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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR  
ENDED SEPTEMBER 30, 2012**

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# **CITY OF TEXARKANA, TEXAS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended  
September 30, 2012**

*Prepared by:*

*Department of Finance  
Charles L. Bassett, Jr., CPA  
Chief Financial Officer*

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# Introductory Section



# CITY OF TEXARKANA, TEXAS

P.O. Box 1967    TEXARKANA, TX 75504    PHONE 903.798.3900

Honorable Mayor and City Council,  
City Manager and Citizens of the  
City of Texarkana, Texas

The Comprehensive Annual Financial Report (CAFR) of the City of Texarkana, Texas (the City) for the fiscal year ended September 30, 2012, 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 City Council, 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.

Holliday, Lemons, & Cox, P. C. Certified Public Accountants, have issued an unqualified opinion on the City of Texarkana, Texas financial statements for the year ended September 30, 2012. 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 complements this letter of transmittal and should be read in conjunction with it.

## **Profile of the Government**

The City of Texarkana, Texas (the City), incorporated in 1874, is located on the Texas –Arkansas state line in the northeast corner of the State of Texas. The City is 28 miles south of Oklahoma and 25 miles north of the Louisiana boundary line and it currently occupies a land area of 29.5 square miles and serves a population estimated at 36,500. The City is empowered to levy a property tax on real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City has operated under the council-manager form of government since 1960. Policy-making and legislative authority are vested in a governing council (Council) comprised of the mayor and six members, all elected on a non-partisan basis. Council members serve two-year staggered terms, with three members elected by ward every two years. The mayor is elected at large, and serves a two-year term. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney, and Municipal Judge. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

The City provides a full range of services, including police, fire, streets and infrastructure, traffic engineering, parks, recreation, library, community development (planning and zoning), public improvements, tourism activities, and general administrative services. Water and sewer distribution and collection activities are provided by Texarkana, Texas water department in conjunction with the Texarkana, Arkansas water department, dba Texarkana Water Utilities (TWU). The Texas activity of TWU functions as a department of the City, and therefore has been included as an integral part of the City's financial statements. The City also participates in joint ventures with Texarkana, Arkansas to operate the Texarkana Regional Airport and the Bi-State Justice Center.

The financial reporting entity (the government) includes all funds of the primary government (i.e., the City of Texarkana as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are legally separate entities and not part of the primary government's operations. The Texarkana-Bowie County Family Health Center and the Texarkana Public Library are included in the financial statements as discretely presented component units.

### **Local Economy**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

The City and surrounding region are home to a number of industrial and manufacturing operations, including tire manufacturing, small arms ammunition, paper production, railroad tank car repair, cup and carton manufacturing, pipeline fittings, truck bodies, furniture, valves and couplings, military equipment repair and refurbishing, trucking, and petroleum marketing. Texarkana is also a regional medical center, with two (2) acute care hospitals, offering 675 beds, two (2) rehabilitation hospitals with 140 beds, a 15 bed geriatric psychiatric inpatient facility, and a number of mental health centers, ambulatory surgical centers, home health care organizations, nursing home centers, assisted living centers, and retirement communities. The City has also been designated as a "Texas Certified Retirement Community".

The City's strategic location with the prospect of three (3) interstate highways in the area, a favorable climate, plentiful water supplies, and a good mix of manufacturing, agriculture, government, tourism, education, medical, retail trade and service centers should contribute to future growth and development for the foreseeable future.

The City's primary and secondary education needs are served by three (3) public school districts, and four (4) other public school districts that border the City, as well as several area private schools. Five (5) institutions of higher education provide services to the City. Texarkana College has more than 5,000 students enrolled; Texas A&M University-Texarkana serves approximately 2,000 students and has invested \$100,000,000 since its inception at the new campus off of University Avenue in the Bringle Lake area; the University of Arkansas for Medical Sciences Area Health Education Center which provides higher education services in the area; Southern Arkansas Tech, which provides airframe and power plant training for 150 students at the airport; and the area's newest higher education institution, UACCH – Texarkana, which began operations in 2012.

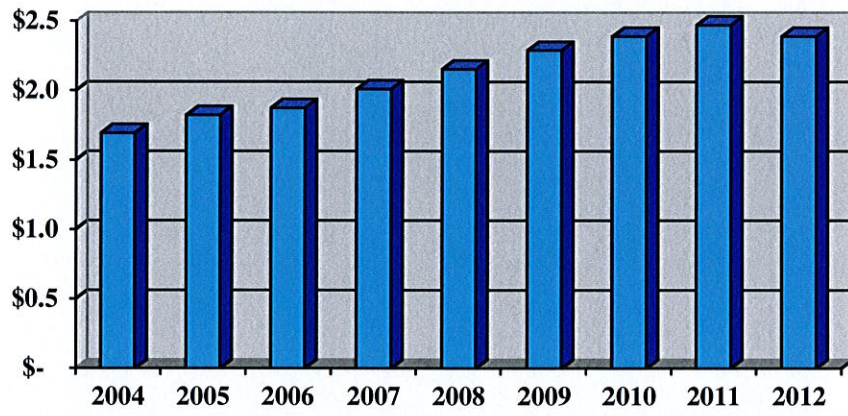
The City has a number of worthwhile attractions, including the only U.S. Post Office located in two states, which provides a unique photo opportunity at Photographer's Island, the Scott Joplin Mural, the historic Perot Theatre, the Regional Arts Center, Ace of Clubs House, Discovery Place Children's Museum and Texarkana Museum of Regional History, the Texarkana Symphony Orchestra, a municipal golf course designed by Jim Fazzio, Jr. and managed by Hank Haney, and City parks that have hosted a number of district and state athletic tournaments. Additionally, there are a multitude of outdoor activities available on one of many lakes and rivers in the region.

Commercial and residential building in the City has declined slightly in the past year, as reflected in reported statistics. Permits for new non-residential construction decreased from last year's value of over \$15,993,000 to around \$9,555,000 this year. Permits for non-residential additions, alterations and conversions also decreased from over \$14,236,000 last year to \$7,314,632,000 this year. Residential permits decreased from \$29,210,000 to \$20,890,926. Residential additions, alterations and conversions ended the year at \$2,884,309, a decline from last year's number of \$3,520,000. Commercial projects for the new year include the following:

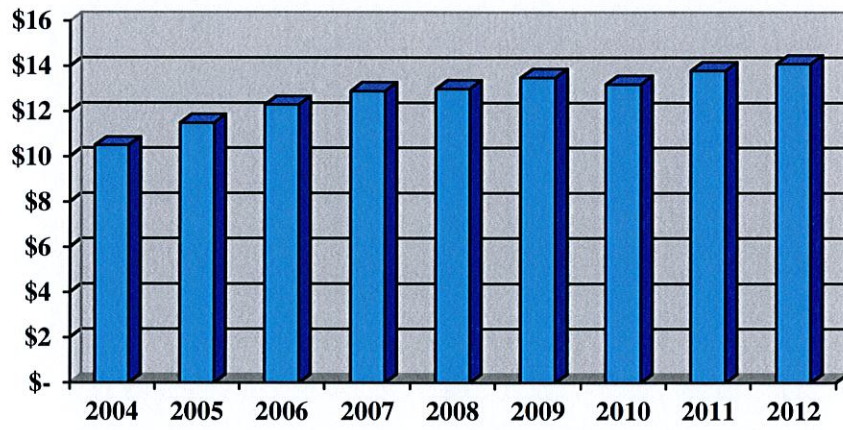
- CVS Pharmacy
- Smashburger Restaurant
- State Bank of DeKalb
- Jimmy Johns Restaurant
- Rosehill Ridge Apartments
- New Boston Storage
- Jason's Deli Restaurant
- Gold's Gym
- Texarkana Convention Center
- Interstate 30 Project

Sales tax and property tax revenues are responsible for a substantial portion of the City's operating budget. Sales tax collections increased by just over two percent (2.28%) from the prior year. This increase resulted in a gain of just above three hundred fourteen thousand dollars (\$314,000) in the City's general fund revenues for the year. Property tax values for the current year were \$2,386,009,141, a decrease of less than half a percent (0.04 %) compared to last year. Historical perspectives of these revenues are illustrated in the following graphs:

**ASSESSED PROPERTY VALUATIONS**  
(in billions)



**SALES TAX COLLECTIONS**  
(in millions)



Unemployment in the City decreased slightly to 5.7, and the local rate remained favorable compared to the state rate of 6.6 and the national rate of 7.8.

### **Long-Term Financial Planning**

Unassigned fund balance in the general fund (27.6% of general fund expenditures) is well above the reserve goal set by the City Manager of ten percent (10%). The City may choose to increase this reserve goal in the future as long-range strategic planning processes are completed and continually updated.

