

City of Texarkana, Arkansas

Annual Comprehensive Financial Report

For the Year Ended December 31, 2021



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, 2021

TABLE OF CONTENTS

Introductory Section

Letter of Transmittal.....	9
Organizational Chart	12
List of Elected and Appointed Officials	13

Financial Section

Independent Auditor's Report.....	17
--	-----------

Management's Discussion and Analysis	21
---	-----------

Basic Financial Statements

Statement of Net Position	32
Statement of Activities	34
Balance Sheet – Governmental Funds.....	36
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	38
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	40
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Public Works Fund.....	41
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Grant Fund	42
Statement of Net Position – Proprietary Funds	44
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	46
Statement of Cash Flows – Proprietary Funds	48
Statement of Fiduciary Net Position – Fiduciary Funds.....	50
Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	51
Notes to Financial Statements	52

City of Texarkana, Arkansas
Annual Comprehensive Financial Report
For the Fiscal Year Ended December 31, 2021

TABLE OF CONTENTS (Continued)

Required Supplementary Information

Defined Benefit Pension Plan – Schedule of Changes in the City’s Net Pension Liability and Related Ratios – PRPF	124
Defined Benefit Pension Plan – Schedule of Contributions – PRPF	126
Defined Benefit Pension Plan – Schedule of Investment Returns – PRPF	127
Defined Benefit Pension Plan – Schedule of Changes in the City’s Net Pension Liability and Related Ratios – TAPERS	128
Defined Benefit Pension Plan – Schedule of Contributions – TAPERS	130
Defined Benefit Pension Plan – Schedule of Investment Returns – TAPERS	131
Defined Benefit Pension Plan – Schedule of Changes in the City’s Net Pension Asset and Related Ratios – TWUPERS	132
Defined Benefit Pension Plan – Schedule of Investment Returns – TWUPERS	134
Defined Benefit Pension Plan – Schedule of the City’s Proportionate Share of the Net Pension Liability - APERS	135
Defined Benefit Pension Plan – Schedule of City Contributions – APERS	136
Defined Benefit Pension Plan – Schedule of the City’s Proportionate Share of the Net Pension Liability - LOPFI	137
Defined Benefit Pension Plan – Schedule of City Contributions – LOPFI	138
Defined Benefit Pension Plan – Schedule of Changes in the City’s Net Pension Liability and Related Ratios – FRPF	139
Defined Benefit Pension Plan – Schedule of Contributions – FRPF	140
Defined Benefit Pension Plan – Schedule of Changes in the Utility’s Net Pension Liability and Related Ratios – TMRS	141
Defined Benefit Pension Plan – Schedule of Contributions – TMRS	142
Defined Benefit Other Postemployment Benefit Plan – Schedule of the City’s Changes in Total OPEB Liability and Related Ratios – Retired Healthcare Plan	143
Defined Benefit Other Postemployment Benefit Plan – Schedule of the TWU’s Changes in Total OPEB Liability and Related Ratios – Sick Leave	144

Combining and Individual Fund Financial Statements and Schedules

Nonmajor Governmental Funds

Combining Balance Sheet	150
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	154

City of Texarkana, Arkansas
Annual Comprehensive Financial Report
For the Fiscal Year Ended December 31, 2021

TABLE OF CONTENTS (Continued)

Nonmajor Governmental Funds (Continued)

Budgetary Comparison Schedule – Community Development Block Grant Fund	158
Budgetary Comparison Schedule – Police Fund	159
Budgetary Comparison Schedule – Domestic Violence Fund	160
Budgetary Comparison Schedule – Front Street Project Fund	161
Budgetary Comparison Schedule – Bail Bond Fund	162
Budgetary Comparison Schedule – Court Automation Fund	163
Budgetary Comparison Schedule – North Texarkana Redevelopment District	164
Budgetary Comparison Schedule – Library Fund	165
Budgetary Comparison Schedule – Public Safety Fund	166

Nonmajor Enterprise Funds

Combining Statement of Net Position	170
Combining Statement of Revenues, Expenses and Changes in Net Position	172
Combining Statement of Cash Flows	173

Fiduciary Funds

Combining Statement of Fiduciary Net Position – Pension Trust Funds	178
Combining Statement of Changes in Fiduciary Net Position – Pension Trust Funds	179
Combining Statement of Fiduciary Net Position – Custodial Funds	180
Combining Statement of Changes in Fiduciary Net Position – Custodial Funds	181

Statistical Section

Net Position by Component – Accrual Basis of Accounting	187
Change in Net Position – Accrual Basis of Accounting	188
Program Revenues by Function/Program – Accrual Basis of Accounting	190
Fund Balances of Governmental Funds – Modified Accrual Basis of Accounting	191
Changes in Fund Balances, Governmental Funds – Modified Accrual Basis of Accounting	192
General Governmental Tax Revenues by Source – Modified Accrual Basis of Accounting	194

City of Texarkana, Arkansas
Annual Comprehensive Financial Report
For the Fiscal Year Ended December 31, 2021

TABLE OF CONTENTS (Continued)

Statistical Section (Continued)

Assessed and Appraised Value of Taxable Property	195
Property Tax Rates and Tax Levies of Direct and Overlapping Governments	196
Principal Sales Taxpayers.....	197
Principal Property Taxpayers	198
Property Tax Levies and Collections.....	199
Direct and Overlapping Sales Tax Rates	200
Ratios of Outstanding Debt by Type	201
Ratios of General Bonded Debt Outstanding	202
Direct and Overlapping Governmental Activities Debt	203
Legal Debt Margin Information	204
Pledged Revenue Coverage - Texarkana, Arkansas Water Utilities	205
Demographic and Economic Statistics	206
Principal Employers, Metropolitan Statistical Area (MSA) - Texarkana, Arkansas and Texarkana, Texas	207
Full-time Equivalent City Government Employees by Function	208
Operating Indicators by Function/Program	209
Capital Asset Statistics by Function	210

Single Audit Section

Schedule of Expenditures of Federal Awards	213
Notes to the Schedule of Expenditures of Federal Awards	215
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor’s Report.....	217
Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance – Independent Auditor’s Report	219
Schedule of Findings and Questioned Costs	222
Schedule of Prior Audit Findings	225

Other Required Reports

Independent Accountant’s Report on Compliance With Arkansas State Requirements	229
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Introductory Section

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CITY OF TEXARKANA ARKANSAS

FINANCE DEPARTMENT

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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, 2021, 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.

FORVIS, LLP has issued unmodified opinions on the City of Texarkana, Arkansas' financial statements for the year ended December 31, 2021. 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 29,864. 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, 2021.

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 2021 and 2022 within the City. Sixty-one certificates of occupancy were issued in 2021 and 49 have been issued so far in 2022. New construction projects are ongoing for a new convenience store, Orr Boat Sales, new houses, and new duplexes. A major remodeling project is ongoing at Cooper Tire.

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.

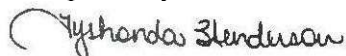
Long Term Financial Plans

The City has four outstanding bonds. The bonds are comprised of various issues for the purpose of capital improvements for the police department, fire department, streets department, public infrastructure, the Crossroads Business Park, and Economic Development. Bonds outstanding at December 31, 2021, are as follows:

	Interest Rates	Final Maturity Date	Principal at December 31, 2021
General Obligation Bond, Series 2012	2.00% - 5.00%	February 1, 2042	\$ 8,390,000
Revenue Bond, Series 2018	2.00% - 3.625%	April 1, 2032	1,845,000
Revenue Bond, Series 2021	0.50% - 2.785%	January 19, 2040	11,315,000
			<u>\$ 21,550,000</u>

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,

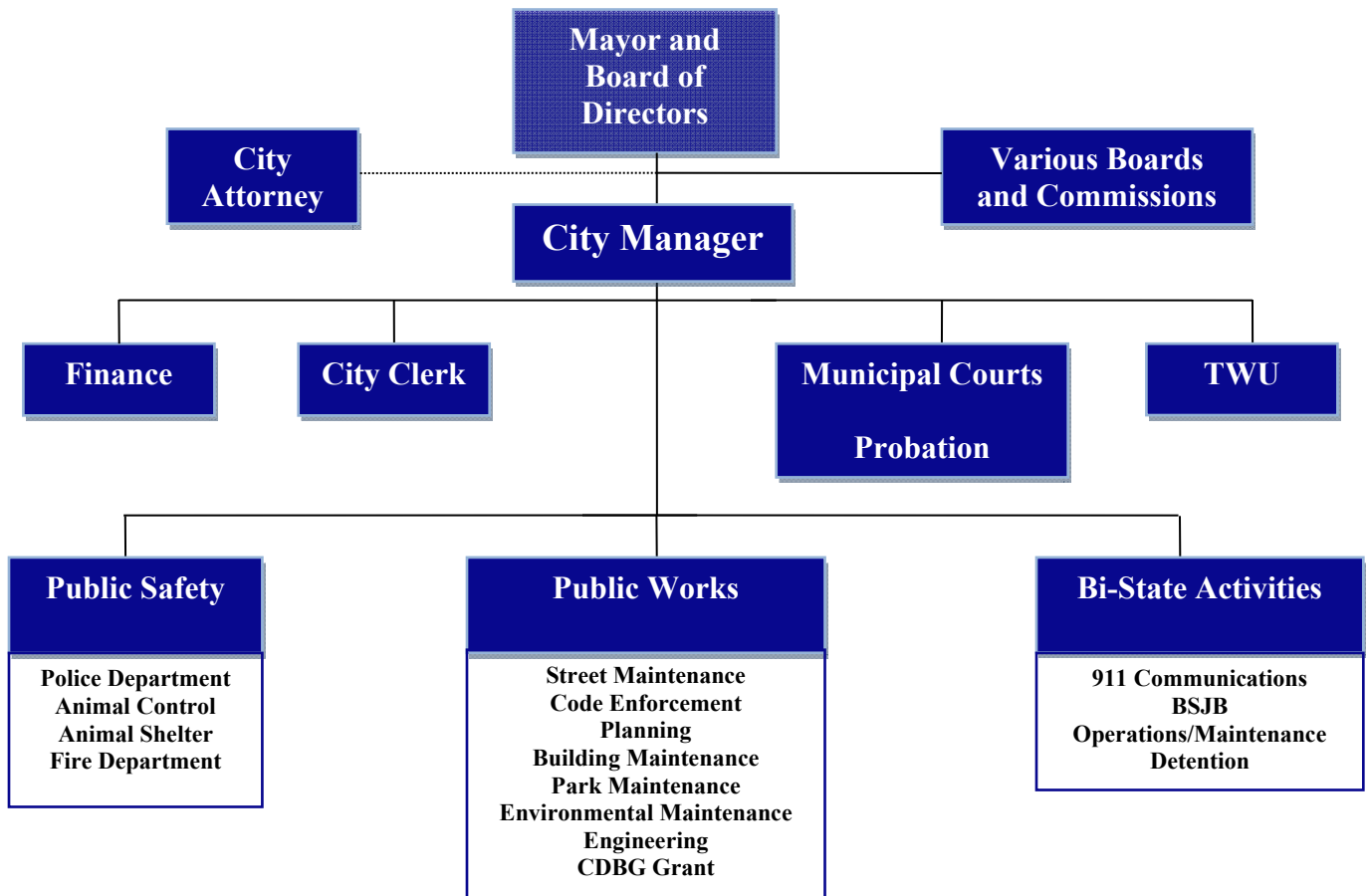


TyRhonda Henderson
Finance Director

August 5, 2022



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
Tommy Potter	District Court Judge

Appointed Officials:

E.J. Ellington	City Manager
George M. Matteson	City Attorney

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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 Audit of the Financial Statements

Opinions

We have audited 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general, public works and grant funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2021 is \$15,018,339, which includes a current year increase of \$2,302,275. We also did not audit the financial statements of Texarkana Urban Transit District included in the governmental activities opinion unit. The City's investment in Texarkana Urban Transit District reported at December 31, 2021 is \$912,846, which includes a current year increase of \$17,247. 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Honorable Mayor, City Manager
and Members of the Board of Directors
City of Texarkana, Arkansas
Page 4

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 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.

FORVIS,LLP

Rogers, Arkansas
August 5, 2022

City of Texarkana, Arkansas

Management's Discussion and Analysis

December 31, 2021

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, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Texarkana, Arkansas exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$56,108,907 (net position).
- The City's total net position increased by \$4,078,558 from operations during fiscal year 2021.
- Governmental funds reported combined ending fund balances of \$13,721,137.
- At the end of the current fiscal year, unassigned fund balance was \$7,452,352.

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 20 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Public Works Fund and Grant Fund, which are considered to be major funds. Data from the other 17 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, Public Works, and Grant Fund. Budgetary comparison statements have been provided for the General Fund, the Public Works and Grant Fund to demonstrate compliance with these budgets.

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, 2021, 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 \$56,108,907 as of December 31, 2021. The largest portion of the City's net position, 91.16% (\$51,150,585), 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			
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 41,688,458	\$ 35,468,177	\$ 10,861,013	\$ 11,315,776	\$ 52,549,471	\$ 46,783,953
Capital assets	36,661,444	34,354,470	51,572,304	53,459,166	88,233,748	87,813,636
Other assets	-	-	2,575,810	2,035,558	2,575,810	2,035,558
Total assets	78,349,902	69,822,647	65,009,127	66,810,500	143,359,029	136,633,147
Deferred outflows of resources	5,155,931	6,395,705	356,619	382,543	5,512,550	6,778,248
Long-term liabilities	54,650,475	58,780,865	19,526,318	20,984,068	74,176,793	79,764,933
Other liabilities	8,272,819	3,778,768	4,042,821	4,039,523	12,315,640	7,818,291
Total liabilities	62,923,294	62,559,633	23,569,139	25,023,591	86,492,433	87,583,224
Deferred inflows of resources	5,279,385	2,640,406	990,853	1,157,416	6,270,238	3,797,822
Net position:						
Net investment in capital assets	16,852,481	11,573,523	34,298,104	35,033,478	51,150,585	46,607,001
Restricted	4,444,937	5,021,170	2,575,810	2,035,558	7,020,747	7,056,728
Unrestricted	(5,994,265)	(5,576,380)	3,931,840	3,943,000	(2,062,425)	(1,633,380)
Total net position	\$ 15,303,153	\$ 11,018,313	\$ 40,805,754	\$ 41,012,036	\$ 56,108,907	\$ 52,030,349

Analysis of the City's Operations - The following table provides a summary of the City's operations for the year ended December 31, 2021. Governmental activities increased the City's net position by \$4,284,840. From 2020 to the 2021 revenues increased by \$3,221,339 and expenses decreased by \$890,524. The increase in revenue can be attributed to the increases in sales tax and an increase in the investment in joint venture. The \$890,524 decrease in expenses can be attributed to a decrease in general administration expenses of \$526,945 primarily due to the demolition of the Regency Building in 2020 and a decrease in fire department expenses of \$425,474 primarily due to hazard pay and associated benefits paid in 2020 and not repeated in 2021.

In addition, deferred outflows for the governmental-type activities decreased by \$1,239,774 while the deferred inflows increased \$2,638,979, 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* and deferred loss relating to refunding of bonds in 2021. Long term liabilities for the governmental activities decreased \$4,130,390 due to scheduled payments and the decrease in net pension liabilities and for the business-type activities decreased by \$1,457,750 due to annual payments. 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	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 7,660,255	\$ 5,911,828	\$ 9,937,564	\$ 9,689,488	\$ 17,597,819	\$ 15,601,316
Operating grants and contributions	4,330,754	4,819,791	-	-	4,330,754	4,819,791
Capital grants and contributions	503,372	509,874	-	-	503,372	509,874
General revenues:						
Property taxes	4,659,625	4,143,548	-	-	4,659,625	4,143,548
Other taxes	16,674,244	14,653,881	-	-	16,674,244	14,653,881
Other revenue	732,363	1,300,352	229,621	234,884	961,984	1,535,236
Total revenues	<u>34,560,613</u>	<u>31,339,274</u>	<u>10,167,185</u>	<u>9,924,372</u>	<u>44,727,798</u>	<u>41,263,646</u>
Expenses:						
General administration	3,058,338	3,585,283	-	-	3,058,338	3,585,283
Police department	10,202,870	10,057,223	-	-	10,202,870	10,057,223
Fire department	5,891,420	6,316,894	-	-	5,891,420	6,316,894
Other public safety	1,280,126	1,083,063	-	-	1,280,126	1,083,063
Protective inspection	577,365	602,488	-	-	577,365	602,488
Public works	6,796,732	7,125,056	-	-	6,796,732	7,125,056
Public services	84,351	71,343	-	-	84,351	71,343
Health and welfare	605,567	696,837	-	-	605,567	696,837
Cultural and recreation	1,546,288	1,260,562	-	-	1,546,288	1,260,562
Interest on long-term debt	627,969	762,801	-	-	627,969	762,801
Water and sewer	-	-	10,125,149	10,479,232	10,125,149	10,479,232
Total expenses	<u>30,671,026</u>	<u>31,561,550</u>	<u>10,125,149</u>	<u>10,479,232</u>	<u>40,796,175</u>	<u>42,040,782</u>
Increase (decrease) in net position before transfers	3,889,587	(222,276)	42,036	(554,860)	3,931,623	(777,136)
Transfers	<u>395,253</u>	<u>404,301</u>	<u>(248,318)</u>	<u>(293,195)</u>	<u>146,935</u>	<u>111,106</u>
Increase (decrease) in net position	4,284,840	182,025	(206,282)	(848,055)	4,078,558	(666,030)
Net position - beginning of year	<u>11,018,313</u>	<u>10,836,288</u>	<u>41,012,036</u>	<u>41,860,091</u>	<u>52,030,349</u>	<u>52,696,379</u>
Net position - end of year	<u>\$ 15,303,153</u>	<u>\$ 11,018,313</u>	<u>\$ 40,805,754</u>	<u>\$ 41,012,036</u>	<u>\$ 56,108,907</u>	<u>\$ 52,030,349</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the current fiscal year, the City of Texarkana, Arkansas' governmental funds reported combined ending fund balances of \$13,721,137.

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 \$7,467,785. Unassigned fund balance represents approximately 35.87% of the total General Fund expenditures. There are 131 days of expenditures in unassigned fund balance, representing no change from 2020.

For the City's General Fund, from 2020 to 2021, total revenue increased by 1.62% due to an increase in property tax and sales tax and total expenditures increased by 6.96% due to an increase in police department and other public safety expenditures and capital outlay. The City's General Fund balance increased by \$607,282 and resulted in an ending fund balance of \$8,795,650.

For the City's Public Works Fund, from 2020 to 2021, total revenue increased by 4.35% primarily due to an increase in sales tax, intergovernmental and miscellaneous. Total expenditures increased by 10.98% due to an overall increase in protective inspections, public works and capital outlay. The Public Works Fund reported a net decrease in fund balance of \$758,996, which resulted in an ending fund balance of \$1,096,819.

The City's Grant Fund was set up in 2021 to account for the funding received from the U.S. Department of Treasury under the Coronavirus State and Local Fiscal Recovery Funds. The Grant Fund reported no change in fund balance for the year which resulted in an ending fund balance of \$0.

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 \$3,501,603. The total decrease in net position for Texarkana, Arkansas Water Utilities was \$370,367. The decrease for the Texarkana, Arkansas Water Utilities was primarily attributable to transfers out.

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 \$607,282 or ending fund balance of \$8,795,650. 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 \$1,186,906 over the final budget. This is mostly a result of expenditures being under budget by \$2,499,138 and revenues being under budget by \$1,638,459. This was offset by other financing uses being under budget by \$326,227. Capital Outlay expenditures were under budget by \$928,447. This is primarily due to various budgeted capital outlay projects that were not completed during 2021 due to time constraints or planned multi-year projects. Other Public Safety expenditures were under budget by \$854,047. This is primarily due to contributions to the Bi-State Justice Center being under budget. Total revenues were over budget due to charges for services being under budget by \$955,685 and sales taxes being under budget by \$377,265.

Capital Assets

The City of Texarkana, Arkansas' investment in capital assets for its governmental and business-type activities as of December 31, 2021, amounts to \$88,233,748 (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	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,563,907	\$ 2,563,907	\$ 832,844	\$ 832,844	\$ 3,396,751	\$ 3,396,751
Buildings	4,984,251	5,547,080	1,255,394	1,510,246	6,239,645	7,057,326
Improvements other than buildings	2,812,696	3,366,928	29,696,826	31,051,110	32,509,522	34,418,038
Machinery and equipment	4,286,342	3,722,094	1,609,611	1,853,811	5,895,953	5,575,905
Infrastructure	18,085,386	16,355,342	-	-	18,085,386	16,355,342
Water rights	-	-	17,784,128	17,784,128	17,784,128	17,784,128
Construction in progress	3,928,862	2,799,119	393,501	427,027	4,322,363	3,226,146
Total	\$ 36,661,444	\$ 34,354,470	\$ 51,572,304	\$ 53,459,166	\$ 88,233,748	\$ 87,813,636

Major capital asset additions for the governmental activities during 2021 included approximately \$3.7 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 \$19,366,624. Of this amount, \$6,187,744 comprises bonded debt backed by the full faith and credit of the government and \$13,178,880 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 \$4,269,040 represents bonds secured solely by water and sewer revenues.

