | 77 | 77 | 77 |
| Police Housing | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Cops in School | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 |
| Police Narcotics | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Police Support | 11 | 11 | 11 | 11 | 11 | 11 | 26 | 26 | 26 | 26 |
| Police Animal | 2 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Probation | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Police CHRP | 4 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fire department | | | | | | | | | | |
| Fire | 59 | 59 | 59 | 59 | 59 | 59 | 59 | 59 | 59 | 59 |
| Public works | | | | | | | | | | |
| Street | 17 | 17 | 17 | 17 | 17 | 13 | 13 | 13 | 13 | 13 |
| Environmental | 4 | 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 | 4 | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Building maintenance | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| ADC | 3 | 3 | 3 | 3 | 3 | 9 | 9 | 9 | 9 | 9 |
| Refuse Operator | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public services | | | | | | | | | | |
| HCD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| RSVP - Arkansas | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 |
| RSVP - Texas | 1 | 1 | 1 | 1 | 1 | 0 | 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 | 7 | 7 | 7 | 5 | 5 | 5 | 5 | 6 | 6 |
| | 0 | 0 | 0 | 2 | 3 | 3 | 3 | 3 | 2 | 2 |
| Total | 243 | 243 | 243 | 243 | 241 | 241 | 255 | 255 | 255 | 255 |

Source: Various City Departments

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

Table 20

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <u>Function/Program</u> | | | | | | | | | | |
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Uniformed employees | 90 | 88 | 84 | 84 | 84 | 84 | 84 | 84 | 82 | 81 |
| Fire | | | | | | | | | | |
| Firefighters | 58 | 57 | 58 | 58 | 58 | 58 | 58 | 58 | 57 | 57 |
| Public works | | | | | | | | | | |
| Building permits issued | 507 | 510 | 426 | 368 | 454 | 464 | 501 | 438 | 358 | 307 |
| Building permits (\$) | \$ 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 | \$ 23,671,824 |
| Water | | | | | | | | | | |
| Average daily consumption (millions of gallons) | 4.016 | 4.134 | 4.902 | 4.437 | 4.703 | 6.317 | 4.372 | 3.814 | 4.111 | 2.930 |
| Raw water production (millions of gallons) | 6.430 | 5.509 | 5.509 | 4.941 | 5.076 | 6.563 | 4.481 | 3.783 | 4.061 | 7.525 |

Source: Various City Departments

City of Texarkana, Arkansas

Capital Asset Statistics by Function

Last Ten Years

Table 21

| Function/Program | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Total units | 101 | 110 | 111 | 117 | 117 | 117 | 96 | 96 | 83 | 84 |
| Fire | | | | | | | | | | |
| Stations | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Public works | | | | | | | | | | |
| Streets (miles) | 250 | 250 | 252 | 252 | 252 | 252 | 252 | 252 | 253 | 253 |
| Recreation | | | | | | | | | | |
| Number of parks | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| Acres | 288.3 | 288.3 | 288.3 | 296.3 | 296.3 | 296.3 | 311 | 311 | 311 | 311 |
| Pools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Ball Fields | 15 | 15 | 15 | 15 | 15 | 15 | 16 | 16 | 16 | 16 |
| Tennis courts: | | | | | | | | | | |
| Lighted | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 |
| Unlighted | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Community centers | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Soccer fields | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Walking/biking trails (miles) | 7.5 | 7.5 | 7.5 | 7.66 | 13.91 | 13.91 | 13.91 | 13.91 | 13.91 | 15.91 |
| Utilities | | | | | | | | | | |
| Plant capacity | | | | | | | | | | |
| (million gallon average per day) | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Water mains (miles) | 408 | 406 | 395 | 416 | 407 | 412 | 405 | 405 | 408 | 408 |
| Number of water meters | 10,103 | 10,134 | 10,155 | 10,126 | 10,154 | 10,169 | 10,155 | 10,152 | 10,168 | 11,361 |
| Sewer mains (miles) | 212 | 219 | 214 | 213 | 216 | 233 | 218 | 218 | 219 | 218 |
| Number of fire hydrants | 1,438 | 1,441 | 1,431 | 1,450 | 1,469 | 1,409 | 1,447 | 1,482 | 1,486 | 1,507 |
| Number of Mandeville water meters | 322 | 327 | 321 | 318 | 316 | 315 | 315 | 314 | 316 | 320 |
| Number of Union water meters | 1,135 | 1,162 | 1,178 | 1,200 | 1,231 | 1,246 | 1,252 | 1,274 | 1,265 | 1,285 |