The I-30 Corridor remains the major commercial growth area in the City. The Texas Department of Transportation's I-30 project through the City is complete and fully functional. Texas A&M Texarkana is continuing its development plans, and work on the University Corridor between I-30 and the campus continues. This corridor, along with other areas north of I-30, should see extensive commercial, multi-family residential and retail development in the future. The future completion of these major projects should continue to strengthen growth in the City's property tax base and sales tax collections, which comprise just under sixty-three percent (62.7%) of the City's General Fund operating budget.

Gas and electric franchise fees were increased several years ago by the City Council in order to establish an Economic Development Fund to be used for future economic development projects and activities and to provide incentives for potential projects that would bring jobs and revenue growth to the area. The City is aggressively pursuing economic development projects, and two (2) incentive arrangements are currently in place.

The Council also increased the hotel occupancy tax rate with the future goal of constructing a convention center facility for the City. That goal was realized in the fall of 2012, with the opening of the Texarkana Convention Center and adjacent Hilton Garden Inn. Debt service for this project will be provided by additional hotel occupancy tax revenues to be received in the future.

The City has established two (2) Tax Increment Reinvestment Zones (TIRZ) within its boundaries. The first will operate in an area that begins on the south side of I-30 and extends north along the University Avenue Corridor to include the proposed University overlay district. The second will run from Texas Boulevard at State Line Avenue through the downtown area. Future incremental tax increases to existing properties and new properties in these districts are projected to provide funding for needed infrastructure projects within these areas without an additional tax burden to our citizens. Funding of both districts began on October 1, 2010. The first TIRZ bond was issued in 2012. Several potential infrastructure projects within the district have been approved by the TIRZ board, and future debt service payments on the bonds are expected to be funded by property tax revenues collected from new developments within the district.

In fiscal year 2010 Texarkana Water Utilities received reports on two engineering studies related to future water and sewer projects. Both were contracts with HDR Engineering, Inc. of Dallas, Texas. One of the projects was the evaluation of the improvements and upgrades needed at the South Regional Wastewater Treatment Plant, which is over twenty years old. Improvements needed are estimated to cost about \$14,000,000. The City expects this project will move forward in the near future with the city issuing bonds and the project beginning possibly in the latter part of 2013.

The second project was the evaluation of the Wright Patman Water Treatment Plant on New Boston Road, which is over 40 years old. The HDR report received in 2010 focused on replacement and new construction at the existing plant site. The Riverbend Water Resources District (RWRD), created by the Texas Legislature in 2009 also commissioned an engineering study from CH2M Hill of Dallas, Texas and MTG Engineers and Surveyors of Texarkana, Texas, which analyzed building a new water treatment plant at various locations, including the existing plant site. The final decision as to location, treatment options, costs, financing and operations of the treatment facilities will of necessity be a broad-based community decision since the existing facilities are co-owned by the City and other municipalities, and because this issue is of vital importance to all water users in the region. Currently, there is no estimate on when a final decision on this project will be made, but it is unlikely to be made before the end of fiscal year 2013.

### **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 Texas Local Government Code and the City of Texarkana, Texas City Charter. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

The City's accounting records for general governmental activities are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services of 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 the accrual basis.

The annual budget serves as the foundation for the City's financial planning and control. All agencies of the City are required to submit requests for appropriation to the City Manager in May of each year. 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 Council for review prior to August 1. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget on or before September 1, thirty (30) days before the end of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager may make transfers of funds between general classifications of expenditures within an office, department or agency. Any transfers of funds from one office, department or agency to another require Council approval. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

### **Major Initiatives for the 2012-2013 Fiscal Year:**

- Continued implementation of new City-wide software system and employee self-service website
- Website reconstruction and improved citizen inquiry system
- Comprehensive review of employee benefits
- Various Public Works projects:
  - Morris Lane Extension Phase II
  - Bringle Park
  - Downtown Enhancement

- University Avenue Phase IV
- Continuation of community redevelopment and economic development grant programs
- New utility billing software

### **Awards and Acknowledgements**

**Awards** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Texarkana, Texas for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2011. This was the twenty-first (22nd) consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

**Acknowledgments** The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance/Accounting Department and our independent auditors. I would like to express my appreciation to those persons who made possible the publication of this report. Credit must also be given to the City Manager, Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Texarkana, Texas finances.

Respectfully submitted,



Charles L. Bassett, Jr., CPA  
Chief Financial Officer

April 3, 2013

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Texarkana  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Mouill*

President

*Jeffrey R. Emer*

Executive Director

**CITY COUNCIL**

---

**BOB BRUGGEMAN**  
Mayor

**BRADFIELD CASTEEL**  
Councilmember, Ward 1

**WILLIE RAY**  
Councilmember, Ward 2

**TINA VEAL-GOOCH**  
Councilmember, Ward 3

**DR. BRIAN MATTHEWS**  
Councilmember, Ward 4

**BILL MILLER**  
Councilmember, Ward 5

**JOSH DAVIS**  
Councilmember, Ward 6

---

**CHARLES L. BASSETT, JR., CPA**  
Interim City Manager

**KRISTIN L. PEEPLES, CPA**  
Interim Chief Financial Officer

**KERRY MEREDITH**  
City Secretary

# Mayor/City Council

**Municipal Judge**  
Sherry Jackson

**City Attorney/  
Retained Legal Counsel**  
Jeff Lewis (Atchley, Russell,  
Waldrop, & Hlavinka LLP)

**Interim City Manager**  
Charles L. Bassett, Jr.

**Municipal  
Prosecutor**  
Deborah Jones

**City Secretary**  
Kerry Meredith

**Asst. City Sect. -  
Para-legal /  
Vital Statistics**

**Administrative Services  
Manager**  
David Orr

**Perot  
Theatre  
Contract  
Mgr.**

**Marketing and  
Communications  
Manager**  
Vicki Meide

**Kiosk Staff**

**Economic  
Developer**  
Jerry Sparks

**Interim CFO**  
Kristin Peeples

**Director of General  
Services,  
Purchasing & Fleet**  
Jim Powell

**Director of Library  
Services**  
Daniel Page

**Financial Services  
Division**

**Controller/Acct.  
Mgr.**

**Finance Manager**

**Chief of Police / Director  
of Public Safety**  
Dan Shiher

**Fire Department  
Department Head/  
Battalion Chief**  
Kenny Copeland

**Administration,  
Operations,  
Prevention,  
Training,  
Emergency  
Management,  
Homeland  
Security**

**Captain, Uniform  
Services**  
Danny Presley

**Captain, Criminal  
Investigation  
Division**  
Michael Henry

**Captain Support &  
Administrative  
Services**  
Tony Autrey

**Executive Director of  
Community Re-  
development, Grants  
and Health Department**  
Craig Lindholm

**Environmental  
Services**

**Animal Control**

**Code  
Enforcement**

**Health Inspector**

**Health Department  
Staff**

**Executive Director of  
Community and Public  
Works**  
Sharley Jaster

**City Engineer**  
Kyle Dooley

**Engineering,  
Infrastructure,  
Streets, Sign,  
Signal, and  
Stormwater**

**Chief Building  
Official/Inspection  
Department**

**Parks and Recreation  
Manager**  
Robby Robertson

**Executive Director of  
Human Resources**  
Rose Stewart

**Human Resources  
Department**

**TWU - Finance  
Director**  
Webb Stanley

**TWU Human  
Resources**

**TWU  
Operations**

**Executive Director of  
Texas Water  
Dept. (TWU)**  
Bill King

**TWU Engineering**  
J.D. Phillips

**TWU Director  
Technology**  
Bobby Bean

**TWU  
Operations**

**Grants Acquisition  
and Development**

**CDBG &  
Redevelopment**

**City Marshal**  
Captain Joe  
Bunting

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## **Financial Section**

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# HOLLIDAY, LEMONS, & COX, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council  
and Honorable Stephen A. Mayo, Mayor  
City of Texarkana, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Texarkana, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Texarkana, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Texarkana, Texas as of September 30, 2012 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2013, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results in our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension plan trend information on pages 7 through 2 and pages 100 through 102, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
DIVISION FOR CPA FIRMS, PRIVATE COMPANIES PRACTICE SECTION  
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Texarkana, Texas' basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, including the budgetary comparison schedules for the nonmajor funds with budgets, the capital assets schedules and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, including the budgetary comparison schedules for the nonmajor funds with budgets, the capital assets schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



April 3, 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Texarkana, Texas (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii - xiii of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$170,172,579 (net assets). Of this amount, \$10,309,789 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets increased by \$2,017,368 during this fiscal year. This increase was made up of an increase in Governmental Activities of \$4,024,563, offset by a loss in Business-Type Activities of \$2,007,195. The increase in Governmental Activities was the result of transfers from Business-Type Activities in the amount of \$3,318,900, and an increase from current operations of \$705,663. The loss from Business-Type Activities resulted from transfers mentioned above in the amount of \$3,318,900, offset by an increase in current operations in the amount of \$1,311,705.
- At the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$26,764,983. Approximately 29.18% of this total amount, \$7,808,993, is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,808,993, or 27.6% of total general fund expenditures.
- The City has approximately 114 days of expenditures in the fund balance of the general fund at year end.
- The City's total long-term liabilities decreased by \$171,557 (0.23%) during the current fiscal year, due to increases in pensions and other postemployment obligations, and accrued compensated absences, offset by regularly scheduled bond payments.