General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 6,187,744	\$ 6,846,208	\$ -	\$ -	\$ 6,187,744	\$ 6,846,208
Revenue bonds	13,178,880	13,157,015	4,269,040	5,429,525	17,447,920	18,586,540
Total	\$ 19,366,624	\$ 20,003,223	\$ 4,269,040	\$ 5,429,525	\$ 23,635,664	\$ 25,432,748

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.

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.

Basic Financial Statements

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City of Texarkana, Arkansas
Statement of Net Position
December 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Texarkana Advertising & Promotion
Assets				
Cash	\$ 11,024,098	\$ 3,397,127	\$ 14,421,225	\$ 1,018,861
Investments	1,578,597	1,243,008	2,821,605	-
Accounts receivable, net of allowance				
Property taxes	5,201,111	-	5,201,111	-
Accounts	314,158	1,415,194	1,729,352	-
Other government agencies	3,288,326	304,382	3,592,708	-
Accrued interest	-	125	125	-
Other	1,328	-	1,328	159,367
Due from fiduciary funds	50,185	-	50,185	-
Due from primary government	-	-	-	684
Due from component units	1,905	-	1,905	-
Internal balances	-	-	-	-
Inventories	-	319,398	319,398	-
Prepaid items	212,961	113,779	326,740	-
Restricted assets				
Cash	4,048,283	1,075,204	5,123,487	-
Investments	-	102,643	102,643	-
Accounts receivable	-	96	96	-
Prepaid capital improvement deposits	-	584,732	584,732	-
Net investment in direct financing lease:				
Due within one year	-	367,325	367,325	-
Due in more than one year	-	1,938,000	1,938,000	-
Investment in joint ventures	16,518,656	-	16,518,656	-
Capital assets - non-depreciable	6,492,769	19,010,473	25,503,242	-
Capital assets - depreciable, net	30,168,675	32,561,831	62,730,506	-
Net pension asset	-	2,575,810	2,575,810	-
Total assets	78,901,052	65,009,127	143,910,179	1,178,912
Deferred Outflows of Resources				
Deferred outflows - pension	2,075,374	42,141	2,117,515	-
Deferred outflows - pension contributions	1,861,796	281,117	2,142,913	-
Deferred outflows - other postemployment benefits	614,937	33,361	648,298	-
Deferred outflows - bond refunding	603,824	-	603,824	-
Total deferred outflows of resources	5,155,931	356,619	5,512,550	-

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Texarkana Advertising & Promotion
Liabilities				
Accounts payable	\$ 1,569,006	\$ 557,358	\$ 2,126,364	\$ 77,429
Accrued liabilities	443,227	386,022	829,249	-
Due to other governments	1,313,255	248,682	1,561,937	-
Due to fiduciary funds	532,835	-	532,835	-
Due to primary government	-	-	-	1,905
Due to component units	684	-	684	-
Customer deposits	-	595,139	595,139	-
Capital improvement deposits	-	889,075	889,075	-
Deferred revenue	3,585,428	-	3,585,428	-
Other liabilities	4,238	118,955	123,193	-
Long-term liabilities				
Due within one year:				
Bonds payable	970,000	1,043,862	2,013,862	-
Installment loans payable	34,000	-	34,000	-
Obligations under capital leases	19,720	-	19,720	-
Accrued compensated absences	128,764	35,503	164,267	-
Contracts payable	-	168,225	168,225	-
Other postemployment benefits liability	222,813	-	222,813	-
Due in more than one year				
Bonds payable	18,396,624	3,225,178	21,621,802	-
Installment loans payable	786,000	-	786,000	-
Obligations under capital leases	23,276	-	23,276	-
Accrued compensated absences	2,078,094	217,535	2,295,629	-
Net pension and other postemployment benefits liability	33,366,481	2,068,822	35,435,303	-
Contracts payable	-	14,014,783	14,014,783	-
Total liabilities	63,474,445	23,569,139	87,043,584	79,334
Deferred Inflows of Resources				
Deferred inflows - pension	5,115,070	499,921	5,614,991	-
Deferred inflows - other postemployment benefits	164,315	490,932	655,247	-
Total deferred inflows of resources	5,279,385	990,853	6,270,238	-
Net Position				
Net investment in capital assets	16,852,481	34,298,104	51,150,585	-
Restricted				
Police department	10,396	-	10,396	-
Fire department	48,433	-	48,433	-
Public works	1,101,231	-	1,101,231	-
Pension	-	2,575,810	2,575,810	-
Animal Shelter	199,356	-	199,356	-
Cultural and recreation	89,473	-	89,473	1,099,578
Debt service	2,996,048	-	2,996,048	-
Unrestricted (deficit)	(5,994,265)	3,931,840	(2,062,425)	-
Total net position	\$ 15,303,153	\$ 40,805,754	\$ 56,108,907	\$ 1,099,578

City of Texarkana, Arkansas
Statement of Activities
Year Ended December 31, 2021

Functions/Programs		Net (Expense) Revenue and Changes in Net Position						
		Program Revenues			Primary Government			Component
		Charges for	Operating	Capital	Governmental	Business-Type	Total	Unit
Primary Government	Expenses	Services	Grants and Contributions	Grants and Contributions	Activities	Activities		Texarkana Advertising & Promotion
Governmental Activities								
General administration	\$ 3,058,338	\$ 203,204	\$ 1,538,316	\$ 106,792	\$ (1,210,026)	\$ -	\$ (1,210,026)	
Police department	10,202,870	530,131	682,998	-	(8,989,741)	-	(8,989,741)	
Fire department	5,891,420	-	57,483	-	(5,833,937)	-	(5,833,937)	
Other public safety	1,280,126	-	13,995	-	(1,266,131)	-	(1,266,131)	
Protective inspection	577,365	-	-	-	(577,365)	-	(577,365)	
Public works	6,796,732	4,579,312	1,903,762	-	(313,658)	-	(313,658)	
Public services	84,351	2,347,608	60,187	396,580	2,720,024	-	2,720,024	
Health and welfare	605,567	-	1,615	-	(603,952)	-	(603,952)	
Cultural and recreation	1,546,288	-	72,398	-	(1,473,890)	-	(1,473,890)	
Interest on long-term debt	627,969	-	-	-	(627,969)	-	(627,969)	
Total governmental activities	30,671,026	7,660,255	4,330,754	503,372	(18,176,645)	-	(18,176,645)	
Business-Type Activities								
Water and sewer	10,125,149	9,937,564	-	-	-	(187,585)	(187,585)	
Total business-type activities	10,125,149	9,937,564	-	-	-	(187,585)	(187,585)	
Total primary government	\$ 40,796,175	\$ 17,597,819	\$ 4,330,754	\$ 503,372	(18,176,645)	(187,585)	(18,364,230)	

					Net (Expense) Revenue and Changes in Net Position			
		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	\$ 900,214	\$ -	\$ -	\$ -				\$ (900,214)
General revenues								
Property taxes					\$ 4,659,625	\$ -	\$ 4,659,625	-
Sales taxes					13,657,606	-	13,657,606	-
Franchise taxes					2,908,404	-	2,908,404	-
Other taxes					108,234	-	108,234	1,537,163
Unrestricted investment earnings					4,142	229,621	233,763	345
Miscellaneous					728,221	-	728,221	3,380
Transfers					395,253	(248,318)	146,935	-
Total general revenues and transfers					22,461,485	(18,697)	22,442,788	1,540,888
Change in Net Position					4,284,840	(206,282)	4,078,558	640,674
Net Position, Beginning of Year					11,018,313	41,012,036	52,030,349	458,904
Net Position, End of Year					\$ 15,303,153	\$ 40,805,754	\$ 56,108,907	\$ 1,099,578

City of Texarkana, Arkansas

Balance Sheet

Governmental Funds

December 31, 2021

	General	Public Works	Grant Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 7,438,670	\$ 1,279,717	\$ 3,585,428	\$ 2,768,566	\$ 15,072,381
Investments	600,619	-	-	977,978	1,578,597
Receivables					
Property taxes, net of allowance for uncollectible accounts of \$261,294	3,378,550	24,886	-	1,797,675	5,201,111
Accounts	314,158	-	-	-	314,158
Other government agencies	2,533,683	596,896	-	157,747	3,288,326
Other	128	1,200	-	-	1,328
Due from other funds	70,072	198,739	-	-	268,811
Due from component units	-	1,905	-	-	1,905
Prepaid items	211,363	448	-	1,150	212,961
Total assets	<u>\$ 14,547,243</u>	<u>\$ 2,103,791</u>	<u>\$ 3,585,428</u>	<u>\$ 5,703,116</u>	<u>\$ 25,939,578</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 643,073	\$ 916,149	\$ -	\$ 9,784	\$ 1,569,006
Accrued liabilities	207,277	32,117	-	900	240,294
Due to other governments	1,313,255	-	-	-	1,313,255
Due to other funds	482,650	41,287	-	227,524	751,461
Due to component units	684	-	-	-	684
Deferred revenue	-	-	3,585,428	-	3,585,428
Other liabilities	-	4,238	-	-	4,238
Total liabilities	<u>2,646,939</u>	<u>993,791</u>	<u>3,585,428</u>	<u>238,208</u>	<u>7,464,366</u>
Deferred Inflows of Resources					
Unavailable revenue-property taxes	3,104,551	13,181	-	1,632,540	4,750,272
Unavailable revenue-grants	103	-	-	3,700	3,803
Total deferred inflows of resources	<u>3,104,654</u>	<u>13,181</u>	<u>-</u>	<u>1,636,240</u>	<u>4,754,075</u>
Fund Balances					
Nonspendable					
Prepaid items	211,363	448	-	1,150	212,961
Restricted					
Police department	-	-	-	9,924	9,924
Fire department	-	-	-	48,433	48,433
Public works	-	-	-	1,101,231	1,101,231
Debt service	-	-	-	2,090,684	2,090,684
Animal Shelter	199,356	-	-	-	199,356
Cultural and recreation	-	100,250	-	89,473	189,723
Committed					
Public works	-	389,174	-	-	389,174
Cultural and recreation	10,411	-	-	-	10,411
Assigned					
Police department	43,275	-	-	155,327	198,602
Other public safety	833,168	-	-	-	833,168
Public works	30,292	606,947	-	347,879	985,118
Unassigned	<u>7,467,785</u>	<u>-</u>	<u>-</u>	<u>(15,433)</u>	<u>7,452,352</u>
Total fund balances	<u>8,795,650</u>	<u>1,096,819</u>	<u>-</u>	<u>3,828,668</u>	<u>13,721,137</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,547,243</u>	<u>\$ 2,103,791</u>	<u>\$ 3,585,428</u>	<u>\$ 5,703,116</u>	<u>\$ 25,939,578</u>

City of Texarkana, Arkansas
Balance Sheet (Continued)
Governmental Funds
December 31, 2021

Total fund balances - total governmental funds \$ 13,721,137

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 36,661,444

Deferred inflows and outflows of resources related to pensions and other postemployment benefits and bond refundings are not due and payable in the current period and, therefore, are not reported in the funds. (123,454)

The City's equity investment in joint ventures is not a financial resource and is, therefore, not reported in the funds. 16,518,656

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. 4,754,075

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 (202,933)

Accrued compensated absences (2,206,858)

Net pension and other postemployment benefits liability (33,589,294)

Bonds payable, net of unamortized premiums (19,366,624)

Obligations under installment loans and capital lease (862,996)

Total net position - governmental activities \$ 15,303,153

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2021

	General	Public Works	Grant Fund	Other Governmental Funds	Total
Revenues					
Property taxes	\$ 2,812,427	\$ 119,057	\$ -	\$ 1,544,516	\$ 4,476,000
Sales taxes	12,646,046	1,011,560	-	-	13,657,606
Other taxes	108,234	-	-	-	108,234
Utility franchise	2,913,540	-	-	-	2,913,540
Licenses and permits	55,346	259,699	-	-	315,045
Fines, forfeitures and penalties	422,126	-	-	19,146	441,272
Charges for services	175,945	4,319,613	-	-	4,495,558
Grants and entitlements	575,138	419,163	372,456	585,785	1,952,542
Intergovernmental	1,458,368	1,455,533	-	-	2,913,901
Investment income	1,705	1,153	-	1,284	4,142
Miscellaneous	265,333	406,129	-	56,759	728,221
Total revenues	21,434,208	7,991,907	372,456	2,207,490	32,006,061
Expenditures					
Current:					
General government	2,463,756	-	184,335	237,195	2,885,286
Police department	8,252,158	-	85,962	-	8,338,120
Fire department	5,246,608	-	57,483	-	5,304,091
Other public safety	1,238,747	-	13,995	21,958	1,274,700
Protective inspection	-	559,864	-	-	559,864
Public works	-	5,545,231	29,066	32,450	5,606,747
Public services	-	-	-	82,092	82,092
Health and welfare	567,407	-	1,615	-	569,022
Cultural and recreation	307,415	437,352	-	419,458	1,164,225
Capital outlay	1,995,494	1,800,163	-	1,098,938	4,894,595
Debt service:					
Principal retirement	728,555	-	-	1,880,518	2,609,073
Interest and fiscal charges	19,308	-	-	458,429	477,737
Bond issuance costs	-	-	-	204,463	204,463
Total expenditures	20,819,448	8,342,610	372,456	4,435,501	33,970,015
Excess (Deficiency) of Revenues Over (Under) Expenditures	614,760	(350,703)	-	(2,228,011)	(1,963,954)
Other Financing Sources (Uses)					
Transfers in	832,621	69,455	-	1,693,025	2,595,101
Transfers out	(895,948)	(477,748)	-	(826,152)	(2,199,848)
Proceeds from issuance of debt	55,849	-	-	11,585,000	11,640,849
Original issue discount	-	-	-	(16,339)	(16,339)
Original issue premium	-	-	-	36,621	36,621
Payment to refunded bond escrow agent	-	-	-	(11,000,275)	(11,000,275)
Total other financing sources (uses)	(7,478)	(408,293)	-	1,471,880	1,056,109
Net Change in Fund Balances	607,282	(758,996)	-	(756,131)	(907,845)
Fund Balances, Beginning of Year	8,188,368	1,855,815	-	4,584,799	14,628,982
Fund Balances, End of Year	\$ 8,795,650	\$ 1,096,819	\$ -	\$ 3,828,668	\$ 13,721,137

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
Year Ended December 31, 2021

Net change in fund balances - total governmental funds \$ (907,845)

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	4,894,595
Capital outlay items not capitalized	(53,725)
Loss on disposal of capital assets	(57,307)
Depreciation expense	(2,476,589)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	146,172
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Gains from the change in the equity investment in joint ventures do not provide current financial resources and are not reported in the funds.	2,408,380
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal paid on long-term debt	2,609,073
Issuance of refunding bonds and capital lease obligations	(11,640,849)
Payments to escrow agent related to principal payments	10,382,147
Original issue discount	16,339
Original issue premium	(36,621)
Amortization of premiums and discounts	11,881
Net change in deferred outflows of resources related to bond refunding	603,824

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	56,654
Accrued compensated absences	62,087
Net pension liability	2,615,692
Other postemployment benefits liability	133,509
Net change in deferred inflows/outflows of resources related to pensions and other postemployment benefits liability	(4,482,577)

Change in net position of governmental activities	\$ 4,284,840
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City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes
In Fund Balances – Budget and Actual – General Fund
Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 2,408,100	\$ 2,882,900	\$ 2,812,427	\$ (70,473)
Sales taxes	11,051,803	13,023,311	12,646,046	(377,265)
Other taxes	-	-	108,234	108,234
Utility franchise	2,633,000	3,049,500	2,913,540	(135,960)
Licenses and permits	62,400	61,380	55,346	(6,034)
Fines, forfeitures and penalties	751,014	593,929	422,126	(171,803)
Charges for services	247,830	1,131,630	175,945	(955,685)
Grants and entitlements	411,142	673,938	575,138	(98,800)
Intergovernmental	1,402,000	1,414,034	1,458,368	44,334
Investment income	-	-	1,705	1,705
Miscellaneous	185,931	242,045	265,333	23,288
Total revenues	19,153,220	23,072,667	21,434,208	(1,638,459)
Expenditures				
Current:				
General government	2,226,027	2,865,741	2,463,756	401,985
Police department	9,314,655	8,864,883	8,252,158	612,725
Fire department	5,291,255	5,352,694	5,246,608	106,086
Other public safety	620,990	2,092,794	1,238,747	854,047
Health and welfare	504,304	486,217	567,407	(81,190)
Cultural and recreation	237,895	5,700	307,415	(301,715)
Capital outlay	1,841,431	2,923,941	1,995,494	928,447
Debt service:				
Principal retirement	170,558	709,002	728,555	(19,553)
Interest and fiscal charges	18,000	17,614	19,308	(1,694)
Total expenditures	20,225,115	23,318,586	20,819,448	2,499,138
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,071,895)	(245,919)	614,760	860,679
Other Financing Sources (Uses)				
Issuance of debt	-	-	55,849	55,849
Transfers in	448,715	864,089	832,621	(31,468)
Transfers out	(1,005,937)	(1,197,794)	(895,948)	301,846
Total other financing sources (uses)	(557,222)	(333,705)	(7,478)	326,227
Net Change in Fund Balances	(1,629,117)	(579,624)	607,282	1,186,906
Fund Balances, Beginning of Year	8,188,368	8,188,368	8,188,368	-
Fund Balances, End of Year	\$ 6,559,251	\$ 7,608,744	\$ 8,795,650	\$ 1,186,906

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund
Balances – Budget and Actual - Public Works Fund
Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 100,903	\$ 122,000	\$ 119,057	\$ (2,943)
Sales taxes	760,001	875,000	1,011,560	136,560
Licenses and permits	288,100	283,850	259,699	(24,151)
Charges for services	4,747,500	4,276,000	4,319,613	43,613
Grants and entitlements	52,124	382,700	419,163	36,463
Intergovernmental	1,485,637	1,627,000	1,455,533	(171,467)
Investment income	1,800	1,700	1,153	(547)
Miscellaneous	35,000	245,916	406,129	160,213
Total revenues	<u>7,471,065</u>	<u>7,814,166</u>	<u>7,991,907</u>	<u>177,741</u>
Expenditures				
Current:				
Protective inspection	563,545	556,363	559,864	(3,501)
Public works	5,896,947	5,700,850	5,545,231	155,619
Cultural and recreation	364,910	429,685	437,352	(7,667)
Capital outlay	<u>1,580,743</u>	<u>2,368,863</u>	<u>1,800,163</u>	<u>568,700</u>
Total expenditures	<u>8,406,145</u>	<u>9,055,761</u>	<u>8,342,610</u>	<u>713,151</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	<u>(935,080)</u>	<u>(1,241,595)</u>	<u>(350,703)</u>	<u>890,892</u>
Other Financing Sources (Uses)				
Transfers in	176,664	205,731	69,455	(136,276)
Transfers out	<u>(486,417)</u>	<u>(497,513)</u>	<u>(477,748)</u>	<u>19,765</u>
Total other financing sources (uses)	<u>(309,753)</u>	<u>(291,782)</u>	<u>(408,293)</u>	<u>(116,511)</u>
Net Change in Fund Balances	<u>(1,244,833)</u>	<u>(1,533,377)</u>	<u>(758,996)</u>	<u>774,381</u>
Fund Balances, Beginning of Year	<u>1,855,815</u>	<u>1,855,815</u>	<u>1,855,815</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 610,982</u>	<u>\$ 322,438</u>	<u>\$ 1,096,819</u>	<u>\$ 774,381</u>

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund
Balances – Budget and Actual - Grant Fund
Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants and entitlements	\$ 7,915,767	\$ 7,915,767	\$ 372,456	\$ (7,543,311)
Total revenues	<u>7,915,767</u>	<u>7,915,767</u>	<u>372,456</u>	<u>(7,543,311)</u>
Expenditures				
Current:				
General government	1,628,727	1,628,727	184,335	1,444,392
Police department	-	-	85,962	(85,962)
Fire department	-	-	57,483	(57,483)
Other public safety	-	-	13,995	(13,995)
Public works	6,287,040	6,287,040	29,066	6,257,974
Health and welfare	-	-	1,615	(1,615)
Total expenditures	<u>7,915,767</u>	<u>7,915,767</u>	<u>372,456</u>	<u>7,543,311</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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City of Texarkana, Arkansas
Statement of Net Position
Proprietary Funds
December 31, 2021