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, 2020

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | Federal Assistance Listing 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 | | \$ - | \$ 375,597 |
| | | <i>Cluster Total</i> | - | 375,597 |
| U.S. Department of Housing and Urban Development/Community Development Block Grant Section 108 Loan Guarantee | 14.248 | N/A | - | 11,045 |
| Total Department of Housing and Urban Development Programs | | | - | 386,642 |
| 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-2020-02-02-28 OP-2019-02-02-29 | - | 18,104 |
| U.S. Department of Transportation/Arkansas State Highway and Transportation Department/National Priority Safety Programs | 20.616 | M5X-2020-06-06-28 M5X-2019-06-06-29 | - | 25,664 |
| | | <i>Cluster Total</i> | - | 43,768 |
| Total Department of Transportation Programs | | | - | 43,768 |
| Department of Justice Programs | | | | |
| U.S. Department of Justice/Arkansas Department of Finance and Administration/Coronavirus Emergency Supplemental Funding | 16.034 | 2020-VD-BX-0257 | - | 26,145 |
| U.S. Department of Justice/Crime Victim Assistance | 16.575 | N/A | - | 42,812 |
| U.S. Department of Justice/STOP Violence Against Women Formula Grant Program | 16.588 | N/A | - | 56,101 |
| U.S. Department of Justice/Bulletproof Vest Partnership Program | 16.607 | N/A | - | 5,074 |
| U.S. Department of Justice/Arkansas Department of Finance and Administration/Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | J21-007-DF J20-007-19 2019-DJ-BX-0253 2017-DJ-BX-0837 | - | 92,707 |
| U.S. Department of Justice/Arkansas Department of Finance and Administration/STOP School Violence | 16.839 | 2019-YS-BX-00112 | - | 73,861 |
| Total Department of Justice Programs | | | - | 296,700 |
| Department of Commerce | | | | |
| <i>Economic Development Cluster</i> | | | | |
| U.S. Department of Commerce/Economic Adjustment Assistance | 11.307 | N/A | - | 254,958 |
| | | <i>Cluster Total</i> | - | 254,958 |
| Total Department of Commerce | | | - | 254,958 |

City of Texarkana, Arkansas
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2020

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|--|---|------------------------------------|----------------------------------|
| Department of Treasury | | | | |
| U.S. Department of Treasury/State of Arkansas/COVID-19 Coronavirus Relief Funding - COVID | 21.019 | CARES Act | \$ - | \$ 1,185,323 |
| U.S. Department of Treasury/State of Arkansas/COVID-19 Coronavirus Relief Funding - Fire EMS Worker Payment Program, - COVID | 21.019 | CARES Act | - | 53,550 |
| | | <i>Program Total</i> | - | 1,238,873 |
| | | Total Department of Treasury | - | 1,238,873 |
| | | Total Expenditures of Federal Awards | \$ - | \$ 2,220,941 |

City of Texarkana, Arkansas
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

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 Community Development Block Grant Section 108 Loan Guarantee (Federal Assistance Listing Number 14.248) is administered directly by the City, and the balance and transactions related to this program are included in the City’s basic financial statements. As of December 31, 2020, the City had expended \$11,149. The balance of the outstanding loan at December 31, 2020, was \$853,000.

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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, 2020, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2022, which contains a reference to reports of other auditors and an emphasis of matter paragraph regarding a change in accounting principles. 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
January 14, 2022

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, 2020. 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, 2020.

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
January 14, 2022

City of Texarkana, Arkansas
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

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, 2020

7. Identification of major federal program:

| Cluster/Program | Assistance Listing Number |
|-------------------------------------|--------------------------------------|
| COVID-19 Coronavirus Relief Funding | 21.019 |

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, 2020

Section II – Financial Statement Findings

| Reference Number | Finding |
|----------------------------|---------|
| No matters are reportable. | |

Section III – Federal Award Findings and Questioned Costs

| Reference Number | Finding |
|----------------------------|---------|
| No matters are reportable. | |

City of Texarkana, Arkansas
Schedule of Prior Audit findings
Year Ended December 31, 2020

| 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, 2020.

- (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.

In our opinion, the City of Texarkana, Arkansas complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2020.

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
January 14, 2022

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