### 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 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 private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets 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 future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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 government, public safety, public works, parks and recreation, and health and welfare. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate health center and public library for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. Complete financial statements for the library can be obtained from the Texarkana Public Library.

The government-wide financial statements can be found on pages 22 - 25 of this report.

**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, government 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 funds 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 twenty (20) governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the 2009 Bond Capital Projects Fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other seventeen (17) funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 26 - 31 of this report.

**Proprietary Funds.** The City maintains two different types of 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. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its employee insurance programs and fleet services. Because each of these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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, Texas Water Utilities (TWU), which is considered to be a major fund of the City. Data from the other two (2) enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is presented in the form of combining statements elsewhere in this report. These internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 32 - 37 of this report.

**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 statement because the resources of those funds are not available to support the City of Texarkana, Texas' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 38 - 39 of 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.

The notes to the financial statements can be found on pages 40 - 97 of this report.

**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 benefits to its employees.

This required supplementary information regarding pension benefits may be found on pages 100 - 102 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds and internal service funds are presented following the required supplementary information on pensions.

Combining and individual statements and schedules can be found on pages 103 - 132 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Texarkana, Texas, assets exceeded liabilities by \$170,172,579 as of September 30, 2012. The largest portion of the City's net assets (\$137,213,494 or 80.6%), reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, infrastructure, 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. 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, TEXAS' NET ASSETS

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	Current and other assets	\$ 44,945,854	46,960,479	17,002,453	19,614,703	61,948,307
Capital assets	123,140,853	115,476,287	68,383,154	67,917,132	191,524,007	183,393,419
Total assets	<u>168,086,707</u>	<u>162,436,766</u>	<u>85,385,607</u>	<u>87,531,835</u>	<u>253,472,314</u>	<u>249,968,601</u>
Long-term liabilities	64,881,789	63,718,148	9,124,148	10,459,346	74,005,937	74,177,494
Other liabilities	3,324,322	2,862,285	5,969,476	4,773,311	9,293,798	7,635,596
Total liabilities	<u>68,206,111</u>	<u>66,580,433</u>	<u>15,093,624</u>	<u>15,232,657</u>	<u>83,299,735</u>	<u>81,813,090</u>
Net assets:						
Invested in capital assets, net of related debt	77,541,533	73,083,340	59,671,961	58,447,526	137,213,494	131,530,866
Restricted	16,346,523	22,377,550	6,302,773	9,068,969	22,649,296	31,446,519
Unrestricted	5,992,540	395,143	4,317,249	4,782,683	10,309,789	5,177,826
Total net assets	<u>\$ 99,880,596</u>	<u>95,856,033</u>	<u>70,291,983</u>	<u>72,299,178</u>	<u>170,172,579</u>	<u>168,155,211</u>

An additional portion of the City's net assets (13.34%) represents resources that are subject to external restrictions on their usage. All restricted assets of the City relating to both governmental activities and business-type activities are being held for purposes established by state and local laws, future construction, and debt service reserve requirements on the City's outstanding debt. The remaining balance of unrestricted net assets in the amount of \$10,309,789 (6.06%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

#### Governmental Activities

Total assets increased by \$5,649,941 due mainly to construction costs on the new convention center that were added to Construction in Progress for the current fiscal year. Total liabilities increased by \$1,625,678 due to an increase in accrued compensated absences (\$174,000),

increased by \$1,625,678 due to an increase in accrued compensated absences (\$174,000), pension and other postemployment obligations (\$424,000), contracts payable (\$160,000), amount due to other governments (\$254,000), and the net increase due to the issuance of TIRZ bonds, offset by regularly scheduled debt service payments (\$289,000).

### Business Type Activities

Total assets and total liabilities decreased by \$2,146,228 and \$139,033, respectively. The amounts related to TWU- Texas activities were decreases of \$2,112,354 and \$122,009 for total assets and total liabilities, respectively.

#### CITY OF TEXARKANA, TEXAS' CHANGES IN NET ASSETS

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Revenues:						
Program revenues						
Charges for services	\$ 2,891,540	3,221,978	16,136,042	16,030,015	19,027,582	19,251,993
Operating grants and contributions	2,467,647	1,133,876			2,467,647	1,133,876
General revenues:						
Property taxes	15,577,638	13,655,104			15,577,638	13,655,104
Other taxes	17,380,992	17,149,037			17,380,992	17,149,037
Other revenue	1,422,493	1,422,648	1,016,565	1,135,270	2,439,058	2,557,918
Total revenue	<u>39,740,310</u>	<u>36,582,643</u>	<u>17,152,607</u>	<u>17,165,285</u>	<u>56,892,917</u>	<u>53,747,928</u>
Expenditures:						
General government	5,984,631	5,523,459			5,984,631	5,523,459
Public safety	17,624,401	17,142,327			17,624,401	17,142,327
Public works	7,461,167	7,117,788			7,461,167	7,117,788
Parks and recreation	2,918,560	3,027,226			2,918,560	3,027,226
Health and welfare	2,451,906	1,659,584			2,451,906	1,659,584
Interest on long-term debt	2,593,982	2,747,460			2,593,982	2,747,460
Water and sewer			15,840,902	15,592,718	15,840,902	15,592,718
Total expenses	<u>39,034,647</u>	<u>37,217,844</u>	<u>15,840,902</u>	<u>15,592,718</u>	<u>54,875,549</u>	<u>52,810,562</u>
Change in net assets before transfers	705,663	(635,201)	1,311,705	1,572,567	2,017,368	937,366
Transfers	<u>3,318,900</u>	<u>268,900</u>	<u>(3,318,900)</u>	<u>(268,900)</u>	<u>-</u>	<u>-</u>
Change in net assets	4,024,563	(366,301)	(2,007,195)	1,303,667	2,017,368	937,366
Beginning net assets	<u>95,856,033</u>	<u>96,222,334</u>	<u>72,299,178</u>	<u>70,995,511</u>	<u>168,155,211</u>	<u>167,217,845</u>
Ending net assets	<u>\$ 99,880,596</u>	<u>95,856,033</u>	<u>70,291,983</u>	<u>72,299,178</u>	<u>170,172,579</u>	<u>168,155,211</u>

## Total Statement of Activities

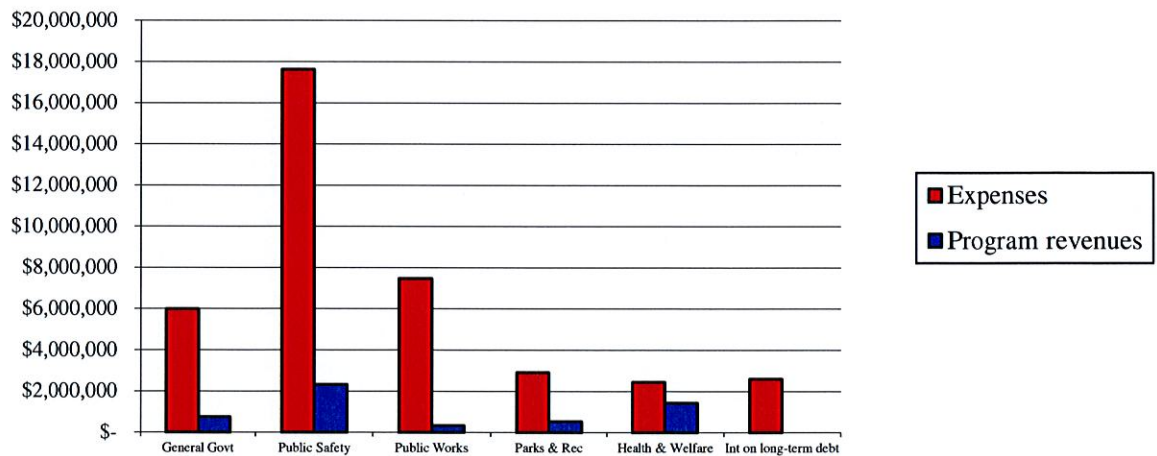
The total result of the City’s activity in net assets is an increase in total net assets of \$2,017,368 during the current fiscal year. Net assets related to business-type activities decreased by \$2,007,195, while net assets from governmental activities increased by \$4,024,563. Additional related information may be found in the governmental activities section on pages 24 - 25 of this report.