	Texarkana Water Utilities		
	Water Utilities	Nonmajor Enterprise Funds	Total Enterprise Funds
Assets			
Current assets			
Cash	\$ 2,946,272	\$ 450,855	\$ 3,397,127
Investments	1,199,018	43,990	1,243,008
Receivables:			
Accounts (net of allowance for uncollectible)	1,350,662	64,532	1,415,194
Accrued interest	124	1	125
Due from other funds	13,009	1,417	14,426
Due from other governments	297,626	6,756	304,382
Inventories	319,398	-	319,398
Prepaid items	112,612	1,167	113,779
Net investment in direct financing leases - current	367,325	-	367,325
Total current assets	6,606,046	568,718	7,174,764
Noncurrent assets			
Restricted assets			
Cash	931,423	143,781	1,075,204
Investments	-	102,643	102,643
Receivables			
Interest	94	2	96
Total restricted assets	931,517	246,426	1,177,943
Capital assets (net of accumulated depreciation)			
Land	817,397	15,447	832,844
Buildings	898,174	918	899,092
Improvements other than buildings	20,422,274	1,863,119	22,285,393
Machinery and equipment	1,587,671	22,423	1,610,094
Property under capital leases	7,767,252	-	7,767,252
Water rights	17,784,128	-	17,784,128
Construction in progress	388,207	5,294	393,501
Net capital assets	49,665,103	1,907,201	51,572,304
Other assets			
Prepaid capital improvement deposits	581,500	3,232	584,732
Net pension asset	2,575,810	-	2,575,810
Net investment in direct financing leases	1,938,000	-	1,938,000
Total other assets	5,095,310	3,232	5,098,542
Total noncurrent assets	55,691,930	2,156,859	57,848,789
Total assets	62,297,976	2,725,577	65,023,553
Deferred Outflows of Resources			
Deferred outflows - pension	41,453	688	42,141
Deferred outflows - pension contributions	276,358	4,759	281,117
Deferred outflows - OPEB	33,361	-	33,361
Total deferred outflows of resources	351,172	5,447	356,619

	Texarkana Water Utilities		
	Water Utilities	Nonmajor Enterprise Funds	Total Enterprise Funds
Liabilities			
Current liabilities			
Accounts payable	\$ 539,763	\$ 17,595	\$ 557,358
Construction contracts payable	168,225	-	168,225
Accrued liabilities	82,641	6,141	88,782
Accrued interest payable	282,390	14,850	297,240
Due to other funds	1,417	13,009	14,426
Due to other governments	224,467	24,215	248,682
Other payables	116,065	2,890	118,955
Compensated absences - current portion	35,503	-	35,503
Bonds payable - current portion	787,169	256,693	1,043,862
Total current liabilities	<u>2,237,640</u>	<u>335,393</u>	<u>2,573,033</u>
Noncurrent liabilities			
Customer deposits	554,504	40,635	595,139
Capital improvement deposits	888,349	726	889,075
Contracts payable	14,014,783	-	14,014,783
Compensated absences	217,535	-	217,535
Net pension and OPEB liability	2,049,907	18,915	2,068,822
Revenue bonds	2,472,653	752,525	3,225,178
Total noncurrent liabilities	<u>20,197,731</u>	<u>812,801</u>	<u>21,010,532</u>
Total liabilities	<u>22,435,371</u>	<u>1,148,194</u>	<u>23,583,565</u>
Deferred Inflows of Resources			
Deferred inflows - pension	491,736	8,185	499,921
Deferred inflows - other postemployment benefits	490,932	-	490,932
Total deferred inflows of resources	<u>982,668</u>	<u>8,185</u>	<u>990,853</u>
Net Position			
Net investment in capital assets	33,153,696	1,144,408	34,298,104
Restricted for pensions	2,575,810	-	2,575,810
Unrestricted	3,501,603	430,237	3,931,840
Total net position	<u>\$ 39,231,109</u>	<u>\$ 1,574,645</u>	<u>\$ 40,805,754</u>

City of Texarkana, Arkansas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2021

	Texarkana Water Utilities		
	Water Utilities	Nonmajor Enterprise Funds	Total Enterprise Funds
Operating Revenues			
Water sales	\$ 4,104,439	\$ 558,628	\$ 4,663,067
Wholesale water sales	65,230	-	65,230
Water connection fees	3,500	675	4,175
Sewer charges	4,109,638	-	4,109,638
Penalties and service charges	220,620	10,000	230,620
Other income	863,519	1,315	864,834
	<u>9,366,946</u>	<u>570,618</u>	<u>9,937,564</u>
Total operating revenues			
Operating Expenses			
Administrative	231,925	-	231,925
Finance	438,013	9,746	447,759
Customer service	315,381	43,331	358,712
Water production	1,464,924	111,510	1,576,434
Waster distribution	574,840	18,578	593,418
Sewer collection	490,092	-	490,092
Wastewater treatment	1,631,914	-	1,631,914
Environmental service	131,798	-	131,798
Engineer design	234,296	131	234,427
Geographical information systems	126,853	-	126,853
Composting	115,056	-	115,056
Operations administration	91,979	-	91,979
Service center	320,332	-	320,332
Field service	216,022	32,120	248,142
Construction oversight	223,331	24,980	248,311
Depreciation	2,394,092	123,038	2,517,130
Other expenses	-	738	738
Contract water & sewer expense - International Paper	343,631	5,567	349,198
Other managed systems	12,126	-	12,126
Legal services	38	-	38
	<u>9,356,643</u>	<u>369,739</u>	<u>9,726,382</u>
Total operating expenses			
Operating Income	<u>10,303</u>	<u>200,879</u>	<u>211,182</u>
Nonoperating Revenues (Expenses)			
Investment income (loss) - investments	19,959	(1,803)	18,156
Interest income - capital leases	211,465	-	211,465
Interest expense and paying agent fees	(363,768)	(34,991)	(398,759)
Loss on disposal of capital assets	(8)	-	(8)
	<u>(132,352)</u>	<u>(36,794)</u>	<u>(169,146)</u>
Total nonoperating revenues (expenses)			
Income (Loss) Before Transfers	<u>(122,049)</u>	<u>164,085</u>	<u>42,036</u>
Transfers Out	<u>(248,318)</u>	<u>-</u>	<u>(248,318)</u>
Changes in Net Position	<u>(370,367)</u>	<u>164,085</u>	<u>(206,282)</u>
Net Position, Beginning of Year	<u>39,601,476</u>	<u>1,410,560</u>	<u>41,012,036</u>
Net Position, End of Year	<u>\$ 39,231,109</u>	<u>\$ 1,574,645</u>	<u>\$ 40,805,754</u>

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City of Texarkana, Arkansas

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2021

	Texarkana Water Utilities		
	Water	Nonmajor	Total
	Utilities	Enterprise	Enterprise
		Funds	Funds
Cash Flows From Operating Activities			
Cash received from customers	\$ 9,385,861	\$ 548,076	\$ 9,933,937
Cash paid to suppliers	(5,521,572)	(152,911)	(5,674,483)
Cash paid to employees	(2,769,274)	(58,736)	(2,828,010)
Net cash provided by operating activities	1,095,015	336,429	1,431,444
Cash Flows From Noncapital Financing Activities			
Transfers to City general fund	(248,318)	-	(248,318)
Net cash used for noncapital financing activities	(248,318)	-	(248,318)
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(620,644)	(34,604)	(655,248)
Principal paid on bonds	(924,251)	(236,234)	(1,160,485)
Interest paid on bonds	(380,238)	(38,694)	(418,932)
Principal received on direct financing leases	206,066	-	206,066
Interest received on direct financing leases	211,465	-	211,465
Capital improvement deposits received	189,964	-	189,964
Capital improvement deposits returned	-	(10,870)	(10,870)
Proceeds from sale of capital assets	(8)	-	(8)
Net cash used for capital and related financing activities	(1,317,646)	(320,402)	(1,638,048)
Cash Flows From Investing Activities			
Purchase of investments	(797,579)	(147,203)	(944,782)
Proceeds from sale and maturities of investments	1,795,986	146,626	1,942,612
Interest received on investments	23,529	640	24,169
Net cash provided by investing activities	1,021,936	63	1,021,999
Increase in Cash	550,987	16,090	567,077
Cash, Beginning of Year	3,326,708	578,546	3,905,254
Cash, End of Year	\$ 3,877,695	\$ 594,636	\$ 4,472,331
Cash of Proprietary Funds, as Presented, on the			
"Statement of Fund Net Position - Proprietary Funds"			
is as follows:			
Cash	\$ 2,946,272	\$ 450,855	\$ 3,397,127
Restricted cash	931,423	143,781	1,075,204
	\$ 3,877,695	\$ 594,636	\$ 4,472,331

City of Texarkana, Arkansas
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended December 31, 2021

	Texarkana Water Utilities		
	Water	Nonmajor	Total
	Utilities	Enterprise	Enterprise
		Funds	Funds
Reconciliation of Operating Income to			
Net Cash Provided by Operating Activities			
Operating income	\$ 10,303	\$ 200,879	\$ 211,182
Adjustments to reconcile operating income to			
net cash provided by operating activities:			
Depreciation expense	2,394,092	123,038	2,517,130
(Increase) decrease in assets:			
Accounts receivable	19,442	(21,298)	(1,856)
Due from other governments	4,626	-	4,626
Due from other funds	(103,286)	(7,158)	(110,444)
Inventories	(24,767)	-	(24,767)
Prepaid expenses	(16,315)	(35)	(16,350)
Net pension asset	(540,252)	-	(540,252)
(Increase) decrease in deferred outflows	26,015	(91)	25,924
Increase (decrease) in liabilities:			
Accounts payable	(234,536)	(380)	(234,916)
Accrued liabilities	(248,474)	23,182	(225,292)
Due to other funds	126,543	23,518	150,061
Accrued compensated absences	(5,349)	-	(5,349)
Customer deposits	(5,153)	(1,244)	(6,397)
Net pension and postemployment benefits liabilities	(248,568)	(3,142)	(251,710)
Other payables	104,831	1,586	106,417
Decrease in deferred inflows	(164,137)	(2,426)	(166,563)
Net cash provided by operating activities	<u>\$ 1,095,015</u>	<u>\$ 336,429</u>	<u>\$ 1,431,444</u>

City of Texarkana, Arkansas
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2021

	Pension Trust Funds	Custodial Funds
Assets		
Cash and cash equivalents	\$ 348,678	\$ 197,218
Investments		
U. S. government obligations	331,885	-
Mortgage backed securities	251,554	-
Corporate bonds and notes	519,591	-
Mutual funds and other investments	9,733,862	-
Interest receivable	95,825	3,556
Due from other funds	532,835	-
	<hr/>	<hr/>
Total assets	11,814,230	200,774
	<hr/>	<hr/>
Liabilities		
Accounts payable	4,715	-
	<hr/>	<hr/>
Total liabilities	4,715	-
	<hr/>	<hr/>
Net Position		
Restricted for:		
Pensions	11,809,515	-
Other governments	-	200,774
	<hr/>	<hr/>
Net position restricted for pensions	\$ 11,809,515	\$ 200,774
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City of Texarkana, Arkansas
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2021

	Pension Trust Funds	Custodial Funds
Additions		
Contributions		
Employer	\$ 688,701	\$ -
Employee	11,875	-
Intergovernmental	297,597	-
Other	37,819	-
	<u>1,035,992</u>	<u>-</u>
Total contributions		
	<u>1,035,992</u>	<u>-</u>
Receipt of police bond funds	-	1,710,230
Investment income		
Net increase in fair value of investments	1,355,240	-
Interest and dividends	278,221	447
	<u>1,633,461</u>	<u>447</u>
Less investment expense	24,199	-
	<u>24,199</u>	<u>-</u>
Net investment income	<u>1,609,262</u>	<u>447</u>
Total additions	<u>2,645,254</u>	<u>1,710,677</u>
Deductions		
Benefits paid directly to participants	2,018,767	-
Return of police bond funds	-	1,635,003
Administrative expenses	41,892	-
Other	8,964	-
	<u>2,069,623</u>	<u>1,635,003</u>
Total deductions		
	<u>2,069,623</u>	<u>1,635,003</u>
Net Decrease in Net Position	575,631	75,674
Net Position, Beginning of Year	<u>11,233,884</u>	<u>125,100</u>
Net Position, End of Year	<u><u>\$ 11,809,515</u></u>	<u><u>\$ 200,774</u></u>

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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, 2021, totaled 1,537,163. The Commission does not have separately issued financial statements.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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, 2020, consisted of \$2,155,540 by Texarkana, Arkansas and \$2,463,469 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 \$15,018,339 at December 31, 2020, 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, 2021, was \$587,471. 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, 2021

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, 2021, 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, 2020, which is the latest information available, was \$912,846.

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, 2021

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.

The *Grant Fund* accounts for the receipt and disbursements of grant funds.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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, 2021

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 postemployment 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, 2021

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, 2021, 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, 2021

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, 2021

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 four 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 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*. The fourth item is related to the deferred loss on bond refunding and will be amortized to interest expense over future periods.

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, 2021

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, 2021

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 \$1,099,578 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, Grant 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, 2021

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.

Deficit Fund Equity

At December 31, 2021, the Court Automation Fund, a nonmajor fund, has a deficit fund balance of \$14,283. The deficit is due to the repair of equipment and will be eliminated as additional revenues are received.

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, 2021:

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. 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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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.

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.

GASB Statement No. 101 – *Compensated Absences*: The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023, 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, 2021 and September 30, 2021, 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

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposits.

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

At December 31, 2021, 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	\$ 323,948	\$ -	\$ 108,563	\$ 61,273	\$ 154,112
Corporate bonds	643,815	12,116	314,781	231,181	85,737
Money market mutual funds	1,579,779	1,579,779	-	-	-
Mortgage backed securities	276,137	-	7,699	41,162	227,276
International bond mutual funds	76,479	-	-	46,541	29,938
Bond mutual funds	3,629,448	3,629,448	-	-	-
		<u>\$ 5,221,343</u>	<u>\$ 431,043</u>	<u>\$ 380,157</u>	<u>\$ 497,063</u>
Equity mutual funds	<u>5,870,203</u>				
	<u>\$ 12,399,809</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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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.

The City has the following recurring fair value measurements as of December 31, 2021:

- U.S. Treasury obligations of \$323,948 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 \$643,815 are valued using a matrix pricing technique, which values the securities based on the securities' relationship to benchmark quoted prices (Level 2 inputs)
- Money market mutual funds of \$1,579,779 are valued at amortized cost and are not considered a fair value measurement
- Mortgage backed securities of \$276,137 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 \$3,629,448 and \$5,870,203, respectively, are valued using quoted market prices (Level 1 inputs)
- International bond mutual funds of \$76,479 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, 2021, 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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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

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	\$ 21,448,106	\$ 1,018,861
Cash on hand	3,834	-
Investments	12,399,809	-
	<u>\$ 33,851,749</u>	<u>\$ 1,018,861</u>

Included in the following statement of net position captions

Cash	\$ 14,421,225	\$ 1,018,861
Investments	2,821,605	-
Restricted cash	5,123,488	-
Restricted investments	102,643	-

Included in the following fiduciary net position captions

Cash and cash equivalents - Custodial Funds	197,218	-
Cash and cash equivalents - Pension Trust Funds	348,678	-
Investments-Pension Trust Funds		
U.S. government obligations	331,885	-
Mortgage backed securities	251,554	-
Corporate bonds and notes	519,591	-
Mutual funds and other investments	9,733,862	-
	<u>\$ 33,851,749</u>	<u>\$ 1,018,861</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2021

Note 3: Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2021, was as follows:

Governmental Activities	Balance, January 1, 2021	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2021
Capital assets, non-depreciable:				
Land	\$ 2,563,907	\$ -	\$ -	\$ 2,563,907
Construction in progress	2,799,119	3,666,151	(2,536,408)	3,928,862
Total capital assets, non-depreciable	5,363,026	3,666,151	(2,536,408)	6,492,769
Capital assets, depreciable				
Buildings	24,130,757	40,098	-	24,170,855
Improvements other than buildings	12,255,562	14,623	-	12,270,185
Machinery and equipment	10,473,696	1,173,092	(404,008)	11,242,780
Infrastructure	45,003,810	2,483,314	-	47,487,124
Total capital assets, depreciable	91,863,825	3,711,127	(404,008)	95,170,944
Less accumulated depreciation				
Buildings	18,583,677	602,927	-	19,186,604
Improvements other than buildings	8,888,634	568,855	-	9,457,489
Machinery and equipment	6,751,602	551,537	(346,701)	6,956,438
Infrastructure	28,648,468	753,270	-	29,401,738
Total accumulated depreciation	62,872,381	2,476,589	(346,701)	65,002,269
Total capital assets, depreciable	28,991,444	1,234,538	(57,307)	30,168,675
Total governmental activities, net	\$ 34,354,470	\$ 4,900,689	\$ (2,593,715)	\$ 36,661,444

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2021

Capital asset activity in the business-type activities for the year ended December 31, 2021, was as follows:

Business-Type Activities	Balance January 1, 2021	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2021
Capital Assets, non-depreciable				
Land	\$ 832,844	\$ -	\$ -	\$ 832,844
Water rights	17,784,128	-	-	17,784,128
Construction in progress	427,027	890,301	(923,827)	393,501
Total capital assets, non-depreciable	19,043,999	890,301	(923,827)	19,010,473
Capital assets, depreciable				
Buildings and improvements	4,389,478	-	(38,726)	4,350,752
Improvements other than buildings	69,317,760	451,375	(2,591,630)	67,177,505
Machinery and equipment	8,855,187	215,173	(1,936,479)	7,133,881
Total capital assets, depreciable	82,562,425	666,548	(4,566,835)	78,662,138
Less accumulated depreciation				
Buildings and improvements	2,879,232	222,776	(6,650)	3,095,358
Improvements other than buildings	38,266,650	1,835,670	(2,621,641)	37,480,679
Machinery and equipment	7,001,376	458,684	(1,935,790)	5,524,270
Total accumulated depreciation	48,147,258	2,517,130	(4,564,081)	46,100,307
Total capital assets, depreciable	34,415,167	(1,850,582)	(2,754)	32,561,831
Total business-type activities, net	\$ 53,459,166	\$ (960,281)	\$ (926,581)	\$ 51,572,304

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2021

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

Governmental Activities

General government	
General government	\$ 123,145
Police department	658,902
Fire department	260,416
Public works	1,065,580
Health	20,416
Culture and recreation	348,130
	<hr/>
Total depreciation expense – governmental activities	\$ 2,476,589
	<hr/> <hr/>

Business-Type Activities

Water and sewer	\$ 2,517,130
	<hr/>
Total depreciation expense - business-type activities	\$ 2,517,130
	<hr/> <hr/>

Note 4: Construction Projects

At December 31, 2021, 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, 2022	Required Future Financing
Dentention Pond - Crossroads Parkway	\$ 40,000	\$ 24,500	\$ 15,500
Ed Worrell Creek Washout	121,690	13,415	108,275
Vera Bradfield Pk Improvement	4,278	4,278	-
I-30 Lights	15,844	15,844	-
Animal Shelter	1,525,000	938,453	586,547
Texarkana Recreational Center	2,065,489	1,262,457	803,032
Sanderson Lane Overlay	578,190	553,901	24,289
Public Works Breakroom	1,258	1,258	-
E. 50th Street Road Improvement	568,530	478,821	89,709
E. 18th Street Repairs	318,586	295,856	22,730
Tennessee Road Improvements	255,000	191,836	63,164
Cherry Street Improvements	54,197	54,197	-
Jefferson Street Rehabilitation	138,000	118,580	19,420
Jefferson Street Overlay	138,000	11,748	126,252
	<hr/>	<hr/>	<hr/>
Total	\$ 5,824,062	\$ 3,965,144	\$ 1,858,918
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2021

Note 5: Long-term Liabilities

Changes in long-term liabilities in the governmental activities for the year ended December 31, 2021, and for the business-type activities for the year ended December 31, 2021, were as follows:

Governmental Activities	Balance January 1, 2021	Increases	Decreases	Balance December 31, 2021	Amounts Due in One Year
Bonds payable					
Revenue bonds	\$ 13,155,000	\$ 11,585,000	\$ 11,580,000	\$ 13,160,000	\$ 715,000
Less issuance discounts	31,872	16,339	32,780	15,431	-
Add issuance premiums	33,887	36,621	36,197	34,311	-
	<u>13,157,015</u>	<u>11,605,282</u>	<u>11,583,417</u>	<u>13,178,880</u>	<u>715,000</u>
General obligation bonds	6,660,000	-	650,000	6,010,000	255,000
Add issuance premiums	186,208	-	8,464	177,744	-
	<u>6,846,208</u>	<u>-</u>	<u>658,464</u>	<u>6,187,744</u>	<u>255,000</u>
Bonds payable, net	20,003,223	11,605,282	12,241,881	19,366,624	970,000
Notes payable (direct borrowing)	1,561,667	-	741,667	820,000	34,000
Capital lease obligation	6,700	55,849	19,553	42,996	19,720
Compensated absences	2,268,945	873,377	935,464	2,206,858	128,764
Net pension liability	32,185,607	-	2,615,692	29,569,915	-
Other postemployment benefits	4,152,888	-	133,509	4,019,379	222,813
Total governmental activities long-term liabilities	<u>\$ 60,179,030</u>	<u>\$ 12,534,508</u>	<u>\$ 16,687,766</u>	<u>\$ 56,025,772</u>	<u>\$ 1,375,297</u>

Business-Type Activities	Balance January 1, 2021	Increases	Decreases	Balance December 31, 2021	Amounts Due in One Year
Bonds payable					
Revenue bonds	\$ 5,426,212	\$ -	\$ 1,159,814	\$ 4,266,398	\$ 1,043,862
Plus issuance premiums	3,313	-	671	2,642	-
Bonds payable, net	<u>5,429,525</u>	<u>-</u>	<u>1,160,485</u>	<u>4,269,040</u>	<u>1,043,862</u>
Compensated absences	258,387	249,828	255,177	253,038	35,503
Net pension liability	1,687,554	-	185,403	1,502,151	-
Contracts payable	14,346,918	-	163,910	14,183,008	168,225
Other postemployment benefits	632,978	-	66,307	566,671	-
Total business-type activities long-term liabilities	<u>\$ 22,355,362</u>	<u>\$ 249,828</u>	<u>\$ 1,831,282</u>	<u>\$ 20,773,908</u>	<u>\$ 1,247,590</u>

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

Governmental Activities

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.