## Governmental Activities

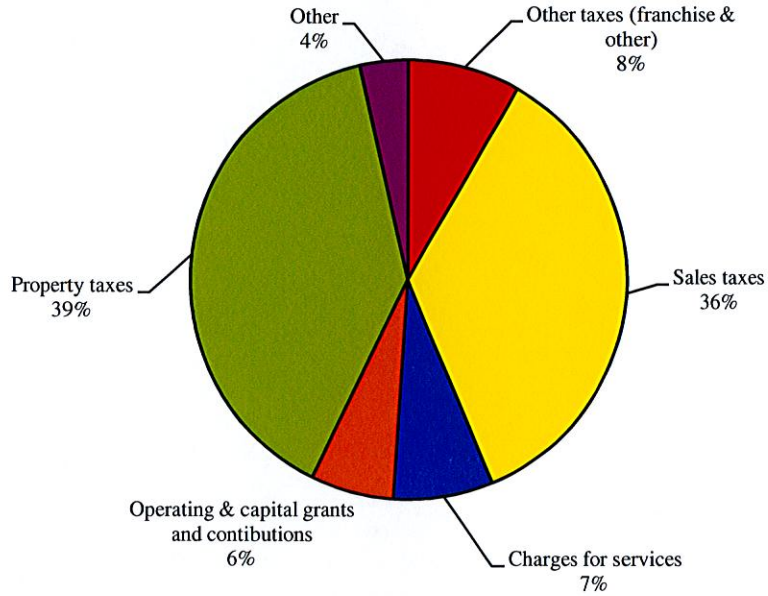
Governmental activities showed an increase in net assets of \$4,024,563. Key elements of this change are summarized as follows:

- Net revenue from governmental activities increased by \$3,157,667, due mostly to an increase in property tax revenues of \$1,923,000, resulting from an increase in the tax rate from .5831 to .669293, sales tax collections of \$314,000, and operating grants of \$1,334,000, offset by a decrease in charges for services of \$330,000 and other revenues of \$83,000.
- Expenditures from governmental activities increased by \$1,816,803. General Government expenditures increased by \$461,172, due to a change in accounting practice regarding contributions to the Fleet Maintenance Internal Service Fund. Public Safety increased by \$482,074, mostly the result of filling vacant positions and increased benefit costs, such as health insurance and pension contributions. Public Works increased by \$343,379, also due to vacant positions filled and increased benefit costs. Parks and Recreation operating expenditures decreased by \$108,666. Interest on long-term debt decreased by \$153,478, due to regularly scheduled bond payments.
- Transfers increased by \$3,050,000, due mostly to transfers from the Water Utilities Fund to the General Fund.

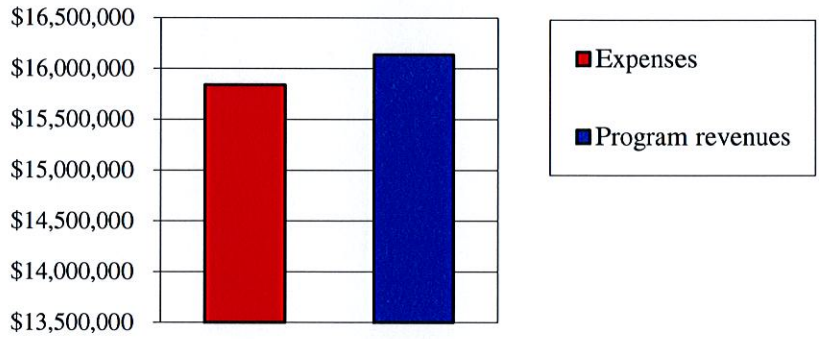
## EXPENSES AND PROGRAM REVENUES –GOVERNMENTAL ACTIVITIES



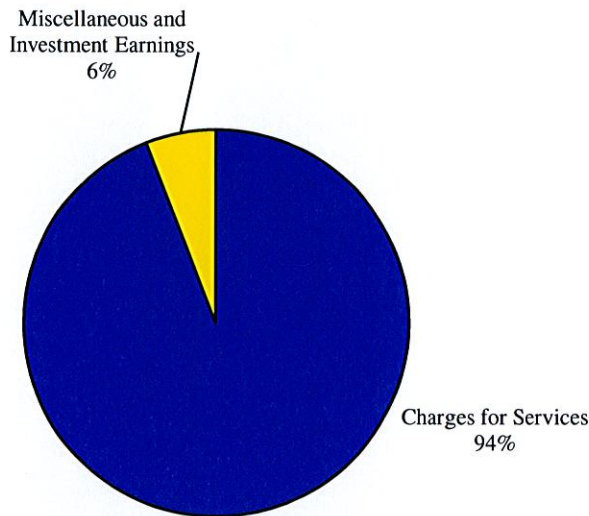
**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES**



**EXPENSES AND PROGRAM REVENUES – BUSINESS-TYPE ACTIVITIES**



## REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES



### Business Type Activities

Business type activities showed a net decrease in net assets of \$2,007,195. TWU had a net decrease of \$1,990,345, while the other business type funds showed a combined net decrease of \$16,850. TWU - Texas' total charges for services increased by \$226,207, while other income decreased by \$104,185 yielding a net increase in revenues of \$122,022. The 1.5% increase in charges for services was primarily attributable to a modest increase of 1.2% in the number of water customers from last year. The decrease in other income is due to a decline in insurance proceeds from property loss claims compared to 2011. TWU's total operating expense increased by \$390,025 or 2.8% and operating expenses, excluding depreciation, increased by \$277,524 or 2.5%. Depreciation expense was up \$112,501 while other expenses were down by \$201,610. The TWU change in net assets before transfers was \$1,328,555 which decreased by \$344,245 from the previous year. As a percentage of revenues, the 2012 changes in net assets before transfers was 8.2%, compared to 10.4% for 2011.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** – The focus of the City's 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, unreserved 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's governmental funds reported combined ending fund balances of \$26,764,983, a decrease of \$3,589,509 in comparison with the prior year. This decrease is due mostly to the following:

- Capital project funds decreased by \$5,953,000, due mostly to expenditures on several capital projects around the City, including University Drive at Texas A&M (\$4,050,000), construction of the new convention center (\$5,503,000), several other smaller projects (\$403,000), offset by net proceeds from the issuance of new bonds by TIRZ District #1 (\$4,000,000).
- Non-major special revenue funds decreased by \$584,000, due mostly to land purchased for future development and financial incentives paid from the Economic Development Fund (\$210,000), net capital expenditures made on the Rotary Splash Pad project (\$215,500), and net housing reconstruction expenditures made from the Home Fund for reconstruction of homes in low to moderate income neighborhoods of the City (\$147,000).
- The City's Debt Service Fund decreased by a net of \$352,600, as a result of normal debt service expenditures for the year (\$6,039,000), offset by property tax and investment revenue deposited into the Fund (\$5,207,000), funds transferred from the Hotel/Motel Tax fund for convention center debt service (\$404,000), and net proceeds from the issuance of refunding bonds (\$75,400).
- General Fund increased by \$3,300,000 for the year, due to net revenue over expenditures from current year operations of \$1,655,000 (due mostly to an increase in the property tax rate, as mentioned earlier), and net transfers in from other funds of \$1,645,000.

The General Fund is the chief operating fund of the City of Texarkana, Texas. At the end of the current fiscal year, the unassigned fund balance was \$7,808,993, while the total fund balance was \$8,850,969. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balances to total fund expenditures. Unassigned fund balances represent 27.61% of the total General Fund expenditures, while total fund balance represents 31.3% of that same amount.

The fund balance of the City's General Fund increased by \$3,299,451 during the current fiscal year compared to an increase of \$249,928 in 2011. Key factors in this growth are as follows;

- Net revenue and expenditures increased by \$1,655,000, due in large part to additional property tax revenues generated by an increase in the property tax rate from .5831 to .669293 (\$1,095,000), an increase in sales tax collections of approximately \$314,000, and an overall decrease in General Fund expenditures from normal operations of \$246,000.
- Total other sources and uses of funds increased by \$1,645,000 due mostly to increased transfers in from other funds.

The 2009 Capital Projects Fund is a \$17,420,000 certificate of obligation bond issue approved to fund several street improvement projects, parks and recreational facilities, water and sewer projects and fleet services projects, including University Avenue/Texas A&M and Morris Lane

Reconstruction Project. It had a fund balance at the end of this year of \$8,939,237. The fund expended \$4,093,843 this year on capital projects, and the remaining fund balance is reserved for additional projects.

The Debt Service Fund is considered a major governmental fund of the City this year, and, accordingly is presented separately in this year's report. This fund ended the fiscal year with a fund balance of \$318,394, a decrease of \$352,598 (52.54%) from last year. The Debt Service Fund accounts for the accumulation of resources for, and the payment of long-term debt principal, interest and related costs of all of the City's long-term general obligation debt. The fund expended \$6,038,691 in debt payments during this fiscal year, an increase of \$228,126 from last year. The majority of this increase is due to bond issuance costs and regular debt service payments.

The other governmental funds of the City include special revenue funds and capital project funds. At the end of the 2012 fiscal year, the City had combined ending fund balances in its special revenue funds of \$3,948,742, a decrease from last year of \$584,094. The majority of this decrease was due to the following:

- Land purchased for future development and financial incentives paid from the Economic Development Fund (\$210,000),
- Net capital expenditures made on the Rotary Splash Pad project (\$215,500),
- Net housing reconstruction expenditures made from the Home Fund for reconstruction of homes in low to moderate income neighborhoods of the City (\$147,000).

At the end of fiscal year 2012 the City had a total of five (5) capital project funds included in other governmental funds, with total fund balances of \$4,707,641, a decrease of \$1,906,379 from last year. These funds are all reserved for street maintenance projects, park improvements, and other miscellaneous capital projects. Expenditures in the other non-major bond funds totaled \$6,081,563 for the fiscal year, and involved several different projects, including construction of the new convention center (\$5,518,102), and various other smaller street and drainage projects (\$563,461).

**Proprietary funds** - the City's proprietary funds, primarily the Texarkana Water Utilities system, provide the same type of information found in the governmental-wide financial statements, but in more detail.

Unrestricted net assets for business type activities at the end of fiscal year 2012 amounted to \$4,317,249 for a decrease of \$465,434 from 2011. The TWU portion of this balance was \$3,914,539, which was a decrease of \$448,584 from fiscal year 2011. This decrease consisted of a net loss of \$1,990,345 for the year plus a \$1,541,761 increase in restricted funds for the year. The fiscal year 2012 change in restricted funds consisted of a decrease of \$2,766,196 in restricted amounts and an increase of \$1,224,435 in the amount invested in capital assets, net of the related debt. The increase in investments in capital assets for the year of \$3,326,757 was funded by several accounts including the capital improvement accounts, infrastructure account, depreciation account, compost account, technology account, and equipment acquisition account. The net increase of \$1,224,435 was the result of applying the current year depreciation and debt retirement to the increase in capital assets.

**Internal service funds** - The City uses two (2) internal service funds. The combined net assets in these funds at the end of the fiscal year were \$1,678,032, an increase from last year of \$56,081 (3.5%). The Employee Benefit Fund accounts for contributions received from other City funds

and employees to pay medical benefits and life insurance premiums. Net assets in the fund decreased by \$60,419 due to claims paid in excess of contributions for the year. The Fleet Services Fund accounts for repair and maintenance on all City vehicles, excluding TWU. Net assets in the fund increased by \$116,500 due to excess revenue over operating costs for the year.

**Fiduciary funds** - The City also maintains three (3) Fiduciary Funds. The Firemen's Relief Pension Trust Fund accounts for retirement contributions made by the City's firefighters, and contributions made on their behalf by the City. The fund's net assets increased by \$4,336,671 during this fiscal year, and net assets totaled \$28,141,688 at the end of the year. The increase is due to the market value fluctuations in investment earnings. The two remaining fiduciary funds are agency funds. The Drug Enforcement Fund accounts for evidence money seized by the Police Department, and holds these funds until final disposition is directed by the courts. This fund had a cash balance of \$49,424 at the end of the fiscal year. The Police Evidence Fund accounts for all funds seized by the Police Department during its apprehension of suspects and subsequent case investigations. The cash balance in the fund at the end of the year was \$23,492.

### **General Fund Budgetary Highlights**

The fund balance difference between the original budget and final amended budget totaled \$5,346,801. The increase can be summarized as follows:

- Property tax revenue increased, to reflect a change in the tax rate from .5831 to .669293 (\$1,955,520).
- Transfers In increased due to a transfer from the water department (\$2,800,000) and changes in the budgeted amount for termination pay (\$251,694).
- Transfers Out decreased (\$333,337) due to changes in the budgeted amount transferred to the Personnel Policy Fund.

The difference between the final amended budget fund balance and the actual fund balance was \$2,694,153. The revenue decrease from final budget to actual receipts was minor (\$126,093). Actual expenditures compared to final budget decreased by \$3,338,895. This decrease was due mostly to the following:

- Vacant positions and related benefit costs (\$1,152,000).
- Termination pay (\$440,000).
- OPEB Trust Expenditures (\$400,000).
- Budgeted expenditures to outside vendors (\$537,000).
- Downtown Enhancement (\$313,000).
- Capital Outlay Expenditures (\$489,000).

### **Capital Assets and Debt Administration**

Capital assets – the City's investment in total capital assets for its governmental and business-type activities as of September 30, 2012, amounts to \$191,524,007 (net of accumulated depreciation), compared to \$183,393,419 in 2011, an increase of \$8,130,588. Investment in capital assets related to governmental activities (\$123,140,853) increased by \$7,664,566, and includes land, buildings, improvements, machinery and equipment, licensed vehicles, infrastructure and construction in progress. Investment in capital assets related to business-type activities amounted to \$68,383,154 and includes land, buildings, improvements, machinery and equipment, licensed vehicles, property under capital leases, water rights, construction in progress, raw water transmission lines and pumping facilities, water purification plant and distribution

system, wastewater treatment plants and collection system. Investments in business-type capital assets increased by \$466,022 during this year reflecting the net of additions and disposals of various capital assets and charges for depreciation expense.

Major capital asset events during the current fiscal year included the following:

- Morris Lane Phase II - \$43,300
- University Avenue/Texas A&M - \$4,136,400
- Convention Center Construction - \$5,200,000
- Bringle North Park - \$87,230
- City Wide Master Drainage Plan - \$68,700
- Gibson Lane - \$65,845
- Arista Drainage Improvement - \$95,670
- Wyatt Lane Drainage Improvement - \$67,175
- Spring Lake Park Improvements - \$6,960
- Grady Wallace Park Improvements - \$10,200

**CITY OF TEXARKANA, TEXAS' CAPITAL ASSETS  
(Net of depreciation)**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Land	\$ 45,492,821	45,241,184	1,333,965	1,333,465	46,826,786	46,574,649
Buildings	11,265,400	11,696,201	1,168,794	1,246,356	12,434,194	12,942,557
Improvements other than building	2,028,460	1,970,229	52,797,090	51,140,329	54,825,550	53,110,558
Machinery and equipment	2,008,719	1,765,311	1,467,406	1,366,055	3,476,125	3,131,366
Licensed vehicles	2,286,868	2,070,400			2,286,868	2,070,400
Infrastructure	45,406,701	46,720,500			45,406,701	46,720,500
Construction in progress	14,651,884	6,012,462	2,083,687	2,901,881	16,735,571	8,914,343
Property under capital lease			9,532,212	9,929,046	9,532,212	9,929,046
<b>Total capital assets</b>	<b>\$123,140,853</b>	<b>115,476,287</b>	<b>68,383,154</b>	<b>67,917,132</b>	<b>191,524,007</b>	<b>183,393,419</b>

Additional information on the City's capital assets can be found in Note 6 in this report on pages 59– 62.

**Debt Administration**

At the end of the current fiscal year the City of Texarkana, Texas had total debt outstanding of \$74,005,937. Of this amount, \$64,881,789 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt is secured by specified revenue sources. At the end of fiscal year 2012, this amount was \$9,124,148.

## OUTSTANDING DEBT AT YEAR END

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 15,808,814	15,108,573			15,808,814	15,108,573
Revenue bonds			2,689,544	3,971,711	2,689,544	3,971,711
Certificates of obligation	42,125,475	42,021,874			42,125,475	42,021,874
Capital leases	86,295	148,537	5,229,477	5,497,784	5,315,772	5,646,321
Tax notes	860,000	1,040,000			860,000	1,040,000
Accrued compensated absences	3,477,800	3,299,591	407,310	357,831	3,885,110	3,657,422
Net pension and other post employment obligations	2,523,405	2,099,573	797,817	632,020	3,321,222	2,731,593
<b>Total</b>	<b>\$ 64,881,789</b>	<b>63,718,148</b>	<b>9,124,148</b>	<b>10,459,346</b>	<b>74,005,937</b>	<b>74,177,494</b>

The City's total debt decreased by \$171,557 (0.23%) during the current fiscal year. This decrease is due to regularly scheduled debt service payments offset by proceeds from the issuance of refunding bonds and new certificates of obligation.