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.

2021A Refunding Franchise Fee Revenue Bond – Bonds in the amount of \$3,165,000 were issued with varying interest rates from 0.50% to 2.0% to currently refund the outstanding 2015 Franchise Fee Secured Refunding Revenue Bonds. The net carrying amount of the bonds exceeded the reacquisition price of the 2015 bonds by \$124,521. This amount is recorded as a deferred outflow of resources and is being amortized over the remaining life of the refunded debt using the effective-interest method. Amortization expenses for 2021 is \$6,226. The City completed the current refunding to reduce its total debt service payments over the next 20 years by \$618,230 and obtain an economic gain (difference between the present value of the debt service payments of the new and old debt) of \$533,633. Principal payments are due annually on September 1. Interest payments are due semiannually on March 1 and September 1.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

2021B Refunding Franchise Fee Revenue Bond – Bonds in the amount of \$8,420,000 were issued with varying interest rates from 1.40% to 2.785% to advance refund the outstanding 2012 Franchise Fee Secured Refunding Bonds. The net proceeds of the Series 2021B bonds, along with the debt service funds from the Series 2012 bonds, were deposited into an irrevocable trust with an escrow agent. The 2012 bonds (\$7,600,000 in principal as of December 31, 2021) will be redeemed in full on September 1, 2022. The net carrying amount of the bonds exceeded the reacquisition price of the 2012 bonds by \$511,083. This amount is recorded as a deferred outflow of resources and is being amortized over the remaining life of the refunded debt using the effective-interest method. Amortization expense for 2021 is \$25,554. The City completed the advance refunding to reduce its total debt service payments over the next 18 years by \$618,984 and to obtain an economic gain (difference between the present values of the debt service payments on the new and old debt) of \$488,641. Principal payments are due annually on September 1. Interest payments are due semiannually on March 1 and September 1.

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.

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, 2021

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, 2021.

Year	Primary Government				Business-Type Activities	
	Governmental Activities				Revenue Bonds -	
	General Obligation Bonds and		Note Payable - Direct Borrowing		Publicly Traded	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 970,000	\$ 413,675	\$ 34,000	\$ 2,880	\$ 1,043,862	\$ 157,080
2023	990,000	426,784	35,000	2,772	1,082,894	118,121
2024	1,010,000	404,998	36,000	2,659	1,053,453	77,925
2025	1,030,000	380,816	38,000	2,542	941,595	38,972
2026	1,060,000	331,032	39,000	2,418	144,594	2,094
2027-2031	4,660,000	1,331,496	214,000	10,080	-	-
2032-2036	5,115,000	795,866	252,000	6,226	-	-
2037-2041	4,075,000	201,963	172,000	1,570	-	-
2042	260,000	11,970	-	-	-	-
	<u>\$ 19,170,000</u>	<u>\$ 4,298,600</u>	<u>\$ 820,000</u>	<u>\$ 31,147</u>	<u>\$ 4,266,398</u>	<u>\$ 394,192</u>

There are a number of limitation and restrictions contained in the various bond indentures. The City is in substantial compliance with all significant limitations and requirements. The City is also subject to a statutory limitation by the State of Arkansas for general bonded indebtedness. The limitation is 25 percent of the total assessed valuation of all real and personal property within the municipality subject to taxation. At December 31, 2021, 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 \$820,000 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, 2021

The following is a summary of pledged revenues of the City for the year ended December 31, 2021.

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:						
2018 Franchise Fee Secured Capital Improvement Revenue Bonds	Franchise Taxes	\$ 2,913,540	199,738	6.9%	2,206,619	Until 2032
2021A Franchise Fee Secured Refunding Revenue Bonds	Franchise Taxes	2,913,540	33,601	1.2%	3,781,844	Until 2041
2021B Franchise Fee Secured Refunding Revenue Bonds	Franchise Taxes	2,913,540	372,928	12.8%	9,908,793	Until 2041
Business-Type Activities:						
2001 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	9,366,946	68,390	0.7%	136,760	Until 2023
2004A City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Bonds	Revenues of the Enterprise Fund	570,618	148,406	26.0%	453,672	Until 2024
2004B City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Bonds	Revenues of the Enterprise Fund	570,618	261,932	45.9%	1,185,937	Until 2026
2007 City of Texarkana, Arkansas Public Facilities Board Waterworks and Sewer Facilities Revenue Refunding Bonds	Revenues of the Enterprise Fund	9,366,946	721,109	7.7%	2,884,221	Until 2025

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2021

Note 6: Interfund Balances and Transfers

Interfund receivables and payables as of December 31, 2021, are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 70,072	\$ 482,650
Public Works	198,739	41,287
Non-major governmental funds	-	227,524
Total governmental funds	<u>268,811</u>	<u>751,461</u>
Texarkana, Arkansas Water Utilities	13,009	1,417
Non-major proprietary funds	1,417	13,009
Total proprietary funds	<u>14,426</u>	<u>14,426</u>
Fiduciary Funds:		
Policeman's Relief & Pension	532,835	-
Total fiduciary funds	<u>532,835</u>	<u>-</u>
Total	<u><u>\$ 816,072</u></u>	<u><u>\$ 765,887</u></u>

The difference in the interfund receivables and payables of \$50,185 is due to the different year end of the Texarkana, Arkansas Public Employees Retirement System (June 30, 2021).

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, 2021, are as follows:

Fund	Transfer In	Transfer Out
General	\$ 832,621	\$ 895,948
Public Works	69,455	477,748
Other Nonmajor Governmental Funds	<u>1,693,025</u>	<u>826,152</u>
Total governmental funds	<u><u>\$ 2,595,101</u></u>	<u><u>\$ 2,199,848</u></u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2021

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

Proprietary Funds		
Texarkana, Arkansas Water Utilities	\$ -	\$ 248,318
	<u> </u>	<u> </u>
Total proprietary funds	\$ -	\$ 248,318
	<u> </u>	<u> </u>
 Total primary government	 \$ 2,595,101	 \$ 2,448,166
	<u> </u>	<u> </u>

The difference in the transfer in/out of \$146,935 is due to the different year end of the Texarkana, Arkansas Water Utilities (September 30, 2021).

**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 \$789,489 and \$642,252 for 2021 and 2020, respectively. In addition, the Union Utility made total transfers to the Texas Utilities for water purchases of \$28,798 and \$48,858 for 2021 and 2020, respectively. The Mandeville Utility made total transfers to the Texas Utilities for water purchases of \$7,423 and \$13,852 for 2021 and 2020, respectively.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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 \$694,547 and \$1,075,526 for 2021 and 2020, respectively. In addition, the Union Utility made total transfers to the Arkansas Utilities for water purchases of \$60,004 and \$45,434 for 2021 and 2020, respectively. The Mandeville Utility made total transfers to the Arkansas Utilities for water purchases of \$15,285 and \$13,272 for 2021 and 2020, 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 2021 and 2020, the Texas Utilities made total transfers to the Arkansas Utilities for debt service of \$417,531 and \$307,701, respectively. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease transaction between the Cities.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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.

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 2021 and 2020, the Texas Utilities made transfers to the Arkansas Utilities for debt service in the amounts of \$98,495 and \$106,185, 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

December 31, 2021

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, 2021. 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, 2021		December 31, 2021
	TAPERS	TWUPERS	PRPF
Retirees and beneficiaries receiving benefits	31	10	39
Active plan members	13	14	-
Terminated members	33	22	-
Transitioned members	14	-	-
Total	91	46	39

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2021

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, 2021		December 31, 2021	
	TAPERS	TWUPERS	PRPF	Total
Assets				
Cash and cash equivalents	\$ 65,426	\$ 101,201	\$ 182,051	\$ 348,678
Investments	2,748,741	3,368,040	4,720,111	10,836,892
Receivables	2,664	7,569	85,592	95,825
Due from other funds	-	-	532,835	532,835
Total assets	2,816,831	3,476,810	5,520,589	11,814,230
Liabilities				
Accounts payable	2,637	-	2,078	4,715
Total liabilities	2,637	-	2,078	4,715
Net Position				
Net position restricted for pensions	\$ 2,814,194	\$ 3,476,810	\$ 5,518,511	\$ 11,809,515

Statement of Changes in Fiduciary Net Position				
Additions				
Contributions	\$ 171,250	\$ -	\$ 864,742	\$ 1,035,992
Net investment income	533,415	571,559	504,288	1,609,262
Total additions	704,665	571,559	1,369,030	2,645,254
Deductions				
Benefits paid directly to participants	880,149	36,441	1,102,177	2,018,767
Administrative expenses and other	21,990	28,866	-	50,856
Total deductions	902,139	65,307	1,102,177	2,069,623
Net Increase (Decrease) in Net Position	(197,474)	506,252	266,853	575,631
Net Position Restricted For Pensions, Beginning of Year	3,011,668	2,970,558	5,251,658	11,233,884
Net Position Restricted For Pensions, End of Year	\$ 2,814,194	\$ 3,476,810	\$ 5,518,511	\$ 11,809,515

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2021

D. Plan Descriptions and Funding Information

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

	Net Pension Asset	Net Pension Liability	Deferred Outflows of Resources	Deferred Outflows of Resources - Contributions	Deferred Inflows of Resources	Pension Expense (Income)
TAPERS	\$ -	\$ 8,568,017	\$ -	\$ 25,784	\$ 133,184	\$ 394,023
TWUPERS	2,575,810	-	-	-	-	(540,252)
PRPF	-	6,802,283	-	-	562,795	529,333
LOPFI	-	14,066,456	2,072,999	1,836,012	3,918,571	2,661,508
APERS	-	15,741	2,375	-	49,713	7,704
FRPF	-	117,418	-	-	450,807	31,461
TMRS	-	1,502,151	42,141	281,117	499,921	353,040
Total	<u>\$ 2,575,810</u>	<u>\$ 31,072,066</u>	<u>\$ 2,117,515</u>	<u>\$ 2,142,913</u>	<u>\$ 5,614,991</u>	<u>\$ 3,436,817</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

Notes to Financial Statements

December 31, 2021

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, 2021, were \$161,807.

The asset concentrations of over 5% are as follows:

Eaton Vance Floating Rate	\$ 224,386
Goldman Sachs Access Investment	253,909
JP Morgan Ultra Short Income ETF	200,169
Vanguard Short-Term Corporate Bond	205,948
Ishares USA Min Vol ETF	172,984
Investco American Value FD CL A	151,303
Ishares Russell Midcap Value Index Fund	225,936
Ishares Russel Midcap Growth Index Fund	199,232
Ishares Russel 1000 Growth Index Fund	194,108
Ishares Russell 2000 Value Index Fund	143,391

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

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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

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 2021 contributions to the Policemen's Fund were \$864,742. The City's share of contributions was \$864,742 and included \$529,326 in property taxes, \$37,819 in other taxes and \$297,597 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	\$ 764,223
Metropolitan West Totla Return Bond	450,649
Vanguard Short Term Federal FD	297,511
Western Asset Core Bond	450,816
Harbor Capital Appreciation	653,816
The Hartford Equity Income	784,449

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, 2021, the balances of these DROP accounts were \$1,736,223.

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

Notes to Financial Statements

December 31, 2021

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	\$ 402,612
I Shares S + P 500	403,942
I Shares Russell 2000	181,202
Vanguard Mid-Cap	182,181
American Funds EuroPacific	222,092
JOHCM International	222,698

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, 2021. Actuarial assumptions used in evaluating the fund and applicable to the PRPF include the following:

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2021

Valuation date	December 31, 2021
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	6/30/2021	6/30/2021
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	2.13%	3.5%
Projected salary increases	3.0%	N/A
Includes inflation at	2.25%	0.4%
Cost-of-living adjustments	None	None
Mortality table	MP-2014	2021 Funding Target
Experience Study	N/A	N/A

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2021

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)	6/30/2021	\$ 11,382,211	\$ 2,814,194	\$ (8,568,017)	24.72%
Police Relief and Pension Fund (PRPF)	12/31/2021	12,320,794	5,518,511	(6,802,283)	44.79%
Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)	6/30/2021	901,000	3,476,810	2,575,810	385.88%

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			52.40%
Fixed Income	39.00%		43.60%
Real Estate (REIT)	2.00%		
Marketable			0.90%
Cash	5.00%	10.00%	3.10%
Total	100.00%	100.00%	100.00%

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2021

Discount Rate

Texarkana, Arkansas Public Employees Retirement System (TAPERS)

In the June 30, 2021 actuarial valuation, a blended discount rate of 2.13% (2.58% 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 1.92% (based on the Fidelity Index's 20-year Municipal GO AA Index as of June 30, 2021). 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 2029 fiscal year. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2029 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, 2021 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, 2021 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, 2021

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, 2021	\$ 11,691,686	\$ 3,011,668	\$ 8,680,018
Changes for the year:			
Service cost	144,788	-	144,788
Interest	292,483	-	292,483
Differences between expected and actual experience	(564,312)	-	(564,312)
Assumption changes	677,215	-	677,215
Contributions - employer	-	161,807	(161,807)
Contributions - employee	-	12,361	(12,361)
Net investment income	-	517,237	(517,237)
Benefit payments, including refunds of employee contributions	(859,649)	(859,649)	-
Administrative expense	-	(26,909)	26,909
Other changes	-	(2,321)	2,321
Net changes	(309,475)	(197,474)	(112,001)
Balances at December 31, 2021	<u>\$ 11,382,211</u>	<u>\$ 2,814,194</u>	<u>\$ 8,568,017</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2021

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, 2021	\$ 12,350,502	\$ 5,251,658	\$ 7,098,844
Changes for the year:			
Service cost	-	-	-
Interest	592,792	-	592,792
Differences between expected and actual experience	(89,261)	-	(89,261)
Contributions - employer	-	697,821	(697,821)
Contributions - employee	-	-	-
Net investment income	-	555,434	(555,434)
Benefit payments, including refunds of employee contributions	(989,306)	(989,306)	-
Administrative expense	-	-	-
Assumption Changes	456,067	-	456,067
Benefit Change	-	-	-
Other changes	-	2,904	(2,904)
Net changes	(29,708)	266,853	(296,561)
Balances at December 31, 2021	\$ 12,320,794	\$ 5,518,511	\$ 6,802,283

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, 2021	\$ 935,000	\$ 2,970,558	\$ (2,035,558)
Changes for the year:			
Interest	32,087	-	32,087
Differences between expected and actual experience	(38,646)	-	(38,646)
Assumption changes	9,000	-	9,000
Net investment income	-	571,559	(571,559)
Benefit payments, including refunds of employee contributions	(36,441)	(36,441)	-
Administrative expense	-	(19,902)	19,902
Other changes	-	(8,964)	8,964
Net changes	(34,000)	506,252	(540,252)
Balances at December 31, 2021	\$ 901,000	\$ 3,476,810	\$ (2,575,810)

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2021

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

The following table presents the net pension liability/(asset) for each plan of 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 higher than the current rate:

		Sensitivity of the Net Position Liability/(Asset) to the Single Discount Rate Assumption		
		1% Decrease 1.13%	Current Blended Rate Assumption 2.13%	1% Increase 3.13%
TAPERS	Net Pension Liability	\$ 10,292,232	\$ 8,568,017	\$ 7,171,877
		1% Decrease 4.00%	Current Single Rate Assumption 5.00%	1% Increase 6.00%
PRPF	Net Pension Liability	\$ 7,678,389	\$ 6,802,283	\$ 6,037,823
		1% Decrease 2.50%	Current Single Rate Assumption 3.50%	1% Increase 4.50%
TWUPERS	Net Pension Asset	\$ (2,476,810)	\$ (2,575,810)	\$ (2,656,810)

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)	6/30/2021	19.00%
Police Relief and Pension Fund (PRPF)	12/31/2021	11.21%
Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)	6/30/2021	17.98%

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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

For the year ended December 31, 2021, the City recognized pension expense (income) of \$394,023 for TAPERS, (\$540,252) for TWUPERS and \$529,333 for PRPF. At December 31, 2021, 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	\$ -	\$ 133,184
Contributions subsequent to the measurement date	25,784	-
Total	<u>\$ 25,784</u>	<u>\$ 133,184</u>

PRPF

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 562,795
Total	<u>\$ -</u>	<u>\$ 562,795</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2021

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$25,784 will be recognized as a reduction of the net pension liability for the year ending December 31, 2022. 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
2022	\$ (18,767)
2023	(7,235)
2024	(30,326)
2025	(76,856)
Total	<u>\$ (133,184)</u>

PRPF

Year Ending December 31	Net Deferred Inflows of Resources
2022	\$ (143,075)
2023	(246,297)
2024	(116,072)
2025	(57,351)
Total	<u>\$ (562,795)</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, 2021

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, 2021 to December 31, 2021. Contributions made to the plan the City for the year ended December 31, 2021, amounted to \$6,264. 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, 2021, the City reported a liability of \$15,741 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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 .00204743 percent, which was a decrease of .000110291 percent from the prior year.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

For the year ended December 31, 2021, the City recognized pension income of \$7,704. At December 31, 2021, 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	\$ 360	\$ 1,010
Change of assumptions	-	110
Changes in proportion	2,015	20,962
Net difference between projected and actual earnings on pension plan investments	-	27,631
Total	<u>\$ 2,375</u>	<u>\$ 49,713</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	
2022	\$ (11,673)
2023	(10,930)
2024	(11,613)
2025	(13,122)
Total	<u>\$ (47,338)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2021 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, 2021

The actuarial assumptions used in the June 30, 2021 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, 2021 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, 2021 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, 2021

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 (Asset) 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	\$ 47,088	\$ 15,741	\$ (10,147)

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, 2021

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 21.13% 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, 2021. Contributions made to the plan by employees and the City for the year ended December 31, 2021 amounted to \$704,600 and \$1,836,012, respectively.

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

At December 31, 2021, the City reported a liability of \$14,066,456 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 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 2.04607 percent, which was a decrease of .02289 percent from the prior year.

For the year ended December 31, 2021, the City recognized pension expense of \$2,661,508. At December 31, 2021, 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	\$ 1,588,126	\$ -
Change of assumptions	392,109	-
Net difference between projected and actual earnings on pension plan investments	-	3,610,375
Changes in proportion	92,764	308,196
Contributions subsequent to the measurement date	1,836,012	-
Total	<u>\$ 3,909,011</u>	<u>\$ 3,918,571</u>

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,836,012 will be recognized as a reduction of the net pension liability for the year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as:

Year Ending December 31	
2022	\$ 54,657
2023	(184,440)
2024	(1,311,477)
2025	<u>(404,312)</u>
Total	<u>\$ (1,845,572)</u>

Actuarial Assumptions

The total pension liability in the December 31, 2020 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, 2020 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, 2021

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	25%	0.90%
Domestic Equity	42%	5.10%
Foreign Equity	18%	7.10%
Alternative Investments	15%	7.40%
Total	100%	

Discount Rate

In the December 31, 2020 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, 2021

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	\$ 24,014,755	\$ 14,066,456	\$ 6,042,642

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, 2021

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, 2021 amounted to \$84,689.

At the December 31, 2020 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, 2021

Actuarial Assumptions

Valuation date	December 31, 2020
Cost method	Individual entry-age normal
Asset valuation method	Market value of assets
Amortization method	Closed amortization period
Amortization period	13 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, 2020 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, 2021

Asset Allocation		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	25%	0.90%
Domestic Equity	42%	5.10%
Foreign Equity	18%	7.10%
Alternative Investments	15%	7.40%
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, 2021	<u>\$ 5,939,484</u>	<u>\$ 5,610,610</u>	<u>\$ 328,874</u>
Changes for the year:			
Service cost	-	-	-
Interest	395,141	-	395,141
Differences between expected and actual experience	164,733	-	164,733
Assumption changes	-	-	-
Contributions - employer	-	80,865	(80,865)
Contributions - employee	-	-	-
Net investment income	-	699,111	(699,111)
Benefit payments, including refunds of employee contributions	(589,217)	(589,217)	-
Administrative expense	-	(8,646)	8,646
Other changes	-	-	-
Net changes	<u>(29,343)</u>	<u>182,113</u>	<u>(211,456)</u>
Balances at December 31, 2021	<u><u>\$ 5,910,141</u></u>	<u><u>\$ 5,792,723</u></u>	<u><u>\$ 117,418</u></u>

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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)	\$ 588,759	\$ 117,418	\$ (295,981)

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, 2021, the City recognized pension income of \$31,461 related to this plan.

At December 31, 2021, 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	\$ 450,807
Total	\$ 450,807

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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

<u>Year Ending December 31</u>	<u>Net Deferred Inflows of Resources</u>
2022	\$ (136,814)
2023	(68,569)
2024	(180,533)
2025	<u>(64,891)</u>
Total	<u>\$ (450,807)</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, 2021

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, 2020 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	119
Inactive employees entitled to but not yet receiving benefits	54
Active Employees	<u>158</u>
Total	<u><u>331</u></u>

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

Employees for the Utility were required to contribute 7% of their annual gross earnings during the fiscal year. The Utility's contributions to TMRS for the year ended December 31, 2021, were \$418,539, and were equal to the required contributions.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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.