The City's General Obligation, Certificates of Obligation, and Revenue bond ratings are listed below:

	<i>Moody's Investor Service</i>	<i>Standard &amp; Poors</i>
General Obligation Bonds	Aa3	AA-
Certificates of Obligation	Aa3	AA-
Revenue Bonds	A1	AA-

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's local property tax rate for this fiscal year was \$.669293 per \$100 assessed valuation of which \$.2226 per \$100 was for annual debt service.

Additional information on the City's long-term debt can be found in Notes 16-17 on pages 73 – 80 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The unemployment rate for the City as of the fiscal year end was 5.7, compared to 7.9 last year. This rate is significantly lower than the State rate (6.6), and National rate (7.8).

Sales tax collections are projected to comprise about thirty-six percent (36%) of the City's proposed budget for the 2013 fiscal year. Collections are budgeted to increase two and one half percent (2.5%) over the final budgeted revenue for 2012.

Total assessed value of property within the City for the 2013 budget year (based on the 2012 certified valuation) increased by \$27,447,847 (1.15%) from last year. Tax revenues allocated to the Debt Service Fund next year will decrease slightly from the prior year to just under thirty-three percent (32.99%) of collections. The City Council has elected to maintain the property tax rate at .669293 per \$100 valuation for the 2013 fiscal year. Total property tax collections are expected to increase by approximately \$140,000 for 2013.

rate at .669293 per \$100 valuation for the 2013 fiscal year. Total property tax collections are expected to increase by approximately \$140,000 for 2013.

Before the Council adopted the final budget, the following actions were implemented:

- One time transfers from several other City funds, including the Water Department of \$1,069,178 and the Economic Development Fund of \$700,000.
- Several positions in public safety and public works were frozen and resulted in projected savings of \$328,065.
- Department heads were charged with saving \$604,010 in operating expenditures.

All of the above factors were considered in preparing the City's budget for the 2012-2013 fiscal year. The 2013 budget does not anticipate using any available General Fund balances. The ending General Fund balance is projected to be approximately nineteen and three-quarters percent (19.7%) of budgeted expenditures.

The Texas Revenue Fund of TWU is projected to end the 2012-2013 budget year with a balance of \$1,858,000, or approximately 10.8% of budgeted expenditures.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Texarkana, Texas' finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Texarkana, Texas, Finance Department, Attn: Chief Financial Officer, P.O. Box 1967, Texarkana, Texas 75504.

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## **Basic Financial Statements**

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF NET ASSETS September 30, 2012

	<i>Primary Government</i>			<i>Component Units</i>	
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Health</i>	<i>Library</i>
<b>ASSETS</b>					
Cash	\$ 25,431,560	3,175,460	28,607,020	139,410	644,461
Investments	950,205	825,000	1,775,205		562,176
Receivables (net of allowance for uncollectibles):					
Property taxes	933,954		933,954		
Other taxes	326,533		326,533		
Accounts	620,252	2,704,527	3,324,779		
Other government agencies	3,539,749	23,291	3,563,040	147,055	8,322
Accrued interest	1,415	1,059	2,474		
Loans	991,504		991,504		
Internal balances	(402,710)	402,710	-		
Due from fiduciary funds	1,552		1,552		
Due from primary government			-	22,139	114
Due from component units	2,605		2,605		
Inventory	20,018	689,552	709,570		
Houses held for resale	84,355		84,355		
Prepaid items		12,449	12,449		2,870
Restricted assets:					
Cash		4,796,682	4,796,682		
Investments		3,000,000	3,000,000		
Receivables:					
Accounts		156,239	156,239		
Accrued interest		3,736	3,736		
Deferred charges		1,180,802	1,180,802		
Net investment in direct financing lease:					
Due within one year		30,946	30,946		
Investments in joint venture	12,444,862		12,444,862		
Capital assets (net of accumulated depreciation):					
Land	45,492,821	1,333,965	46,826,786		
Buildings	11,265,400	1,168,794	12,434,194	390,314	
Improvements other than buildings	2,028,460	52,797,090	54,825,550		
Infrastructure	45,406,701		45,406,701		
Machinery and equipment	2,008,719	1,467,406	3,476,125		77,250
Licensed vehicles	2,286,868		2,286,868		
Property under capital leases		9,532,212	9,532,212		
Construction in progress	14,651,884	2,083,687	16,735,571		
<b>TOTAL ASSETS</b>	<b>\$ 168,086,707</b>	<b>85,385,607</b>	<b>253,472,314</b>	<b>698,918</b>	<b>1,295,193</b>

The notes to the financial statements are an integral part of this statement.

	<i>Primary Government</i>			<i>Component Units</i>	
	<i>Governmental</i>	<i>Business-Type</i>	<i>Total</i>	<i>Health</i>	<i>Library</i>
	<i>Activities</i>	<i>Activities</i>			
<b>LIABILITIES</b>					
Accounts payable	1,636,484	927,522	2,564,006	38,767	2,724
Contracts payable	874,979	167,470	1,042,449		
Accrued liabilities	391,892	134,754	526,646	14,102	8,807
Due to other governments	254,407	950,382	1,204,789		
Due to fiduciary fund	1,101		1,101		
Due to primary government			-	1,651	954
Due to component units	22,253		22,253		
Unearned revenue	97,245		97,245		
Accrued interest payable from restricted assets		17,860	17,860		
Customer deposits		615,289	615,289		
Capital improvement deposits		2,292,375	2,292,375		
Noncurrent contracts payable		752,563	752,563		
Other liabilities and escrow deposits	45,961	111,261	157,222		
Long-term liabilities					
Due within one year:					
Bonds payable	1,831,073	390,000	2,221,073		
Certificates of obligation	1,535,000		1,535,000		
Tax notes	335,000		335,000		
Obligations under capital leases	55,068	358,301	413,369		
Accrued compensated absences	194,919	32,555	227,474		18,297
Due in more than one year:					
Net pension and other postemployment obligation	2,523,405	797,817	3,321,222		33,737
Bonds payable	13,977,741	2,299,544	16,277,285		
Certificates of obligation	40,590,475		40,590,475		
Tax notes	525,000		525,000		
Obligations under capital leases	31,227	4,871,176	4,902,403		
Accrued compensated absences	3,282,881	374,755	3,657,636		
<b>TOTAL LIABILITIES</b>	<b>68,206,111</b>	<b>15,093,624</b>	<b>83,299,735</b>	<b>54,520</b>	<b>64,519</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	77,541,533	59,671,961	137,213,494	390,314	77,250
Restricted for:					
Court security and technology	290,127		290,127		
Police	196,634		196,634		
Health and welfare	225,921		225,921	254,084	
Convention center	619,651		619,651		
Construction		3,885,560	3,885,560		
Capital maintenance		1,658,956	1,658,956		
Debt service	625,919	758,257	1,384,176		
Capital improvements	14,388,271		14,388,271		
Library operations:					
Expendable					214,772
Nonexpendable					10,000
Unrestricted	5,992,540	4,317,249	10,309,789		928,652
<b>TOTAL NET ASSETS</b>	<b>\$ 99,880,596</b>	<b>70,291,983</b>	<b>170,172,579</b>	<b>644,398</b>	<b>1,230,674</b>

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF ACTIVITIES For the Year Ended September 30, 2012

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government</b>				
Governmental activities:				
General government	\$ 5,984,631	583,956	166,732	
Public safety	17,624,401	1,725,816	595,558	
Public works	7,461,167	168,451	164,346	
Parks and recreation	2,918,560	263,536	263,603	
Health and welfare	2,451,906	149,781	1,277,408	
Interest on long-term debt	2,593,982			
Total governmental activities	<u>39,034,647</u>	<u>2,891,540</u>	<u>2,467,647</u>	<u>-</u>
Business-type activities:				
Water and sewer	<u>15,840,902</u>	<u>16,136,042</u>		
Total business-type activities	<u>15,840,902</u>	<u>16,136,042</u>	<u>-</u>	<u>-</u>
Total primary government	<u>54,875,549</u>	<u>19,027,582</u>	<u>2,467,647</u>	<u>-</u>
<b>Component units</b>				
Component unit - Health	1,218,582	211,627	947,369	
Component unit - Library	889,673	40,948	575,027	19,370
Total component units	<u>\$ 2,108,255</u>	<u>252,575</u>	<u>1,522,396</u>	<u>19,370</u>
			<b>General Revenues</b>	
			Property taxes	
			Sales taxes	
			Franchise taxes	
			Hotel occupancy taxes	
			Other taxes	
			Unrestricted investment earnings	
			Miscellaneous	
			Transfers	
			Total general revenues and transfers	
			Change in net assets	
			Net assets, beginning of year	
			Net assets end of year	

The notes to the financial statements are an integral part of this statement.

*Net (Expense) Revenue and Changes in Net Assets*

<i>Primary Government</i>			<i>Component Units</i>	
<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Health</i>	<i>Library</i>
(5,233,943)		(5,233,943)		
(15,303,027)		(15,303,027)		
(7,128,370)		(7,128,370)		
(2,391,421)		(2,391,421)		
(1,024,717)		(1,024,717)		
(2,593,982)		(2,593,982)		
<u>(33,675,460)</u>	<u>-</u>	<u>(33,675,460)</u>	<u>-</u>	<u>-</u>
	295,140	295,140		
<u>-</u>	<u>295,140</u>	<u>295,140</u>	<u>-</u>	<u>-</u>
<u>(33,675,460)</u>	<u>295,140</u>	<u>(33,380,320)</u>	<u>-</u>	<u>-</u>
			(59,586)	
			<u>(59,586)</u>	<u>(254,328)</u>
				<u>(254,328)</u>
15,577,638		15,577,638		291,428
14,114,271		14,114,271		
2,002,603		2,002,603		
1,155,277		1,155,277		
108,841		108,841		
186,700	50,601	237,301	11	42,845
1,235,793	965,964	2,201,757	5,500	
3,318,900	(3,318,900)	-		
<u>37,700,023</u>	<u>(2,302,335)</u>	<u>35,397,688</u>	<u>5,511</u>	<u>334,273</u>
4,024,563	(2,007,195)	2,017,368	(54,075)	79,945
<u>95,856,033</u>	<u>72,299,178</u>	<u>168,155,211</u>	<u>698,473</u>	<u>1,150,729</u>
<u>\$ 99,880,596</u>	<u>70,291,983</u>	<u>170,172,579</u>	<u>644,398</u>	<u>1,230,674</u>

# CITY OF TEXARKANA, TEXAS

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2012

	<u>General</u>	<u>2009 Bond Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash	\$ 6,001,557	9,161,111	279,872	8,215,572	23,658,112
Investments	1,000			949,205	950,205
Receivables (net of allowance for uncollectible):					
Property taxes	55,783		32,509	999	89,291
Other taxes	184,565			141,968	326,533
Accounts	44,422	4,093		42,465	90,980
Other government agencies	3,305,880			233,526	3,539,406
Accrued interest				1,415	1,415
Loans				991,504	991,504
Due from other funds	1,072,690	173,442	6,444	93,220	1,345,796
Due from component units	2,605				2,605
Houses held for resale				84,356	84,356
Investment in joint venture	101,081				101,081
<b>TOTAL ASSETS</b>	<u>10,769,583</u>	<u>9,338,646</u>	<u>318,825</u>	<u>10,754,230</u>	<u>31,181,284</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	927,160		431	260,405	1,187,996
Contracts payable		360,749		514,230	874,979
Accrued payroll	383,486			2,461	385,947
Due to other governments	139,520	35,665		78,424	253,609
Due to other funds	341,443	2,995		1,130,818	1,475,256
Due to component units	22,253				22,253
Deferred revenue	61,403			99,489	160,892
Unearned revenue				9,408	9,408
Other liabilities and escrow deposits	43,349			2,612	45,961
<b>TOTAL LIABILITIES</b>	<u>1,918,614</u>	<u>399,409</u>	<u>431</u>	<u>2,097,847</u>	<u>4,416,301</u>
Fund Balances:					
Nonspendable for:					
Noncurrent loans				310,426	310,426
Investment in joint venture	101,081				101,081
Restricted	478,043	8,939,237	318,394	6,303,324	16,038,998
Committed				1,751,275	1,751,275
Assigned	462,852			1,371,484	1,834,336
Unassigned					
General fund	7,808,993				7,808,993
Special revenue funds				(338,733)	(338,733)
Capital projects funds				(741,393)	(741,393)
<b>TOTAL FUND BALANCES</b>	<u>8,850,969</u>	<u>8,939,237</u>	<u>318,394</u>	<u>8,656,383</u>	<u>26,764,983</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 10,769,583</u>	<u>9,338,646</u>	<u>318,825</u>	<u>10,754,230</u>	<u>31,181,284</u>

The notes to the financial statements are an integral part of this statement.

# CITY OF TEXARKANA, TEXAS

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## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS September 30, 2012

Total governmental funds balances	\$ 26,764,983
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	122,934,905
Receivables reported in the statement of net assets that are not available to provide current financial resources are not reported as receivables in the funds.	1,370,339
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	73,055
Internal service funds are used by management to charge the costs of insurance and fleet services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	1,275,322
Long-term liabilities, including bonds payable, are not due and payable in the current periods and therefore are not reported in the funds.	(64,881,789)
Equity interest in joint ventures are not current financial resources and therefore may not be reported in the funds.	<u>12,343,781</u>
Net assets of governmental activities	<u>\$ 99,880,596</u>

*The notes to the financial statements are an integral part of this statement.*

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the Year Ended September 30, 2012

	<u>General</u>	<u>2009 Bond Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Property taxes	\$ 10,346,451		5,160,784	122,211	15,629,446
Other taxes	14,223,112			1,187,104	15,410,216
Franchise receipts	1,636,332			366,271	2,002,603
Fees and permits	185,615				185,615
Charges for services	529,007			93,625	622,632
Municipal court	1,715,643				1,715,643
Grants and entitlements	658,018			1,238,739	1,896,757
Interest and dividends	30,006	47,954	45,848	54,725	178,533
Intergovernmental	404,518			20,019	424,537
Other	205,353			83,155	288,508
Total revenues	<u>29,934,055</u>	<u>47,954</u>	<u>5,206,632</u>	<u>3,165,849</u>	<u>38,354,490</u>
<b>EXPENDITURES</b>					
Current:					
General government	5,324,724			362,365	5,687,089
Public safety	15,669,506			60,050	15,729,556
Public works	3,368,430			447,292	3,815,722
Parks and recreation	1,504,558			629,058	2,133,616
Health and welfare	1,146,007			1,126,263	2,272,270
Capital outlay	1,110,448	4,093,843		6,936,792	12,141,083
Debt service:					
Principal retirement	148,802		3,640,000		3,788,802
Interest and fiscal charges	6,820		2,294,267		2,301,087
Bond issuance costs			104,424	115,003	219,427
Total expenditures	<u>28,279,295</u>	<u>4,093,843</u>	<u>6,038,691</u>	<u>9,676,823</u>	<u>48,088,652</u>
Excess (deficiency) of revenues over expenditures	1,654,760	(4,045,889)	(832,059)	(6,510,974)	(9,734,162)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	3,011,360		404,088	862,000	4,277,448
Transfers out	(1,449,574)			(956,499)	(2,406,073)
Capital leases	82,905				82,905
Certificates of obligation issued				4,115,000	4,115,000
Refunding bonds issued			10,730,000		10,730,000
Premium on refunding bonds issued			1,150,861		1,150,861
Payment to refunded bond escrow agent			(11,805,488)		(11,805,488)
Total other financing sources (uses)	<u>1,644,691</u>	<u>-</u>	<u>479,461</u>	<u>4,020,501</u>	<u>6,144,653</u>
Net change in fund balances	3,299,451	(4,045,889)	(352,598)	(2,490,473)	(3,589,509)
Fund balances at beginning of year	5,551,518	12,985,126	670,992	11,146,856	30,354,492
Fund balances at end of year	<u>\$ 8,850,969</u>	<u>8,939,237</u>	<u>318,394</u>	<u>8,656,383</u>	<u>26,764,983</u>

The notes to the financial statements are an integral part of this statement.