The Actuarial assumptions used in the December 31, 2020 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 2020 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, 2021

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, 2021

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2021	\$ 15,283,829	\$ 13,596,275	\$ 1,687,554
Changes for the year:			
Service cost	431,781	-	431,781
Interest	1,006,439	-	1,006,439
Differences between expected and actual experience	(13,225)	-	(13,225)
Assumption changes	-	-	-
Contributions - employer	-	418,539	(418,539)
Contributions - employee	-	181,948	(181,948)
Net investment income	-	1,016,749	(1,016,749)
Benefit payments, including refunds of employee contributions	(694,801)	(694,801)	-
Administrative expense	-	(6,581)	6,581
Other changes	-	(257)	257
Net changes	730,194	915,597	(185,403)
Balances at December 31, 2021	\$ 16,014,023	\$ 14,511,872	\$ 1,502,151

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)	\$ 3,697,088	\$ 1,502,151	\$ (306,089)

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

For the year ended December 31, 2021, the Utility recognized pension expense of \$353,040.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2021

At December 31, 2021, 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	\$ 30,701	\$ 114,962
Change of assumptions	11,440	-
Net difference between projected and actual earnings on pension plan investments	-	384,959
Contributions subsequent to the measurement date	<u>281,117</u>	<u>-</u>
Total	<u><u>\$ 323,258</u></u>	<u><u>\$ 499,921</u></u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$318,721 will be recognized as a reduction of the net pension liability for the year ending December 31, 2022. 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	
2022	\$ (183,415)
2023	(7,491)
2024	(243,017)
2025	<u>(23,857)</u>
Total	<u><u>\$ (457,780)</u></u>

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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, 2021.

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	\$ 4,019,379	\$ 614,937	\$ 164,315	\$ 225,513
Proprietary Funds	566,671	33,361	490,932	(120,357)
	<u>\$ 4,586,050</u>	<u>\$ 648,298</u>	<u>\$ 655,247</u>	<u>\$ 105,156</u>

Governmental Activities

Plan Description: The City of Texarkana sponsors and administers an informal single-employer defined benefit healthcare plan. Arkansas statute provides that any municipal city official or employee vested in any of the City's retirement plans with 20 years of service and attains 55 years of age may continue to participate in the City's healthcare plan after retirement. The State of Arkansas has the authority to establish and amend the requirements of this statute. The City does not issue stand-alone financial statements of the plan but all required information is presented in this report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Funding Policy: The contribution requirements of plan members are established by the City and may be amended as needed. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plan. Currently, retired employees who retired under age 55 and employees retiring who are under age 55 are eligible to continue medical coverage only with a lifetime maximum benefit of \$250,000 provided they have

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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, 2021, there are 30 retirees participating in the postemployment health benefit program. Participant contributions totaled \$226,792 in 2021.

Employees covered by benefit terms – at December 31, 2021, 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 \$4,019,379 was measured as of December 31, 2021 and was determined by an actuarial valuation as December 31, 2020.

Actuarial Methods and Assumptions – The total OPEB liability in the December 31, 2021 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	2.25 percent based on the 20 year municipal bond rate from the S & P Municipal Bond index. Prior discount rate was 1.93 percent based on the 20 year municipal bond rate
Inflation rate	3.00 percent
Healthcare cost trend rates	8.00 percent for 2022 decreasing 0.5% annually, to an ultimate rate of 5.00 percent for 2029
Cost method	Entry age normal
Mortality	RP 2014 Mortality Table

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2021

Changes in Total OPEB Liability

Total OPEB obligation - January 1, 2021	\$ 4,152,888
Service Cost	100,949
Interest	79,911
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(87,577)
Benefit payments	(226,792)
Net change in total OPEB liability	(133,509)
Total OPEB obligation - December 31, 2021	\$ 4,019,379

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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current discount rate:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.25%	Discount Rate 2.25%	1% Increase 3.25%
Other Postemployment Benefits Liability	\$ 4,311,462	\$ 4,019,379	\$ 3,745,179

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	\$ 3,854,478	\$ 4,019,379	\$ 4,761,735

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2021

OPEB Expense and Deferred Outflows/ Inflows of Resources Related to OPEB – For the year ended December 31, 2021, the City recognized OPEB expense of \$225,513. At December 31, 2021, 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	\$ 233,225	\$ -
Changes of assumptions	381,712	164,315
Total	<u>\$ 614,937</u>	<u>\$ 164,315</u>

The balances as of December 31, 2021 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
2022	\$ 44,653
2023	44,653
2024	44,653
2025	44,653
2026	44,653
Thereafter	<u>227,357</u>
	<u><u>\$ 450,622</u></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, 2021

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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Actives	131
Retirees	<u>11</u>
Total	<u><u>142</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, 2021 and Total OPEB liability used to calculate the Total OPEB liability was determined by an actuarial valuation as of September 30, 2020.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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, 2020
Measurement Date	September 30, 2021
Discount Rate for Valuing Liabilities	2.43% per annum, as required by GASB 75 (2.14% in prior year)
Mortality Rates	Non-Annuitants: Sex distinct headcount weighted 2010 PUB mortality table for general employees with mortality improvement scale MP-2020 Annuitants: Sex distinct headcount weighted 2010 PUB mortality table for general retirees with mortality scale MP-2020
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, 2021

Changes in Total OPEB Liability

Balance as of January 1, 2021	\$ 632,978
Changes for the year:	
Service cost	26,108
Interest on total OPEB liability	13,598
Difference between expected and actual experience	(2,604)
Effect of assumptions changes or inputs	(72,486)
Benefit payments	(30,923)
	<u>566,671</u>
Balance as of December 31, 2021	<u>\$ 566,671</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 2.34%, as well as what the Utility's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.34%) or 1% higher (3.34%) than the current rate. This is also calculated using healthcare cost trend rates.

Discount Rate Sensitivity			Healthcare Cost Trend Rates		
1% Decrease	Discount Rate	1% Increase	1% Decrease	Current Rates	1% Increase
1.34%	2.34%	3.34%	5.60/6.60%	6.60/7.70%	7.70/8.70%
\$ 597,301	\$ 566,671	\$ 527,851	\$ 559,196	\$ 566,671	\$ 562,490

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

For the year ended December 31, 2021, the Utility recognized the OPEB income of \$120,357.

At December 31, 2021, the Utility had 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	\$ -	\$ 8,045
Changes of assumptions	33,361	482,887
Total	<u>\$ 33,361</u>	<u>\$ 490,932</u>

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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

Year December 31	Amounts to be expenses in future expense calculations
2022	\$ (144,560)
2023	(144,560)
2024	(144,561)
2025	(2,561)
2026	(10,896)
2027	(10,433)
	\$ (457,571)

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 2020 to 2021; nor have settlement amounts exceeded insurance coverage for each of the past three years.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

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, 2021, property taxes receivable and related deferred inflows of resources of \$4,750,272 have been recorded in the governmental funds. In the government-wide statement of net position, property taxes are considered earned at the time levied. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value of the property and applies the statutory rate of 20% to arrive at assessed value.

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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2021

For the fiscal year ended December 31, 2021, 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, 2021, the City made an annual contribution of \$250,000 to the company.

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

Note 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.

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, 2021

Commitments

On December 22, 2020, the City entered into a joint lease agreement with the City of Texarkana, Arkansas, Public Facilities Board and Miller County. The lease agreement is for a one-year period with options to extend in annual increments through 2041. The option to extend shall be deemed automatically exercised by each Lessee unless on hundred twenty days prior to the end of the term the Lessee shall give notice to the Lessor, the Bondholder and other Lessee written notice that the Lessee does not elect to have this agreement extended. In the event that the extensions are exercised, the City will pay approximately \$306,000 annually beginning in 2022.

Required Supplementary Information

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,	2021	2020	2019	2018	2017
Total Pension Liability					
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	592,792	594,394	408,721	628,849	659,269
Benefit Changes	-	-	-	-	-
Difference Between Actual & Expected Experience	(89,261)	398,320	193,934	57,548	195,575
Assumption Changes	456,067	-	-	-	-
Benefit Payments	(989,306)	(1,066,970)	(1,130,268)	(1,023,249)	(1,406,731)
Refunds	-	-	-	-	-
Net Change in Total Pension Liability	(29,708)	(74,256)	(527,613)	(336,852)	(551,887)
Total Pension Liability - Beginning	12,350,502	12,424,758	4,352,293	4,689,145	5,241,032
Total Pension Liability - Ending (a)	\$ 12,320,794	\$ 12,350,502	\$ 3,824,680	\$ 4,352,293	\$ 4,689,145
Plan Fiduciary Net Position					
Contributions - Employee	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Employer	697,821	678,497	759,151	734,533	893,926
Net Investment Income	555,434	559,509	742,303	(186,564)	469,539
Benefit Payments	(989,306)	(1,066,970)	(1,130,268)	(1,023,249)	(1,406,731)
Administrative Expense	-	(7,300)	6,100	(6,000)	(5,850)
Reconciliation Adjustment	2,904	-	-	-	-
Net Change in Plan Fiduciary Net Position	266,853	163,736	377,286	(481,280)	(49,116)
Plan Fiduciary Net Position - Beginning	5,251,658	5,087,922	(530,396)	(49,116)	-
Plan Fiduciary Net Position - Ending (b)	\$ 5,518,511	\$ 5,251,658	\$ (153,110)	\$ (530,396)	\$ (49,116)
Net Pension Liability (a) - (b)	\$ 6,802,283	\$ 7,098,844	\$ 3,977,790	\$ 4,882,689	\$ 4,738,261
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	44.79%	42.52%	40.95%	-12.19%	-1.05%
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Payroll	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 Changes in the City's Net Pension Liability and Related Ratios – PRPF (Continued)

Fiscal year ended December 31,	2016	2015	2014
Total Pension Liability			
Service Cost	\$ -	\$ -	\$ -
Interest	751,303	878,014	888,913
Benefit Changes	-	(378,000)	-
Difference Between Actual & Expected Experience	(1,311,299)	(476,658)	14,625
Assumption Changes	-	-	-
Benefit Payments	(1,164,092)	(1,162,333)	(1,177,920)
Refunds	-	-	-
Net Change in Total Pension Liability	(1,724,088)	(1,138,977)	(274,382)
Total Pension Liability - Beginning	15,565,198	16,704,175	16,978,557
Total Pension Liability - Ending (a)	\$ 13,841,110	\$ 15,565,198	\$ 16,704,175
Plan Fiduciary Net Position			
Contributions - Employee	\$ -	\$ -	\$ -
Contributions - Employer	895,983	854,698	827,917
Net Investment Income	365,678	(229,837)	201,657
Benefit Payments	(1,164,092)	(1,162,333)	(1,177,920)
Administrative Expense	(5,750)	(5,650)	(4,500)
Reconciliation Adjustment	-	-	-
Net Change in Plan Fiduciary Net Position	91,819	(543,122)	(152,846)
Plan Fiduciary Net Position - Beginning	5,149,213	5,692,335	5,845,181
Plan Fiduciary Net Position - Ending (b)	\$ 5,241,032	\$ 5,149,213	\$ 5,692,335
Net Pension Liability (a) - (b)	\$ 8,600,078	\$ 10,415,985	\$ 11,011,840
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	37.87%	33.08%	34.08%
Covered Payroll	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A

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

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
2021	1,711,724	864,742	846,982	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	Pub-2010 Amount Weighted General Employee Below Median Income Healthy Retiree Table

(1): Assumption changes for the 2021 valuation include a change in the mortality table from the 1983 Group Annuity Mortality table to the Pub-2010 Amount Weighted General Employee Below Median Income Healthy Retiree Table.

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

Fiscal Year Ended	Annual Return
December 31,	
2014	3.79%
2015	-4.72%
2016	8.22%
2017	10.91%
2018	-6.22%
2019	21.37%
2020	11.61%
2021	11.21%

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,	2021	2020	2019	2018	2017
Total Pension Liability					
Service Cost	\$ 144,788	\$ 118,256	\$ 127,376	\$ 155,442	\$ 190,741
Interest	292,483	343,890	369,514	371,029	312,689
Difference Between Actual & Expected Experience	(564,312)	109,323	(773)	(189,311)	244,662
Assumption Changes	677,215	1,185,194	643,576	(37,703)	(567,285)
Benefit Payments	(859,649)	(478,343)	(467,864)	(333,624)	(284,717)
Net Change in Total Pension Liability	(309,475)	1,278,320	671,829	(34,167)	(103,910)
Total Pension Liability - Beginning	11,691,686	10,413,366	9,741,537	9,775,704	9,879,614
Total Pension Liability - Ending (a)	<u>\$ 11,382,211</u>	<u>\$ 11,691,686</u>	<u>\$ 10,413,366</u>	<u>\$ 9,741,537</u>	<u>\$ 9,775,704</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 161,807	\$ 150,227	\$ 108,742	\$ 125,659	\$ 124,282
Contributions - Member	12,361	13,379	12,582	15,132	16,340
Net Investment Income	517,237	(38,807)	94,486	269,494	336,470
Benefit Payments	(859,649)	(478,343)	(467,864)	(333,624)	(284,717)
Administrative Expense	(26,909)	(34,689)	(30,884)	(28,179)	(46,899)
Other changes	(2,321)	(2,311)	-	-	-
Net Change in Plan Fiduciary Net Position	(197,474)	(390,544)	(282,938)	48,482	145,476
Plan Fiduciary Net Position - Beginning	3,011,668	3,402,212	3,685,150	3,636,668	3,491,192
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,814,194</u>	<u>\$ 3,011,668</u>	<u>\$ 3,402,212</u>	<u>\$ 3,685,150</u>	<u>\$ 3,636,668</u>
Net Pension Liability (a) - (b)	<u>\$ 8,568,017</u>	<u>\$ 8,680,018</u>	<u>\$ 7,011,154</u>	<u>\$ 6,056,387</u>	<u>\$ 6,139,036</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	24.72%	25.76%	32.67%	37.83%	37.20%
Covered Payroll	\$ 620,511	\$ 597,900	\$ 625,483	\$ 807,499	\$ 817,749
Net Pension Liability as a Percentage of Covered Payroll	1380.80%	1451.75%	1120.92%	750.02%	750.72%

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 (Continued)

Fiscal year ended June 30,	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 148,947	\$ 157,063	\$ 146,612
Interest	352,380	383,918	437,404
Benefit Changes	-	-	-
Difference Between Actual & Expected Experience	(12,438)	(303,978)	(680,274)
Assumption Changes	1,176,834	533,271	285,779
Benefit Payments	(427,407)	(599,657)	(1,134,456)
Net Change in Total Pension Liability	1,238,316	170,617	(944,935)
Total Pension Liability - Beginning	8,641,298	8,470,681	9,415,616
Total Pension Liability - Ending (a)	\$ 9,879,614	\$ 8,641,298	\$ 8,470,681
Plan Fiduciary Net Position			
Contributions - Employer	\$ 162,438	\$ 100,142	\$ 118,862
Contributions - Member	16,870	18,255	22,989
Net Investment Income	(23,036)	74,808	577,706
Benefit Payments	(427,407)	(599,657)	(1,134,456)
Administrative Expense	(29,946)	(59,688)	(54,386)
Net Change in Plan Fiduciary Net Position	(301,081)	(466,140)	(469,285)
Plan Fiduciary Net Position - Beginning	3,792,273	4,258,413	4,727,698
Plan Fiduciary Net Position - Ending (b)	\$ 3,491,192	\$ 3,792,273	\$ 4,258,413
Net Pension Liability (a) - (b)	\$ 6,388,422	\$ 4,849,025	\$ 4,212,268
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	35.34%	43.89%	50.27%
Covered Payroll	\$ 823,930	\$ 943,584	\$ 1,189,105
Net Pension Liability as a Percentage of Covered Payroll	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%
2021 (3)	540,985	161,807	379,178	620,511	26.08%

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Amortization Period	20 Years
Asset Valuation	Market Value
Inflation	2.25%
Salary Increases	3.00%
Investment Rate of Return	5.00%
Cost of Living Increases	None
Mortality	Gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate rates of scale MP-2014 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

(3): Assumption changes for the 2021 valuation include a change in discount rate from 2.58% in 2020 to 2.13% in 2021

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%
2021	19.00%

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,	2021	2020	2019	2018	2017
Total Pension Liability					
Interest	\$ 32,087	\$ 36,997	\$ 25,715	\$ 49,713	\$ 42,459
Difference Between Actual & Expected Experience	(38,646)	(8,635)	(29,670)	10,643	(14,236)
Assumption Changes	9,000	(95,000)	(5,000)	41,000	3,000
Benefit Payments	(36,441)	(33,046)	(68,697)	(172,696)	(121,267)
Net Change in Total Pension Liability	(34,000)	(99,684)	(77,652)	(71,340)	(90,044)
Total Pension Liability - Beginning	935,000	1,034,684	1,112,336	1,183,676	1,273,720
Total Pension Liability - Ending (a)	<u>\$ 901,000</u>	<u>\$ 935,000</u>	<u>\$ 1,034,684</u>	<u>\$ 1,112,336</u>	<u>\$ 1,183,676</u>
Plan Fiduciary Net Position					
Net Investment Income	\$ 571,559	\$ 187,877	\$ 207,360	\$ 134,374	\$ 230,631
Benefit Payments	(36,441)	(33,046)	(68,697)	(172,696)	(121,267)
Administrative Expense	(19,902)	(17,156)	(27,370)	(16,053)	(21,467)
Reconciliation Adjustment	(8,964)	(7,723)	(7,560)	(8,082)	-
Net Change in Plan Fiduciary Net Position	506,252	129,952	103,733	(62,457)	87,897
Plan Fiduciary Net Position - Beginning	2,970,558	2,840,606	2,736,873	2,799,330	2,711,433
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,476,810</u>	<u>\$ 2,970,558</u>	<u>\$ 2,840,606</u>	<u>\$ 2,736,873</u>	<u>\$ 2,799,330</u>
Net Pension Asset (a) - (b)	<u>\$ (2,575,810)</u>	<u>\$ (2,035,558)</u>	<u>\$ (1,805,922)</u>	<u>\$ (1,624,537)</u>	<u>\$ (1,615,654)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	385.88%	317.71%	274.54%	246.05%	236.49%
Covered Payroll	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

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 (Continued)

Fiscal year ended June 30,	2016	2015	2014
Total Pension Liability			
Interest	\$ 48,445	\$ 48,440	59,393
Difference Between Actual & Expected Experience	(113,096)	(17,519)	(26,078)
Assumption Changes	3,000	3,000	166,000
Benefit Payments	(87,302)	(66,248)	(128,315)
Net Change in Total Pension Liability	(148,953)	(32,327)	71,000
Total Pension Liability - Beginning	1,422,673	1,455,000	1,384,000
Total Pension Liability - Ending (a)	<u>\$ 1,273,720</u>	<u>\$ 1,422,673</u>	<u>\$ 1,455,000</u>
Plan Fiduciary Net Position			
Net Investment Income	\$ 30,416	\$ 87,231	334,568
Benefit Payments	(87,302)	(66,248)	(128,315)
Administrative Expense	(44,277)	(19,991)	(26,642)
Net Change in Plan Fiduciary Net Position	(101,163)	992	179,611
Plan Fiduciary Net Position - Beginning	2,812,596	2,811,604	2,631,993
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,711,433</u>	<u>\$ 2,812,596</u>	<u>\$ 2,811,604</u>
Net Pension Asset (a) - (b)	<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	212.88%	197.70%	193.24%
Covered Payroll	N/A	N/A	N/A
Net Pension Asset as a Percentage of Covered Payroll	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%
2021	17.98%

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,	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.00204743%	0.00315034%	0.00298197%	0.00297747%	0.00302246%	0.00293398%	0.00292311%
City's proportionate share of the net pension liability	\$ 15,741	\$ 90,213	\$ 71,941	\$ 65,681	\$ 78,105	\$ 70,162	\$ 53,836
City's covered payroll	36,033	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	43.68%	144.17%	124.01%	116.31%	143.38%	131.99%	103.80%
Plan fiduciary net position as a percentage of the total pension liability	93.57%	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,	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 7,263	\$ 9,417	\$ 8,742	\$ 8,490	\$ 7,899	\$ 7,808	\$ 7,686
Contributions in relate to the contractually required contribution	(7,263)	(9,417)	(8,742)	(8,490)	(7,899)	(7,808)	(7,686)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 36,033	\$ 62,575	\$ 58,010	\$ 56,472	\$ 55,168	\$ 53,849	\$ 52,545
Contributions as a percentage of covered payroll	20.16%	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,	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	2.04607000% (3)	2.06896000%	2.11039000% (2)	2.11065000%	2.02054000%	2.03802867% (1)	2.00463000%
City's proportionate share of the net pension liability	\$ 14,066,456	\$ 15,987,658	\$ 19,043,709	\$ 14,998,214	\$ 11,527,812	\$ 10,695,056	\$ 7,256,932
City's covered payroll	8,399,486	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	167.47%	192.88%	229.19%	192.28%	154.02%	142.29%	96.41%
Plan fiduciary net position as a percentage of the total pension liability	77.68%	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,	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,836,012 (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	(1,836,012)	(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	\$ 8,289,407	\$ 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	22.15%	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	16.0 years beginning January 1, 2020
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,	2021	2020	2019	2018	2017	2016**	2015**
Total Pension Liability							
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	395,141	412,882	418,380	452,267	575,430	426,648	425,030
Benefit Changes	-	-	-	-	-	-	-
Difference Between Actual & Expected Experience	164,733	(67,576)	107,232	(20)	(967,290)	(635,022)	123,866
Assumption Changes	-	-	-	289,364	-	-	-
Benefit Payments	(589,217)	(608,276)	(600,037)	(600,862)	(552,369)	(594,250)	(611,404)
Net Change in Total Pension Liability	(29,343)	(262,970)	(74,425)	140,749	(944,229)	(802,624)	(62,508)
Total Pension Liability - Beginning	5,939,484	6,202,454	6,276,879	6,136,130	7,080,359	7,882,983	7,945,491
Total Pension Liability - Ending (a)	<u>\$ 5,910,141</u>	<u>\$ 5,939,484</u>	<u>\$ 6,202,454</u>	<u>\$ 6,276,879</u>	<u>\$ 6,136,130</u>	<u>\$ 7,080,359</u>	<u>\$ 7,882,983</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 80,865	\$ 60,790	\$ 50,880	\$ 122,010	\$ -	\$ 431,342	\$ 435,704
Contributions - Member	-	-	-	-	-	7,732	7,134
Net Investment Income	699,111	925,598	(162,044)	763,135	(340,441)	(258,063)	269,654
Benefit Payments	(589,217)	(608,276)	(600,037)	(600,862)	(552,369)	(594,250)	(611,404)
Administrative Expense	(8,646)	(8,140)	(10,743)	(9,784)	(5,753)	(5,650)	(4,500)
Reconciliation Adjustment	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	182,113	369,972	(721,944)	274,499	(898,563)	(418,889)	96,588
Plan Fiduciary Net Position - Beginning	5,610,610	5,240,638	5,962,582	5,688,083	6,586,646	7,005,535	6,908,947
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,792,723</u>	<u>\$ 5,610,610</u>	<u>\$ 5,240,638</u>	<u>\$ 5,962,582</u>	<u>\$ 5,688,083</u>	<u>\$ 6,586,646</u>	<u>\$ 7,005,535</u>
Net Pension Liability (a) - (b)	<u>\$ 117,418</u>	<u>\$ 328,874</u>	<u>\$ 961,816</u>	<u>\$ 314,297</u>	<u>\$ 448,047</u>	<u>\$ 493,713</u>	<u>\$ 877,448</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	98.01%	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	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**	543,933	431,342	112,591	N/A	N/A
2016**	256,940	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
2021	84,689	84,689	-	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,	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 431,781	\$ 408,103	\$ 381,055	\$ 363,212	\$ 358,959	\$ 351,625	\$ 341,893
Interest	1,006,439	984,505	956,913	891,945	869,957	871,573	849,350
Difference between actual & expected experience	(13,225)	(108,853)	23,346	(209,579)	(22,844)	(267,852)	(338,578)
Assumption Changes	-	20,628	-	-	-	55,137	-
Benefit payments	(694,801)	(672,531)	(753,210)	(600,972)	(655,406)	(503,086)	(548,171)
Net Change in Total Pension Liability	730,194	631,852	608,104	444,606	550,666	507,397	304,494
Total Pension Liability - Beginning	15,283,829	14,651,977	14,043,873	13,599,267	13,048,601	12,541,204	12,236,710
Total Pension Liability - Ending (a)	\$ 16,014,023	\$ 15,283,829	\$ 14,651,977	\$ 14,043,873	\$ 13,599,267	\$ 13,048,601	\$ 12,541,204
Plan Fiduciary Net Position							
Contributions - employer	\$ 418,539	\$ 400,134	\$ 394,682	\$ 359,350	\$ 347,118	\$ 378,344	\$ 408,640
Contributions - employee	181,948	174,297	161,954	155,275	153,495	158,492	161,609
Net investment income	1,016,749	1,845,333	(370,678)	1,498,658	707,849	15,397	564,425
Benefit payments	(694,801)	(672,531)	(753,210)	(600,972)	(655,406)	(503,086)	(548,171)
Administrative expense	(6,581)	(10,428)	(7,164)	(7,766)	(7,994)	(9,378)	(5,893)
Other	(257)	(313)	(376)	(396)	(431)	(463)	(484)
Net Change in Plan Fiduciary Net Position	915,597	1,736,492	(574,792)	1,404,149	544,631	39,306	580,126
Plan Fiduciary Net Position - Beginning	13,596,275	11,859,783	12,434,575	11,030,426	10,485,795	10,446,489	9,866,363
Plan Fiduciary Net Position - Ending (b)	\$ 14,511,872	\$ 13,596,275	\$ 11,859,783	\$ 12,434,575	\$ 11,030,426	\$ 10,485,795	\$ 10,446,489
Net Pension Liability (a) - (b)	\$ 1,502,151	\$ 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	90.62%	88.96%	80.94%	88.54%	81.11%	80.36%	83.30%
Covered Payroll	\$ 2,596,400	\$ 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	57.86%	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%
2021	418,539	418,539	-	2,596,400	16.12%

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization	25 Years
Asset Valuation	10 Year Smoothed Market, 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with Public Safety table used for males and General Employee table used for females. The rates are projected on a fully generational basis with scale UMP

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Other Postemployment Benefit Plan
Schedule of the City's Changes In Total OPEB Liability and Related Ratios
Retired Healthcare Plan
Year Ended December 31, 2021

Total OPEB Liability	2021	2020	2019	2018
Total OPEB obligation - January 1	\$ 4,152,888	\$ 3,542,024	\$ 3,473,820	\$ 3,596,608
Service Cost	100,949	73,735	68,497	72,807
Interest	79,911	114,265	124,932	113,653
Differences between expected and actual experience	-	271,731	-	10,174
Changes of assumptions or other inputs	(87,577)	372,553	95,002	(126,052)
Benefit payments	(226,792)	(221,420)	(220,227)	(193,370)
Net change in total OPEB liability	(133,509)	610,864	68,204	(122,788)
Total OPEB obligation - December 31	<u>\$ 4,019,379</u>	<u>\$ 4,152,888</u>	<u>\$ 3,542,024</u>	<u>\$ 3,473,820</u>
Covered-employee payroll	\$ 12,363,492	\$ 12,363,492	\$ 10,474,289	\$ 10,549,097
Total OPEB liability as a percentage of covered-employee payroll	32.51%	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 to 2.25 in 2021.

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, 2021

Total OPEB Liability	2021	2020	2019	2018
Service Cost	\$ 26,108	\$ 25,013	\$ 42,095	\$ 60,997
Interest	13,598	20,703	57,405	49,673
Differences between expected and actual experience	(2,604)	-	(11,856)	-
Changes of assumptions or other inputs	(72,486)	49,931	(841,406)	(67,822)
Benefit payments	<u>(30,923)</u>	<u>(31,945)</u>	<u>(16,367)</u>	<u>(14,042)</u>
Net change in total OPEB liability	(66,307)	63,702	(770,129)	28,806
Total OPEB obligation - beginning of year	<u>632,978</u>	<u>569,276</u>	<u>1,339,405</u>	<u>1,310,599</u>
Total OPEB obligation - end of year	<u><u>\$ 566,671</u></u>	<u><u>\$ 632,978</u></u>	<u><u>\$ 569,276</u></u>	<u><u>\$ 1,339,405</u></u>
Covered-employee payroll	\$2,319,912	\$2,402,258	\$2,016,091	\$2,560,845
Total OPEB liability as a percentage of covered-employee payroll	24.43%	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 2018 to 3.97% in 2019 to 2.14% in 2020 to 2.43% in 2021.

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.

2021 Franchise Fee Revenue Bonds – This fund is used to account for the accumulation of revenues and payment of principal and interest on the 2021A and 2021B Franchise Fee Secured Refunding Revenue Bonds. Funding is primarily from franchise fees charged to public utilities for the privilege of using the City's streets and rights-of-way.

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

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

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, 2021

	Special Revenue			
	Community Development Block Grant	Police Fund	Front Street Project	Domestic Violence
Assets				
Cash	\$ 4,735	\$ 2,060	\$ 9,487	\$ 2,352
Investments	-	-	-	-
Receivables (net of allowance)				
Property taxes	-	-	-	-
Other government agencies	130,247	10,175	-	-
Prepaid items	-	-	-	-
Total assets	<u>\$ 134,982</u>	<u>\$ 12,235</u>	<u>\$ 9,487</u>	<u>\$ 2,352</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 6,489	\$ -	\$ 194	\$ -
Accrued liabilities	900	-	-	-
Due to other funds	110,832	9,663	-	-
Total liabilities	<u>118,221</u>	<u>9,663</u>	<u>194</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue-property taxes	-	-	-	-
Unavailable revenue-grants	3,700	-	-	-
Total deferred inflows of resources	<u>3,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable				
Prepaid items	-	-	-	-
Restricted				
Police department	-	2,572	-	2,352
Fire department	-	-	-	-
Public works	13,061	-	-	-
Debt service	-	-	-	-
Cultural and recreation	-	-	9,293	-
Assigned				
Police department	-	-	-	-
Public works	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>13,061</u>	<u>2,572</u>	<u>9,293</u>	<u>2,352</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 134,982</u>	<u>\$ 12,235</u>	<u>\$ 9,487</u>	<u>\$ 2,352</u>

Special Revenue					
Bail Bond	Library	Court Automation	North Texarkana Redevelopment District	Public Safety	Total
\$ 132	\$ 41,046	\$ 3,133	\$ 1,060,034	\$ 4,868	\$ 1,127,847
-	-	-	-	-	-
-	482,650	-	108,401	-	591,051
-	-	-	-	-	140,422
-	-	1,150	-	-	1,150
<u>\$ 132</u>	<u>\$ 523,696</u>	<u>\$ 4,283</u>	<u>\$ 1,168,435</u>	<u>\$ 4,868</u>	<u>\$ 1,860,470</u>
\$ -	\$ 9	\$ -	\$ -	\$ -	\$ 6,692
-	-	-	-	-	900
-	-	18,566	-	-	139,061
-	9	18,566	-	-	146,653
-	443,507	-	80,265	-	523,772
-	-	-	-	-	3,700
-	443,507	-	80,265	-	527,472
-	-	1,150	-	-	1,150
132	-	-	-	4,868	9,924
-	-	-	-	-	-
-	-	-	1,088,170	-	1,101,231
-	-	-	-	-	-
-	80,180	-	-	-	89,473
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(15,433)	-	-	(15,433)
<u>132</u>	<u>80,180</u>	<u>(14,283)</u>	<u>1,088,170</u>	<u>4,868</u>	<u>1,186,345</u>
<u>\$ 132</u>	<u>\$ 523,696</u>	<u>\$ 4,283</u>	<u>\$ 1,168,435</u>	<u>\$ 4,868</u>	<u>\$ 1,860,470</u>

City of Texarkana, Arkansas
Combining Balance Sheet
Governmental Funds – Nonmajor (Continued)
December 31, 2021

	Debt Service					Total
	2012 Franchise Fee Refunding Revenue	2012 Cap Imp & Refunding Limited Tax GO Bonds	2015 Franchise Fee Refunding Revenue	2018 Franchise Fee Revenue Bonds	2021 Franchise Fee Revenue Bonds	
Assets						
Cash	\$ -	\$ 97,516	\$ -	\$ 234,565	682,297	\$ 1,014,378
Investments	-	977,978	-	-	-	977,978
Receivables (net of allowance)						
Property taxes	-	1,206,624	-	-	-	1,206,624
Other government agencies	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 2,282,118</u>	<u>\$ -</u>	<u>\$ 234,565</u>	<u>\$ 682,297</u>	<u>\$ 3,198,980</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>	<u>-</u>
Deferred Inflows of Resources						
Unavailable revenue-property taxes	-	1,108,768	-	-	-	1,108,768
Unavailable revenues-grants	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>1,108,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,108,768</u>
Fund Balances						
Nonspendable						
Prepaid items	-	-	-	-	-	-
Restricted						
Police department	-	-	-	-	-	-
Fire department	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Debt service	-	1,173,350	-	234,565	682,297	2,090,212
Culture and recreation	-	-	-	-	-	-
Assigned						
Police department	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>1,173,350</u>	<u>-</u>	<u>234,565</u>	<u>682,297</u>	<u>2,090,212</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 2,282,118</u>	<u>\$ -</u>	<u>\$ 234,565</u>	<u>\$ 682,297</u>	<u>\$ 3,198,980</u>

Capital Projects Funds				
Capital Improvement Fund	Project Fund 2018 Franchise Fee Bonds	Section 108 Loan	Total	Total Nonmajor Governmental Funds
\$ 623,869	\$ 472	\$ 2,000	\$ 626,341	\$ 2,768,566
-	-	-	-	977,978
-	-	-	-	1,797,675
17,325	-	-	17,325	157,747
-	-	-	-	1,150
<u>\$ 641,194</u>	<u>\$ 472</u>	<u>\$ 2,000</u>	<u>\$ 643,666</u>	<u>\$ 5,703,116</u>
\$ 3,092	\$ -	\$ -	\$ 3,092	\$ 9,784
-	-	-	-	900
86,463	-	2,000	88,463	227,524
89,555	-	2,000	91,555	238,208
-	-	-	-	1,632,540
-	-	-	-	3,700
-	-	-	-	1,636,240
-	-	-	-	1,150
-	-	-	-	9,924
48,433	-	-	48,433	48,433
-	-	-	-	1,101,231
-	472	-	472	2,090,684
-	-	-	-	89,473
155,327	-	-	155,327	155,327
347,879	-	-	347,879	347,879
551,639	472	-	552,111	3,828,668
<u>\$ 641,194</u>	<u>\$ 472</u>	<u>\$ 2,000</u>	<u>\$ 643,666</u>	<u>\$ 5,703,116</u>

City of Texarkana, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds – Nonmajor
Year Ended December 31, 2021

	Special Revenue			
	Community Development Block Grant	Police Fund	Front Street Project	Domestic Violence
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Fines, forfeitures and penalties	-	-	-	3,370
Grants and entitlements	396,580	10,175	-	-
Investment income	-	-	-	-
Miscellaneous	991	6,603	-	-
Total revenues	397,571	16,778	-	3,370
Expenditures				
Current				
General government	108,390	-	-	-
Other public safety	-	10,176	-	2,526
Public works	32,450	-	-	-
Public services	82,092	-	-	-
Cultural and recreation	197	-	1,332	-
Capital outlay	131,530	-	-	-
Debt service				
Principal retirement	33,000	-	-	-
Interest and fiscal charges	3,418	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	391,077	10,176	1,332	2,526
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,494	6,602	(1,332)	844
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	(14,075)	-	-
Total other financing sources (uses)	-	(14,075)	-	-
Net Change in Fund Balances	6,494	(7,473)	(1,332)	844
Fund Balances, Beginning of Year	6,567	10,045	10,625	1,508
Fund Balances, End of Year	\$ 13,061	\$ 2,572	\$ 9,293	\$ 2,352

Special Revenue					
Bail Bond	Library	Court Automation	North Texarkana Redevelopment District	Public Safety	Total
\$ -	\$ 400,705	\$ -	\$ 142,050	\$ -	\$ 542,755
5,025	-	10,619	-	132	19,146
-	72,238	-	-	-	478,993
-	37	5	2	-	44
-	-	145	-	-	7,739
5,025	472,980	10,769	142,052	132	1,048,677
-	-	34,996	-	-	143,386
6,256	-	-	-	-	18,958
-	-	-	-	-	32,450
-	-	-	-	-	82,092
-	417,929	-	-	-	419,458
-	-	-	-	-	131,530
-	-	-	-	-	33,000
-	-	-	-	-	3,418
-	-	-	-	-	-
6,256	417,929	34,996	-	-	864,292
(1,231)	55,051	(24,227)	142,052	132	184,385
-	5,000	-	-	-	5,000
-	-	-	-	-	(14,075)
-	5,000	-	-	-	(9,075)
(1,231)	60,051	(24,227)	142,052	132	175,310
1,363	20,129	9,944	946,118	4,736	1,011,035
\$ 132	\$ 80,180	\$ (14,283)	\$ 1,088,170	\$ 4,868	\$ 1,186,345

City of Texarkana, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds – Nonmajor (Continued)
Year Ended December 31, 2021

	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	2021 Franchise Fee Revenue Bonds	Total
Revenues						
Property taxes	\$ -	\$ 1,001,761	\$ -	\$ -	\$ -	\$ 1,001,761
Fines, forfeitures and penalties	-	-	-	-	-	-
Grants and entitlements	-	-	-	-	-	-
Investment income	27	54	18	158	596	853
Miscellaneous	-	-	-	-	-	-
Total revenues	27	1,001,815	18	158	596	1,002,614
Expenditures						
Current						
General government	-	-	-	-	-	-
Other public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Public services	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal retirement	-	650,000	-	140,000	1,057,518	1,847,518
Interest and fiscal charges	4,235	254,475	-	59,738	136,563	455,011
Bond issuance costs	-	-	-	1,994	202,469	204,463
Total expenditures	4,235	904,475	-	201,732	1,396,550	2,506,992
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,208)	97,340	18	(201,574)	(1,395,954)	(1,504,378)
Other Financing Sources (Uses)						
Proceeds from issuance of debt	-	-	-	-	11,585,000	11,585,000
Transfers in	-	-	8	204,882	1,483,135	1,688,025
Transfers out	(514,789)	-	(272,315)	(82)	(9,891)	(797,077)
Original issue premium	-	-	-	-	36,621	36,621
Payment to refunded bond escrow agent	-	-	-	-	(11,000,275)	(11,000,275)
Original issue discount	-	-	-	-	(16,339)	(16,339)
Total other financing sources (uses)	(514,789)	-	(272,307)	204,800	2,078,251	1,495,955
Net Change in Fund Balances	(518,997)	97,340	(272,289)	3,226	682,297	(8,423)
Fund Balances, Beginning of Year	518,997	1,076,010	272,289	231,339	-	2,098,635
Fund Balances, End of Year	\$ -	\$ 1,173,350	\$ -	\$ 234,565	\$ 682,297	\$ 2,090,212

Capital Projects Funds				
Capital Improvement Fund	Project Fund 2018 Franchise Fee Bonds	Section 108 Loan	Total	Total Nonmajor Governmental Fund
\$ -	\$ -	\$ -	\$ -	\$ 1,544,516
-	-	-	-	19,146
106,792	-	-	106,792	585,785
387	-	-	387	1,284
48,665	355	-	49,020	56,759
155,844	355	-	156,199	2,207,490
93,809	-	-	93,809	237,195
3,000	-	-	3,000	21,958
-	-	-	-	32,450
-	-	-	-	82,092
-	-	-	-	419,458
70,339	23,288	873,781	967,408	1,098,938
-	-	-	-	1,880,518
-	-	-	-	458,429
-	-	-	-	204,463
167,148	23,288	873,781	1,064,217	4,435,501
(11,304)	(22,933)	(873,781)	(908,018)	(2,228,011)
-	-	-	-	11,585,000
-	-	-	-	1,693,025
(15,000)	-	-	(15,000)	(826,152)
-	-	-	-	36,621
-	-	-	-	(11,000,275)
-	-	-	-	(16,339)
(15,000)	-	-	(15,000)	1,471,880
(26,304)	(22,933)	(873,781)	(923,018)	(756,131)
577,943	23,405	873,781	1,475,129	4,584,799
\$ 551,639	\$ 472	\$ -	\$ 552,111	\$ 3,828,668

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Community Development Block Grant Fund
Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants and entitlements	\$ 693,264	\$ 373,689	\$ 396,580	\$ 22,891
Miscellaneous	1,300	140	991	851
Total revenues	<u>694,564</u>	<u>373,829</u>	<u>397,571</u>	<u>23,742</u>
Expenditures				
Current:				
General government	205,994	93,100	108,390	(15,290)
Public works	40,000	40,000	32,450	7,550
Public services	108,000	67,000	82,092	(15,092)
Cultural and recreation	-	-	197	(197)
Capital outlay	340,570	183,590	131,530	52,060
Debt service				
Principal retirement	-	-	33,000	(33,000)
Interest and fiscal charges	-	-	3,418	(3,418)
Total expenditures	<u>694,564</u>	<u>383,690</u>	<u>391,077</u>	<u>(7,387)</u>
Net Change in Fund Balances	-	(9,861)	6,494	16,355
Fund Balances, Beginning of Year	<u>6,567</u>	<u>6,567</u>	<u>6,567</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 6,567</u>	<u>\$ (3,294)</u>	<u>\$ 13,061</u>	<u>\$ 16,355</u>

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Police Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants and entitlements	\$ 20,904	\$ 8,700	\$ 10,175	\$ 1,475
Miscellaneous	7,900	6,000	6,603	603
Total revenues	28,804	14,700	16,778	2,078
Expenditures				
Current:				
Other public safety	22,604	10,400	10,176	224
Total expenditures	22,604	10,400	10,176	224
Excess of Revenues Over Expenditures	6,200	4,300	6,602	2,302
Other Financing Uses				
Transfers out	(14,075)	(14,075)	(14,075)	-
Total other financing uses	(14,075)	(14,075)	(14,075)	-
Net Change in Fund Balances	(7,875)	(9,775)	(7,473)	2,302
Fund Balances, Beginning of Year	10,045	10,045	10,045	-
Fund Balances, End of Year	\$ 2,170	\$ 270	\$ 2,572	\$ 2,302

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Domestic Violence Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 1,800	\$ 3,200	\$ 3,370	\$ 170
Total revenues	1,800	3,200	3,370	170
Expenditures				
Current:				
Other public safety	2,526	2,526	2,526	-
Total expenditures	2,526	2,526	2,526	-
Net Change in Fund Balances	(726)	674	844	170
Fund Balances, Beginning of Year	1,508	1,508	1,508	-
Fund Balances, End of Year	<u>\$ 782</u>	<u>\$ 2,182</u>	<u>\$ 2,352</u>	<u>\$ 170</u>

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Front Street Project Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current:				
Cultural and recreation	9,685	1,205	1,332	(127)
Total expenditures	9,685	1,205	1,332	(127)
Net Change in Fund Balances	(9,685)	(1,205)	(1,332)	(127)
Fund Balances, Beginning of Year	10,625	10,625	10,625	-
Fund Balances, End of Year	\$ 940	\$ 9,420	\$ 9,293	\$ (127)

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Bail Bond Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 5,900	\$ 5,300	\$ 5,025	\$ (275)
Total revenues	5,900	5,300	5,025	(275)
Expenditures				
Current:				
Other public safety	6,256	6,256	6,256	-
Total expenditures	6,256	6,256	6,256	-
Net Change in Fund Balances	(356)	(956)	(1,231)	(275)
Fund Balances, Beginning of Year	1,363	1,363	1,363	-
Fund Balances, End of Year	\$ 1,007	\$ 407	\$ 132	\$ (275)

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Court Automation Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 14,500	\$ 12,300	\$ 10,619	\$ (1,681)
Investment income	50	10	5	(5)
Miscellaneous	-	145	145	-
Total revenues	14,550	12,455	10,769	(1,686)
Expenditures				
Current:				
General government	24,845	35,957	34,996	961
Total expenditures	24,845	35,957	34,996	961
Net Change in Fund Balances	(10,295)	(23,502)	(24,227)	(725)
Fund Balances, Beginning of Year	9,944	9,944	9,944	-
Fund Balances, End of Year	<u>\$ (351)</u>	<u>\$ (13,558)</u>	<u>\$ (14,283)</u>	<u>\$ (725)</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
North Texarkana Redevelopment District
Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 139,000	\$ 124,500	\$ 142,050	\$ 17,550
Investment income	10	10	2	(8)
	<u>139,010</u>	<u>124,510</u>	<u>142,052</u>	<u>17,542</u>
Total revenues				
	<u>139,010</u>	<u>124,510</u>	<u>142,052</u>	<u>17,542</u>
Net Change in Fund Balances	139,010	124,510	142,052	17,542
Fund Balances, Beginning of Year	<u>946,118</u>	<u>946,118</u>	<u>946,118</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 1,085,128</u></u>	<u><u>\$ 1,070,628</u></u>	<u><u>\$ 1,088,170</u></u>	<u><u>\$ 17,542</u></u>

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Library Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 347,000	\$ 377,000	\$ 400,705	\$ 23,705
Grants and entitlements	72,000	72,000	72,238	238
Investment income	30	40	37	(3)
Total revenues	419,030	449,040	472,980	23,940
Expenditures				
Current:				
Cultural and recreation	424,030	454,040	417,929	36,111
Total expenditures	424,030	454,040	417,929	36,111
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,000)	(5,000)	55,051	60,051
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	-	-	60,051	60,051
Fund Balances, Beginning of Year	20,129	20,129	20,129	-
Fund Balances, End of Year	\$ 20,129	\$ 20,129	\$ 80,180	\$ 60,051

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Public Safety Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 250	\$ 150	\$ 132	\$ (18)
Total revenues	250	150	132	(18)
Expenditures				
Current:				
Other public safety	1,657	1,657	-	1,657
Total expenditures	1,657	1,657	-	1,657
Net Change in Fund Balances	(1,407)	(1,507)	132	1,639
Fund Balances, Beginning of Year	4,736	4,736	4,736	-
Fund Balances, End of Year	<u>\$ 3,329</u>	<u>\$ 3,229</u>	<u>\$ 4,868</u>	<u>\$ 1,639</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, 2021

	Union Utilities	Mandeville Utilities	Total
Assets			
Current assets			
Cash	\$ 297,323	\$ 153,532	\$ 450,855
Investments	43,990	-	43,990
Receivables:			
Accounts (net of allowance for uncollectible)	49,396	15,136	64,532
Accrued interest	1	-	1
Due from other funds	1,048	369	1,417
Due from other governments	6,198	558	6,756
Prepaid items	931	236	1,167
	<u>398,887</u>	<u>169,831</u>	<u>568,718</u>
Total current assets			
Noncurrent assets			
Restricted assets			
Cash	127,015	16,766	143,781
Investments	102,643	-	102,643
Receivables			
Interest	2	-	2
	<u>229,660</u>	<u>16,766</u>	<u>246,426</u>
Total restricted assets			
Capital assets (net of accumulated depreciation)			
Land	13,750	1,697	15,447
Buildings	697	221	918
Improvements other than buildings	1,678,658	184,461	1,863,119
Machinery and equipment	17,241	5,182	22,423
Construction in progress	4,632	662	5,294
	<u>1,714,978</u>	<u>192,223</u>	<u>1,907,201</u>
Net capital assets			
Other assets			
Prepaid capital improvement deposits	-	3,232	3,232
	<u>-</u>	<u>3,232</u>	<u>3,232</u>
Total other assets			
Total noncurrent assets	<u>1,944,638</u>	<u>212,221</u>	<u>2,156,859</u>
Total assets	<u>2,343,525</u>	<u>382,052</u>	<u>2,725,577</u>
Deferred Outflows of Resources			
Deferred outflows - pension	563	125	688
Deferred outflows - pension contributions	3,745	1,014	4,759
	<u>4,308</u>	<u>1,139</u>	<u>5,447</u>
Total deferred outflows of resources			

	Union Utilities	Mandeville Utilities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 13,771	\$ 3,824	\$ 17,595
Accrued liabilities	5,976	165	6,141
Accrued interest payable	12,960	1,890	14,850
Due to other funds	10,947	2,062	13,009
Due to other governments	19,674	4,541	24,215
Other payables	1,768	1,122	2,890
Bonds payable - current portion	226,827	29,866	256,693
Total current liabilities	291,923	43,470	335,393
Noncurrent liabilities			
Customer deposits	30,483	10,152	40,635
Capital improvement deposits	726	-	726
Net pension and OPEB liability	14,493	4,422	18,915
Revenue bonds	654,313	98,212	752,525
Total noncurrent liabilities	700,015	112,786	812,801
Total liabilities	991,938	156,256	1,148,194
Deferred Inflows of Resources			
Deferred inflows - pension	6,559	1,626	8,185
Total deferred inflows of resources	6,559	1,626	8,185
Net Position			
Net investment in capital assets	1,063,496	80,912	1,144,408
Unrestricted	285,840	144,397	430,237
Total net position	\$ 1,349,336	\$ 225,309	\$ 1,574,645

City of Texarkana, Arkansas
Combining Statement of Revenues, Expenses and
Changes in Net Position
Enterprise Funds - Nonmajor
Year Ended December 31, 2021

	Union Utilities	Mandeville Utilities	Total
Operating Revenues			
Water sales	\$ 476,563	\$ 82,065	\$ 558,628
Water connection fees	450	225	675
Penalties and service charges	6,594	3,406	10,000
Other income	-	1,315	1,315
	<hr/>	<hr/>	<hr/>
Total operating revenues	483,607	87,011	570,618
	<hr/>	<hr/>	<hr/>
Operating Expenses			
Finance	7,805	1,941	9,746
Customer service	34,661	8,670	43,331
Water production	88,802	22,708	111,510
Waster distribution	14,363	4,215	18,578
Engineer design	131	-	131
Field service	25,969	6,151	32,120
Construction oversight	24,980	-	24,980
Depreciation	109,155	13,883	123,038
Other expenses	738	-	738
Contract water & sewer expense - International Paper	4,591	976	5,567
	<hr/>	<hr/>	<hr/>
Total operating expenses	311,195	58,544	369,739
	<hr/>	<hr/>	<hr/>
Operating Income	172,412	28,467	200,879
	<hr/>	<hr/>	<hr/>
Nonoperating Revenues (Expenses)			
Investment income (loss) - investments	(1,822)	19	(1,803)
Interest expense and paying agent fees	(30,373)	(4,618)	(34,991)
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues (expenses)	(32,195)	(4,599)	(36,794)
	<hr/>	<hr/>	<hr/>
Changes in Net Position	140,217	23,868	164,085
	<hr/>	<hr/>	<hr/>
Net Position, Beginning of Year	1,209,119	201,441	1,410,560
	<hr/>	<hr/>	<hr/>
Net Position, End of Year	\$ 1,349,336	\$ 225,309	\$ 1,574,645
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

City of Texarkana, Arkansas
Combining Statement of Cash Flows
Enterprise Funds - Nonmajor
Year Ended December 31, 2021

	Union Utilities	Mandeville Utilities	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 464,966	\$ 83,110	\$ 548,076
Cash paid to suppliers	(121,300)	(31,611)	(152,911)
Cash paid to employees	(47,114)	(11,622)	(58,736)
Net cash provided by operating activities	<u>296,552</u>	<u>39,877</u>	<u>336,429</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(32,863)	(1,741)	(34,604)
Principal paid on bonds	(208,549)	(27,685)	(236,234)
Interest paid on bonds	(33,645)	(5,049)	(38,694)
Capital improvement deposits returned	(8,875)	(1,995)	(10,870)
Net cash used for capital and related financing activities	<u>(283,932)</u>	<u>(36,470)</u>	<u>(320,402)</u>
Cash Flows From Investing Activities			
Purchase of investments	(147,203)	-	(147,203)
Proceeds from sale and maturities of investments	146,626	-	146,626
Interest received on investments	621	19	640
Net cash provided by investing activities	<u>44</u>	<u>19</u>	<u>63</u>
Increase in Cash	12,664	3,426	16,090
Cash, Beginning of Year	<u>411,674</u>	<u>166,872</u>	<u>578,546</u>
Cash, End of Year	<u><u>\$ 424,338</u></u>	<u><u>\$ 170,298</u></u>	<u><u>\$ 594,636</u></u>
Cash, as Presented, on the "Combining Statement of Net Position" is as follows:			
Cash	\$ 297,323	\$ 153,532	\$ 450,855
Restricted cash	<u>127,015</u>	<u>16,766</u>	<u>143,781</u>
	<u><u>\$ 424,338</u></u>	<u><u>\$ 170,298</u></u>	<u><u>\$ 594,636</u></u>

City of Texarkana, Arkansas
Combining Statement of Cash Flows (Continued)
Enterprise Funds - Nonmajor
Year Ended December 31, 2021

	Union Utilities	Mandeville Utilities	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 172,412	\$ 28,467	\$ 200,879
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	109,155	13,883	123,038
(Increase) decrease in assets:			
Accounts receivable	(16,650)	(4,648)	(21,298)
Due from other funds	(6,375)	(783)	(7,158)
Prepaid expenses	(24)	(11)	(35)
Increase in deferred outflows	(16)	(75)	(91)
Increase (decrease) in liabilities:			
Accounts payable	(355)	(25)	(380)
Accrued liabilities	23,720	(538)	23,182
Due to other funds	19,867	3,651	23,518
Customer deposits	(1,991)	747	(1,244)
Net pension and postemployment benefits liabilities	(2,546)	(596)	(3,142)
Other payables	1,441	145	1,586
Decrease in deferred inflows	(2,086)	(340)	(2,426)
Net cash provided by operating activities	<u>\$ 296,552</u>	<u>\$ 39,877</u>	<u>\$ 336,429</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, 2021

	City Employee Retirement System	Water Utilities Employee Retirement System	Policemen's Relief and Pension	Total
Assets				
Cash and cash equivalents	\$ 65,426	\$ 101,201	\$ 182,051	\$ 348,678
Investments				
U. S. government obligations	54,090	277,795	-	331,885
Mortgage backed securities	-	251,554	-	251,554
Corporate bonds and notes	-	519,591	-	519,591
Mutual funds and other investments	2,694,651	2,319,100	4,720,111	9,733,862
Interest receivable	2,664	7,569	85,592	95,825
Due from other funds	-	-	532,835	532,835
	<u>2,816,831</u>	<u>3,476,810</u>	<u>5,520,589</u>	<u>11,814,230</u>
Total assets				
	<u>2,816,831</u>	<u>3,476,810</u>	<u>5,520,589</u>	<u>11,814,230</u>
Liabilities				
Accounts payable	<u>2,637</u>	<u>-</u>	<u>2,078</u>	<u>4,715</u>
Total liabilities	<u>2,637</u>	<u>-</u>	<u>2,078</u>	<u>4,715</u>
Net Position				
Net position restricted for pensions	<u>\$ 2,814,194</u>	<u>\$ 3,476,810</u>	<u>\$ 5,518,511</u>	<u>\$ 11,809,515</u>

City of Texarkana, Arkansas
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended December 31, 2021

	City Employee Retirement System	Water Utilities Employee Retirement System	Policemen's Relief and Pension	Total
Additions				
Contributions				
Employer	\$ 159,375	\$ -	\$ 529,326	\$ 688,701
Employee	11,875	-	-	11,875
Intergovernmental	-	-	297,597	297,597
Other	-	-	37,819	37,819
Total contributions	171,250	-	864,742	1,035,992
Investment income				
Net increase in fair value of investments	478,896	491,786	384,558	1,355,240
Interest and dividends	54,519	79,773	143,929	278,221
	533,415	571,559	528,487	1,633,461
Less investment expense	-	-	24,199	24,199
Net investment income	533,415	571,559	504,288	1,609,262
Total additions	704,665	571,559	1,369,030	2,645,254
Deductions				
Benefits paid directly to participants	880,149	36,441	1,102,177	2,018,767
Administrative expenses	21,990	19,902	-	41,892
Other	-	8,964	-	8,964
Total deductions	902,139	65,307	1,102,177	2,069,623
Net Increase (Decrease) in Net Position	(197,474)	506,252	266,853	575,631
Net Position Restricted for Pensions, Beginning of Year	3,011,668	2,970,558	5,251,658	11,233,884
Net Position Restricted for Pensions, End of Year	<u>\$ 2,814,194</u>	<u>\$ 3,476,810</u>	<u>\$ 5,518,511</u>	<u>\$ 11,809,515</u>

City of Texarkana, Arkansas
Combining Statement of Fiduciary Net Position
Custodial Funds
December 31, 2021

	<u>Police Bond Fund</u>	<u>Drug Seizure Fund</u>	<u>Total Custodial Funds</u>
Assets			
Cash and cash equivalents	\$ 197,209	\$ 9	\$ 197,218
Interest receivable	<u>3,556</u>	<u>-</u>	<u>3,556</u>
Total assets	<u>\$ 200,765</u>	<u>\$ 9</u>	<u>\$ 200,774</u>
Net Position	<u><u>\$ 200,765</u></u>	<u><u>\$ 9</u></u>	<u><u>\$ 200,774</u></u>

City of Texarkana, Arkansas
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
December 31, 2021

	<u>Police Bond Fund</u>	<u>Drug Seizure Fund</u>	<u>Total Custodial Funds</u>
Additions			
Receipt of police bond funds	\$ 1,710,230	\$ -	\$ 1,710,230
Interest	<u>447</u>	<u>-</u>	<u>447</u>
Total additions	<u>1,710,677</u>	<u>-</u>	<u>1,710,677</u>
Deductions			
Return of police bond funds	<u>1,635,003</u>	<u>-</u>	<u>1,635,003</u>
Total Deductions	<u>1,635,003</u>	<u>-</u>	<u>1,635,003</u>
Change in Net Position	75,674	-	75,674
Net Position, Beginning of Year	<u>125,091</u>	<u>9</u>	<u>125,100</u>
Net Position, End of Year	<u><u>\$ 200,765</u></u>	<u><u>\$ 9</u></u>	<u><u>\$ 200,774</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.

Contents	Page
Financial Trends (Tables 1-5)	
These schedules contain trend information to assist the reader in understanding how the City's financial performance and well-being have changed over time.	187
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.	194
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.	201
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.	206
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.	208

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

Table 1

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015*</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 16,852,481
Restricted	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	4,444,937
Unrestricted (deficit)	<u>6,977,071</u>	<u>4,990,951</u>	<u>5,347,984</u>	<u>(2,521,327)</u>	<u>(2,174,520)</u>	<u>135,812</u>	<u>(4,185,767)</u>	<u>(4,829,476)</u>	<u>(5,576,380)</u>	<u>(5,994,265)</u>
Total governmental activities net position	<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>	<u>15,303,153</u>
Business-type activities:										
Net investment in capital assets	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	34,298,104
Restricted	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	2,575,810
Unrestricted	<u>9,601,508</u>	<u>8,383,953</u>	<u>8,060,243</u>	<u>6,107,274</u>	<u>5,867,366</u>	<u>5,543,209</u>	<u>4,150,856</u>	<u>5,102,543</u>	<u>3,943,000</u>	<u>3,931,840</u>
Total business-type activities net position	<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>	<u>40,805,754</u>
Primary government										
Net investment in capital assets	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	51,150,585
Restricted	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	7,020,747
Unrestricted (deficit)	<u>16,578,579</u>	<u>13,374,904</u>	<u>13,408,227</u>	<u>3,585,947</u>	<u>3,692,846</u>	<u>5,679,021</u>	<u>(34,911)</u>	<u>273,067</u>	<u>(1,633,380)</u>	<u>(2,062,425)</u>
Total primary government net position	<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>	<u>\$ 56,108,907</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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
Current:										
General administration	\$ 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	\$ 3,058,338
Police department	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	10,202,870
Fire department	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	5,891,420
Other public safety	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	1,280,126
Protective inspection	494,102	516,458	434,499	474,893	567,880	473,860	433,700	542,856	602,488	577,365
Public works	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	6,796,732
Public services	1,252	245,174	565,398	532,551	541,432	31,950	32,746	61,695	71,343	84,351
Health and welfare	436,639	394,764	426,422	410,477	459,236	573,179	386,403	609,728	696,837	605,567
Cultural and recreation	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	1,546,288
Interest on long-term debt	1,683,764	908,021	894,852	933,184	811,774	773,234	861,792	769,576	762,801	627,969
Total governmental activities expenses	28,885,987	27,574,205	27,521,146	24,997,468	26,307,246	27,980,163	28,607,429	29,940,666	31,561,550	30,671,026
Business-type activities:										
Water and sewer	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	10,125,149
Total business-type activities expenses	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	10,125,149
Total primary government expenses	38,269,758	36,813,993	36,404,210	33,825,067	35,031,455	36,996,246	37,828,706	39,572,537	42,040,782	40,796,175
Program Revenues										
Governmental activities:										
Charges for services	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	7,660,255
Operating grants and contributions	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	4,330,754
Capital grants and contributions	1,309,384	1,812,264	1,260,110	1,199,000	1,078,636	851,360	750,793	724,333	509,874	503,372
Total governmental activities program revenues	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	12,494,381
Business-type activities:										
Charges for services	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	9,937,564
Capital grants and contributions	-	-	37,484	27,748	-	-	-	-	-	-
Total business-type activities program revenues	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	9,937,564
Total primary government program revenues	\$ 21,089,104	\$ 20,108,748	\$ 19,179,199	\$ 19,132,060	\$ 19,475,650	\$ 22,543,972	\$ 19,129,640	\$ 19,525,857	\$ 20,930,981	\$ 22,431,945

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

Table 2

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (18,176,645)
Business-type activities	819,019	510,278	401,951	613,637	866,387	544,725	377,539	(346,648)	(789,744)	(187,585)
Total primary government net expense	(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)	(18,364,230)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	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	4,659,625
Sales taxes	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	13,657,606
Franchise taxes	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	2,908,404
Other taxes	76,764	81,189	70,308	67,975	57,884	79,969	81,351	80,414	73,150	108,234
Unrestricted investment earnings	59,233	12,775	9,603	15,444	5,885	10,570	19,591	26,472	11,095	4,142
Gain(loss) on sale of capital assets	18,426	-	-	-	-	-	-	-	-	-
Miscellaneous	146,005	257,213	182,129	289,351	100,279	541,419	471,372	562,639	1,289,257	728,221
Transfers	832,090	246,723	237,539	183,034	335,094	238,504	1,036,864	560,828	404,301	395,253
Total governmental activities	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	22,461,485
Business-type activities:										
Unrestricted investment earnings	299,162	291,104	266,596	267,423	152,922	156,212	174,072	179,535	234,884	229,621
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	1,723	-	-	-	-	-	-	-	-
Transfers	(853,170)	(249,864)	(236,198)	(233,566)	(227,751)	(255,377)	(853,431)	(609,087)	(293,195)	(248,318)
Total business-type activities	(554,008)	42,963	30,398	33,857	(74,829)	(99,165)	(679,359)	(429,552)	(58,311)	(18,697)
Total primary government general revenues and other changes in net position	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	22,442,788
Change in Net Position										
Governmental activities	(2,097,126)	(895,614)	(986,790)	1,735,556	266,508	2,392,490	(397,343)	(703,153)	182,025	4,284,840
Business-type activities	265,011	553,241	432,349	647,494	791,558	445,560	(301,820)	(776,200)	(848,055)	(206,282)
Total primary government changes in net position	\$ (1,832,115)	\$ (342,373)	\$ (554,441)	\$ 2,383,050	\$ 1,058,066	\$ 2,838,050	\$ (699,163)	\$ (1,479,353)	\$ (666,030)	\$ 4,078,558

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

Table 3

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Function/ Program										
Governmental activities:										
General administration	\$ 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	\$ 1,848,312
Police department	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	1,213,129
Fire department	5,694	1,600	8,740	7,481	5,870	-	-	-	-	57,483
Other public safety	1,501	1,501	1,501	1,501	178,555	-	-	-	-	13,995
Public works	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	6,483,074
Public services	993,090	826,299	418,254	263,869	274,870	3,510,486	(32,500)	263,804	894,767	2,804,375
Health and welfare	-	-	-	-	-	-	-	-	-	1,615
Cultural and recreation	86,884	80,398	85,182	78,800	79,414	103,113	84,209	79,295	67,213	72,398
Subtotal governmental activities	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	12,494,381
Business-type activities:										
Water and sewer	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	9,937,564
Subtotal business-type activities	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	9,937,564
Total primary government	\$ 21,089,104	\$ 20,108,748	\$ 19,179,199	\$ 19,132,060	\$ 19,475,650	\$ 22,543,972	\$ 19,129,640	\$ 19,525,857	\$ 20,930,981	\$ 22,431,945

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

Table 4

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable										
Prepaid items	\$ 339,756	\$ 7,922	\$ 124,629	\$ 180,061	\$ 263,696	\$ 5,087	\$ 10,961	\$ 124,016	\$ 129,438	\$ 211,363
Restricted										
Police department	-	4,885	330	-	19,105	-	-	13,796	-	-
Animal Shelter	-	-	-	-	-	-	-	-	1,000,000	199,356
Committed										
Cultural and recreation	14,956	15,101	16,998	17,723	17,254	14,106	13,175	14,175	10,577	10,411
Assigned										
Police department	210,776	77,016	38,594	33,090	18,646	18,646	39,173	20,902	24,890	43,275
Other public safety	-	-	-	-	-	-	-	-	-	833,168
Public works	30,292	30,292	30,292	30,292	30,292	30,292	30,292	30,292	30,292	30,292
Unassigned	<u>2,068,121</u>	<u>3,122,556</u>	<u>3,010,595</u>	<u>3,397,384</u>	<u>3,405,025</u>	<u>3,684,175</u>	<u>5,309,483</u>	<u>6,652,827</u>	<u>6,993,171</u>	<u>7,467,785</u>
Total general fund	<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>	<u>\$ 8,795,650</u>
All Other Governmental Funds										
Nonspendable										
Prepaid items	\$ 45,966	\$ 2,346	\$ 6,125	\$ 35,044	\$ 32,878	\$ 9,084	\$ 10,338	\$ 8,650	\$ 8,436	\$ 1,598
Restricted										
General administration	63,547	64,023	73,662	76,600	74,710	69,204	55,803	42,913	1,842	-
Police department	10,512	9,163	11,845	15,332	6,167	4,422	44,602	36,212	41,057	9,924
Fire department	103,798	44,678	46,185	29,607	20,322	22,669	24,514	46,697	46,697	48,433
Public works	9,622,070	4,217,938	3,019,336	302,180	356,038	502,289	608,286	822,305	952,685	1,101,231
Debt service	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	2,090,684
Cultural and recreation	6,163	57,454	70,830	91,864	98,952	92,679	65,944	125,609	904,535	189,723
Committed										
Public works	277,816	215,191	284,701	307,575	240,855	309,211	302,820	375,357	389,125	389,174
Assigned										
Police department	214,670	155,086	316,855	321,472	406,223	371,024	371,024	180,005	141,598	155,327
Fire department	-	-	-	-	-	-	-	-	-	-
Public works	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	954,826
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(769)</u>	<u>(1,223)</u>	<u>-</u>	<u>-</u>	<u>(15,433)</u>
Total all other governmental funds	<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>	<u>\$ 4,925,487</u>

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

Table 5

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Property taxes	\$ 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	\$ 4,476,000
Sales taxes	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	13,657,606
Other taxes	76,764	81,189	70,308	67,975	57,884	79,969	81,351	80,414	73,150	108,234
Utility franchise	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	2,913,540
Licenses and permits	242,339	184,516	187,247	204,483	179,075	183,444	328,393	374,198	285,820	315,045
Fines, forfeitures and penalties	752,300	676,331	716,361	619,982	609,268	648,141	561,880	726,567	588,736	441,272
Charges for services	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	4,495,558
Grants and entitlements	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	1,952,542
Intergovernmental	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	2,913,901
Investment income	59,233	12,775	9,603	15,444	5,885	10,570	19,591	26,472	11,095	4,142
Miscellaneous	418,828	452,206	366,519	499,274	354,056	541,419	471,372	562,639	1,289,257	728,221
Total revenues	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	32,006,061
Expenditures										
Current:										
General government	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	2,885,286
Police department	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	8,338,120
Fire department	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	5,304,091
Other public safety	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	1,274,700
Protective inspection	456,482	480,399	456,148	449,576	505,396	457,378	428,638	490,360	515,739	559,864
Public works	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	5,606,747
Public services	785	353	125,813	37,511	57,434	30,885	32,752	55,333	60,953	82,092
Health and welfare	395,843	352,719	396,664	379,360	388,328	539,384	372,137	555,753	593,169	569,022
Cultural and recreation	1,689,146	1,019,833	1,309,632	758,175	736,245	757,833	768,728	784,469	779,679	1,164,225
Capital outlay	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	4,894,595
Debt service:										
Principal retirement	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	2,609,073
Interest and fiscal charges	972,791	887,829	908,628	873,139	834,415	786,987	798,015	797,521	784,969	477,737
Bond issuance costs	-	-	-	75,684	-	-	61,778	2,078	2,038	204,463
Total expenditures	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	33,970,015
Excess (deficiency) of revenues over expenditures	(5,253,220)	(6,157,286)	(442,436)	(5,918,118)	283,341	91,613	(1,402,575)	262,463	768,379	(1,963,954)

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

Table 5

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Other Financing Sources (Uses)										
Transfers in	\$ 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	\$ 2,595,101
Transfers out	(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)	(2,199,848)
Proceeds from issuance of debt	281,859	1,063,523	-	54,460	-	-	2,316,606	950,000	810,000	11,640,849
Refunding bonds issued	20,460,000	-	-	3,770,000	-	-	-	-	-	-
Premium on refunding bonds issued	298,491	-	-	-	-	-	-	-	-	36,621
Discount on refunding bonds issued	-	-	-	(40,864)	-	-	-	-	-	(16,339)
Original issue premium	-	-	-	-	-	-	3,855	-	-	-
Payment to refunded bond escrow agent	(10,397,955)	-	-	-	-	-	-	-	-	(11,000,275)
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	1,056,109
Net change in fund balances	\$ 6,221,265	\$ (4,847,040)	\$ (204,897)	\$ (1,951,488)	\$ 618,435	\$ 330,117	\$ 1,954,750	\$ 1,773,291	\$ 1,932,680	\$ (907,845)
Debt Service as a percentage of noncapital expenditures	10.5%	5.6%	7.1%	19.6%	7.8%	7.5%	7.1%	7.4%	8.1%	10.6%

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
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
2021	4,476,000	13,657,606	108,234	2,913,540	21,155,380

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
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
2022	2021	294,631,989	139,685,129	434,317,118	0.1050	4,560,330	2,128,309	1,064,155	425,662	425,662	425,662	90,880

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.

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

Table 8

Year	City of Texarkana, Arkansas						County School District	County	Total							
	General Fund	Debt Service Fund	Firemen's Pension	Policemen's Pension	Library	Total										
Real Property Tax Rates:																
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
2021		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
Personal Property Tax Rates:																
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
2021		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90

Source - Miller County Tax Records.

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

City of Texarkana, Arkansas

Principal Sales Taxpayers

December 31, 2021

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 2021, the city sales tax generated revenue of \$9,597,211. The City's portion of the county sales tax generated revenue of \$3,048,835 and the municipal four-lane highway tax received from the State of Arkansas and the state wholesale fuel tax totaled \$1,011,560.

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	2021			2012		
	Rank	2021 Assessed Valuation (1) (2)	Percentage of Total Assessed Valuation	Rank	2012 Assessed Valuation (1) (3)	Percentage of Total Assessed Valuation
Union Pacific System	1	\$ 14,397,138	3.31%	2	\$ 6,724,290	2.09%
Performance Proppants	2	14,291,890	3.29%			
Southwestern Electric Power co.	3	13,648,470	3.14%	3	5,645,310	1.76%
Southwest AR Electric Co-op	4	12,793,950	2.95%	1	8,011,990	2.50%
Cooper Tire & Rubber Co. - Plant	5	5,860,500	1.35%			
Goldcrest Farms LLC.	6	4,519,452	1.04%			
Southwest Arkansas Telephone Co-op	7	4,395,200	1.01%	7	3,247,093	1.01%
Wal-Mart Stores Inc. #01-0468	8	4,088,340	0.94%	5	3,959,950	1.23%
Valor Telecommunications TX LP	9	3,234,440	0.74%	6	3,342,400	1.04%
Smith-Blair	10	3,201,386	0.74%			
Natural Gas Pipe Line Co.				4	4,437,000	1.38%
Tyson Foods, Inc.				8	2,560,774	0.80%
AT&T Mobility LLC.				9	2,496,220	0.78%
Garland Farms, Inc.				10	2,347,645	0.73%
Total principal taxpayers		<u>\$ 80,430,766</u>	<u>18.52%</u>		<u>\$ 42,772,672</u>	<u>13.32%</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, 2012

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
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%
2021	2020	4,560,330	3,472,798	76.15%	461,207	3,934,005	86.27%	626,325	13.73%

(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
2012	2.50%	1.50%
2013	2.50%	1.50%/1.25% (1)
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%
2021	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			
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
2021	6,187,744	13,178,880	820,000	42,996	4,269,040	-	24,498,660	3.29%	820

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
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
2021	29,864	434,317,118	6,187,744	977,978	5,209,766	1.20%	174

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, 2021

Table 14

Jurisdiction	Debt Outstanding	Percentage of Debt Applicable to City of Texarkana	Amount Applicable to City of Texarkana
Direct:			
City of Texarkana, Arkansas	\$ 20,229,620 (2)	100.00%	<u>\$ 20,229,620</u>
Overlapping:			
Texarkana, Arkansas School District	49,115,000 (1)	78.62%	<u>38,614,213</u>
Subtotal - Overlapping debt			<u>38,614,213</u>
Total direct and overlapping			<u><u>\$ 58,843,833</u></u>
Per capita overlapping debt			<u><u>\$ 1,970.39</u></u>

Notes:

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

(1) Source - Texarkana Arkansas School District

(2) Including \$6,187,744 of general obligation , \$13,178,880 of revenue bonds, \$820,000 of notes payable, and \$19,720 of capital lease obligations

City of Texarkana, Arkansas

Legal Debt Margin Information

Last Ten Years

Table 15

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit	\$ 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	\$ 108,579,280
Total net debt applicable to limit	<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>	<u>5,209,766</u>
Legal debt margin	<u>\$ 70,483,695</u>	<u>\$ 70,917,374</u>	<u>\$ 74,712,442</u>	<u>\$ 81,115,558</u>	<u>\$ 74,712,442</u>	<u>\$ 87,669,629</u>	<u>\$ 89,673,621</u>	<u>\$ 90,697,456</u>	<u>\$ 99,199,661</u>	<u>\$ 103,369,514</u>
Total net debt applicable to the limit as a percentage of debt limit	13.86%	13.16%	12.45%	10.92%	10.91%	8.85%	8.00%	7.23%	7.23%	5.04%

Legal Debt Margin Calculation for 2021

Assessed value	\$ 434,317,118
Debt limit - 25% of assessed value:	
General obligation debt limitation	108,579,280
Debt applicable to limit:	
General obligation bonds	6,187,744
Less: Amount set aside for repayment in debt services funds	<u>977,978</u>
Total net debt applicable to limit	<u>5,209,766</u>
Legal debt margin	<u>\$ 103,369,514</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
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	3,772,984	1,505,272	2.51
2019	10,561,331	6,788,047	3,773,284	1,467,442	2.12
2020	10,167,404	7,315,297	2,852,107	1,373,310	1.90
2021	10,167,185	7,209,252	2,957,933	1,200,942	2.46

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)
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	627,122,630	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	712,591,784	39.5	24,183	6.1%
2021	29,864	744,121,288	40.2	24,917	4.2%

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	2021			2012		
	Employees	Rank	Percentage of Total MSA Employment (1)	Employees	Rank	Percentage of Total MSA Employment (2)
Red River Army Depot & Tenants	3,887	1	6.42%	5,500	1	9.65%
Christus St. Michael Health Care	2,400	2	3.97%	2,055	2	3.61%
Cooper Tire & Rubber	1,803	3	2.98%	1,700	3	2.98%
Texarkana, Texas ISD	1,200	4	1.98%	1,100	4	1.93%
Graphic Packaging	840	5	1.39%			
Harte-Hanks	695	6	1.15%			
DLA Distribution-Red River Army Depot	623	7	1.03%			
Wadley Regional Medical Center	620	8	1.02%	778	7	1.36%
Amentum	616	9	1.02%			
Texarkana, Arkansas ISD	584	10	0.97%	785	6	1.38%
Wal-Mart/Sam's				1,100	4	1.93%
Texarkana, Arkansas ISD				940	5	1.65%
International Paper				777	8	1.36%
Southern Refrigerated Transport				750	9	1.32%
City of Texarkana, Texas				600	10	1.05%
Total	13,268		21.93%	16,085		28.22%

Source:
Chamber of Commerce
Texas Workforce Commission LMI Tracer

Notes:

- (1) MSA employment for 2021 is 60,500
- (2) MSA employment for 2012 is 57,000

City of Texarkana, Arkansas

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

Table 19

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government										
Administration	4	3	3	3	5	4	4	4	4	4
Finance	8	8	9	9	8	8	8	8	8	8
City Clerk	3	2	2	2	2	2	2	2	2	2
Courts	5	5	5	5	5	5	5	5	5	5
Marketing & Communications	1	2	2	1	0	0	0	0	0	0
Police department										
Police General	71	76	76	76	76	77	77	77	77	77
Police Housing	3	2	2	2	2	2	2	2	2	2
Cops in School	1	1	1	1	1	0	0	0	0	0
Police Narcotics	5	5	5	5	5	5	5	5	5	5
Police Support	11	11	11	11	11	26	26	26	26	26
Police Animal	2	2	0	0	0	0	0	0	0	0
Probation	4	4	4	4	4	4	4	4	4	4
Police CHRP	4	0	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	13	13	13	13	13	15
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	5	5	4	4	4	4	4	4	4	4
Building maintenance	1	1	1	1	1	1	1	1	1	1
ADC	3	3	3	3	9	9	9	9	9	9
Refuse Operator	0	1	1	1	1	1	1	1	1	1
Public services										
RSVP - Arkansas	1	1	1	1	0	0	0	0	0	0
RSVP - Texas	1	1	1	1	0	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	7	7	7	5	5	5	5	6	6	7
Animal Control	0	0	2	3	3	3	3	2	2	2
Total	243	243	243	241	241	255	255	255	255	258

Source: Various City Departments

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

Table 20

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<hr/>										
<u>Function/Program</u>										
Public safety										
Police										
Uniformed employees	88	84	84	84	84	84	84	82	81	84
Fire										
Firefighters	57	58	58	58	58	58	58	57	57	58
Public works										
Building permits issued	510	426	368	454	464	501	438	358	307	488
Building permits (\$)	\$ 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	\$ 21,182,459
Water										
Average daily consumption (millions of gallons)	4.134	4.902	4.437	4.703	6.317	4.372	3.814	4.111	2.930	3.390
Raw water production (millions of gallons)	5.509	5.509	4.941	5.076	6.563	4.481	3.783	4.061	7.525	5.636

City of Texarkana, Arkansas

Capital Asset Statistics by Function

Last Ten Years

Table 21

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public safety										
Police										
Stations	1	1	2	2	2	2	2	2	2	2
Total units	110	111	117	117	117	96	96	83	84	75
Fire										
Stations	5	5	5	5	5	5	5	5	5	5
Public works										
Streets (miles)	250	252	252	252	252	252	252	253	253	253
Recreation										
Number of parks	24	24	24	24	24	24	24	24	24	24
Acres	288.3	288.3	296.3	296.3	296.3	311	311	311	311	321
Pools	1	1	1	1	1	1	1	1	1	0
Ball Fields	15	15	15	15	15	16	16	16	16	16
Tennis courts:										
Lighted	3	3	3	3	3	4	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	5
Soccer fields	1	1	1	1	1	1	1	1	1	1
Walking/biking trails (miles)	7.5	7.5	7.66	13.91	13.91	13.91	13.91	13.91	15.91	15.91
Utilities										
Plant capacity										
(million gallon average per day)	15	15	15	15	15	15	15	15	15	15
Water mains (miles)	406	395	416	407	412	405	405	408	408	406
Number of water meters	10,134	10,155	10,126	10,154	10,169	10,155	10,152	10,168	11,361	14,459
Sewer mains (miles)	219	214	213	216	233	218	218	219	218	217
Number of fire hydrants	1,441	1,431	1,450	1,469	1,409	1,447	1,482	1,486	1,507	1,499
Number of Mandeville water meters	327	321	318	316	315	315	314	316	320	463
Number of Union water meters	1,162	1,178	1,200	1,231	1,246	1,252	1,274	1,265	1,285	1,611

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, 2021

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		\$ -	\$ 390,721
		<i>Cluster Total</i>	-	390,721
U.S. Department of Housing and Urban Development/Community Development Block Grant Section 108 Loan Guarantee	14.248		-	873,851
Total Department of Housing and Urban Development Programs			-	1,264,572
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	-	11,901
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	-	20,763
		<i>Cluster Total</i>	-	32,664
Total Department of Transportation Programs			-	32,664
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	-	2,651
U.S. Department of Justice/Crime Victim Assistance	16.575		-	42,303
U.S. Department of Justice/STOP Violence Against Women Formula Grant Program	16.588		-	55,320
U.S. Department of Justice/Bulletproof Vest Partnership Program	16.607		-	10,175
U.S. Department of Justice/Arkansas Department of Finance and Administration/Edward Byrne Memorial Justice Assistance Grant Program	16.738	J20-007-19 2019-DJ-BX-0253 2017-DJ-BX-0837	-	69,723
U.S. Department of Justice/Arkansas Department of Finance and Administration/STOP School Violence	16.839	2019-YS-BX-00112	-	105,618
Total Department of Justice Programs			-	285,790
Department of Commerce				
<i>Economic Development Cluster</i>				
U.S. Department of Commerce/Economic Adjustment Assistance	11.307	08-79-05117	-	23,018
		<i>Cluster Total</i>	-	23,018
Total Department of Commerce			-	23,018

City of Texarkana, Arkansas
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2021

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/Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027		\$ -	\$ 372,455
		<i>Program Total</i>	-	372,455
		Total Department of Treasury	-	372,455
Department of Homeland Security				
U.S. Department of Homeland Security/Assistance to Firefighters Grant	97.044		-	143,500
		Total Department of Homeland Security	-	143,500
		Total Expenditures of Federal Awards	\$ -	\$ 2,121,999

City of Texarkana, Arkansas
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2021. 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.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown, if any, on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Federal Loan Programs

The Community Development Block Grant Section 108 Loan Guarantee (Federal Assistance Listing Number 14.248) is administered directly by the City, and balances and transactions relating to these programs are included in the City's basic financial statements. As of December 31, 2021, the City had expended \$885,000 of the loan, \$873,851 in the current year. The balance of the outstanding loan at December 31, 2021, was \$820,000.

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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, 2021, and the related notes to the financial statements, and have issued our report thereon dated August 5, 2022, which contains a reference to reports of other auditors. Other auditors audited the financial statements of the Texarkana Airport Authority and the Texarkana Urban Transit District, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on 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 the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 or significant deficiencies may exist that were not identified.

Report on 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.

FORVIS,LLP

Rogers, Arkansas
August 5, 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

Opinion on the Major Federal Program

We have audited the City of Texarkana, Arkansas' (the City) compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

FORVIS,LLP

Rogers, Arkansas
August 5, 2022

City of Texarkana, Arkansas
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

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 the 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 the 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, 2021

7. Identification of major federal program:

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.248	Community Development Block Grant Section 108 Loan Guarantee

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, 2021

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, 2021

Reference Number	Summary of Finding	Status
	No matters are reportable.	

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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, 2021.

- (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 based on 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 judgment, 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the City of Texarkana, Arkansas complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2021.

FORVIS, LLP

Rogers, Arkansas
August 5, 2022

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