# CITY OF TEXARKANA, TEXAS

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## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended September 30, 2012

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

Net change in fund balances - total governmental funds	\$ (3,589,509)
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. This is the amount by which capital outlays exceeded depreciation expense in the current period.	7,712,525
The Statement of Activities reports a gain or loss of the sale of the assets based on the proceeds received and the net book value of the assets at the time of disposal. This amount is the net effect of the difference between the cost of assets disposed and the accumulated depreciation of assets disposed.	(69,514)
Revenues for property taxes and charges for services in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(59,839)
Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. On the accrual basis, however, those revenues would be recognized, regardless of when they were collected. This is the net amount of the revenue differences as a result of deferrals because of the availability criterion under the modified accrual basis of accounting.	(38,993)
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 the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. Also governmental funds report the net effect of issuance costs, 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.	(985,432)
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in the governmental funds.	(178,209)
Internal service funds are used by management to charge the costs of insurance and fleet services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	72,931
Increases from the equity interest in joint ventures are not current financial resources and therefore may not be reported in the funds.	<u>1,160,603</u>
Change in net assets of governmental activities	<u>\$ 4,024,563</u>

*The notes to the financial statements are an integral part of this statement.*

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# CITY OF TEXARKANA, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended September 30, 2012

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget Over (Under)</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Property taxes	\$ 8,384,404	10,339,924	10,346,451	6,527
Other taxes	14,068,000	14,068,000	14,223,112	155,112
Franchise receipts	1,710,550	1,710,550	1,636,332	(74,218)
Fees and permits	211,575	211,575	185,615	(25,960)
Charges for services	634,550	634,550	529,007	(105,543)
Municipal court	1,670,720	1,670,720	1,715,643	44,923
Grants and entitlements	246,201	246,201	760,934	514,733
Investment earnings	28,675	28,675	30,006	1,331
Intergovernmental	588,649	588,649	301,602	(287,047)
Other	555,058	561,304	205,353	(355,951)
Total revenues	<u>28,098,382</u>	<u>30,060,148</u>	<u>29,934,055</u>	<u>(126,093)</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,498,737	6,540,363	5,324,724	1,215,639
Public safety	15,903,300	16,299,085	15,669,506	629,579
Public works	4,013,290	4,091,750	3,368,430	723,320
Parks and recreation	1,525,436	1,557,701	1,504,558	53,143
Health and welfare	1,400,411	1,418,720	1,146,007	272,713
Miscellaneous				-
Capital outlay	2,166,265	1,599,816	1,110,448	489,368
Debt service:				
Principal	105,400	105,400	148,802	(43,402)
Interest	5,355	5,355	6,820	(1,465)
Total expenditures	<u>31,618,194</u>	<u>31,618,190</u>	<u>28,279,295</u>	<u>3,338,895</u>
Excess (deficiency) of revenue over expenditures	<u>(3,519,812)</u>	<u>(1,558,042)</u>	<u>1,654,760</u>	<u>3,212,802</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	790,617	3,842,311	3,011,360	(830,951)
Transfers out	(2,012,308)	(1,678,971)	(1,449,574)	229,397
Capital leases			82,905	82,905
Total other financing sources (uses)	<u>(1,221,691)</u>	<u>2,163,340</u>	<u>1,644,691</u>	<u>(518,649)</u>
Net change in fund balance	(4,741,503)	605,298	3,299,451	2,694,153
Fund balances at beginning of year	<u>5,551,518</u>	<u>5,551,518</u>	<u>5,551,518</u>	<u>-</u>
Fund balance at end of year	<u>\$ 810,015</u>	<u>6,156,816</u>	<u>8,850,969</u>	<u>2,694,153</u>

The notes to the financial statements are an integral part of this statement.

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS September 30, 2012

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Texarkana, Texas Water Utilities	Other Proprietary Funds	Total	
<b>ASSETS</b>				
Current assets:				
Cash	\$ 3,016,540	158,920	3,175,460	1,773,448
Investments	825,000		825,000	
Receivables (net of allowance for uncollectible):				
Accounts	2,606,231	98,296	2,704,527	3,596
Accrued interest	1,059		1,059	
Other government agencies	23,291		23,291	343
Due from other funds	286,451	14,795	301,246	151,805
Inventory	689,552		689,552	20,018
Prepaid expenses	12,450		12,450	
Net investment in direct financing leases - current	30,946		30,946	
Total current assets	<u>7,491,520</u>	<u>272,011</u>	<u>7,763,531</u>	<u>1,949,210</u>
Noncurrent assets:				
Restricted assets:				
Cash	4,294,680	502,002	4,796,682	
Investments	2,250,000	750,000	3,000,000	
Receivables:				
Accounts		156,239	156,239	
Accrued interest	3,170	566	3,736	
Total restricted assets	<u>6,547,850</u>	<u>1,408,807</u>	<u>7,956,657</u>	<u>-</u>
Other noncurrent assets:				
Deferred charges	<u>1,180,802</u>		<u>1,180,802</u>	
Total other noncurrent assets	<u>1,180,802</u>	<u>-</u>	<u>1,180,802</u>	<u>-</u>
Capital assets (net of accumulated depreciation):				
Land	1,333,965		1,333,965	
Buildings	1,168,794		1,168,794	97,738
Improvements other than buildings	52,797,090		52,797,090	23,238
Machinery and equipment	1,467,406		1,467,406	34,700
Property under capital leases	9,532,212		9,532,212	
Licensed vehicles			-	50,271
Construction in progress	<u>2,083,686</u>		<u>2,083,686</u>	
Total capital assets	<u>68,383,153</u>	<u>-</u>	<u>68,383,153</u>	<u>205,947</u>
Total noncurrent assets	<u>76,111,805</u>	<u>1,408,807</u>	<u>77,520,612</u>	<u>205,947</u>
<b>TOTAL ASSETS</b>	<u>\$ 83,603,325</u>	<u>1,680,818</u>	<u>85,284,143</u>	<u>2,155,157</u>

The notes to the financial statements are an integral part of this statement.

	<b>Business Type Activities - Enterprise Funds</b>			<i>Governmental Activities - Internal Service Funds</i>
	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	845,436	82,086	927,522	448,488
Construction contracts payable	167,470		167,470	
Accrued liabilities	133,544	1,210	134,754	5,945
Accrued interest	17,860		17,860	
Due to other funds	14,795	286,451	301,246	21,894
Due to other governments	943,637	6,745	950,382	798
Other payables	111,261		111,261	
Accrued compensated absences - current	32,555		32,555	
Revenue bonds - current	390,000		390,000	
Obligations under capital leases - current	358,301		358,301	
Total current liabilities	<u>3,014,859</u>	<u>376,492</u>	<u>3,391,351</u>	<u>477,125</u>
Noncurrent liabilities:				
Customer deposits	615,289		615,289	
Capital improvement deposits	988,049	1,304,326	2,292,375	
Contracts payable	752,563		752,563	
Accrued compensated absences	374,755		374,755	
Net pension and other postemployment obligations	797,817		797,817	
Revenue bonds	2,299,544		2,299,544	
Obligations under capital leases	4,871,176		4,871,176	
Total noncurrent liabilities	<u>10,699,193</u>	<u>1,304,326</u>	<u>12,003,519</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>13,714,052</u>	<u>1,680,818</u>	<u>15,394,870</u>	<u>477,125</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	59,671,961		59,671,961	205,948
Restricted for construction	3,885,560		3,885,560	
Restricted for capital maintenance	1,658,956		1,658,956	
Restricted for debt service	758,257		758,257	
Unrestricted	3,914,539		3,914,539	1,472,084
<b>TOTAL NET ASSETS</b>	<u>\$ 69,889,273</u>	<u>-</u>	<u>69,889,273</u>	<u>1,678,032</u>
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.			<u>402,710</u>	
Net assets of business-type activities			<u>\$ 70,291,983</u>	

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Year Ended September 30, 2012

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Texarkana, Texas Water Utilities	Other Proprietary Funds	Total	
<b>OPERATING REVENUES</b>				
Water sales	\$ 5,911,969	869,228	6,781,197	
Wholesale water sales	1,978,076		1,978,076	
Water connection fees	5,875		5,875	
Sewer charges	6,863,962		6,863,962	
Penalties and service charges	506,932		506,932	
Insurance contributions			-	4,803,735
Fleet services			-	80,366
Other income	965,964		965,964	
Total operating revenues	<u>16,232,778</u>	<u>869,228</u>	<u>17,102,006</u>	<u>4,884,101</u>
<b>OPERATING EXPENSES</b>				
Administrative	176,847		176,847	
Finance	896,737		896,737	
Customer service	482,316		482,316	
Water production	2,871,914		2,871,914	
Water distribution	806,944		806,944	
Sewer collection	727,378		727,378	
Wastewater treatment	2,575,731		2,575,731	
Environmental service	131,907		131,907	
Engineering design	361,421		361,421	
Geographical information systems	281,837		281,837	
Composting	247,672		247,672	
Operations administration	151,243		151,243	
Service center	218,314		218,314	
Safety	52,513		52,513	
Field service	314,490		314,490	
Water/Sewer construction	517,260		517,260	
Benefit payments			-	4,872,272
Fleet services			-	1,411,439
Depreciation	2,877,004		2,877,004	
Other expenses	528,467		528,467	
Contract water & sewer expense-International Paper		870,215	870,215	
Total operating expense	<u>14,219,995</u>	<u>870,215</u>	<u>15,090,210</u>	<u>6,283,711</u>
Operating income (loss)	<u>2,012,783</u>	<u>(987)</u>	<u>2,011,796</u>	<u>(1,399,610)</u>

The notes to the financial statements are an integral part of this statement.

	<u>Business Type Activities - Enterprise Funds</u>			<i>Governmental Activities - Internal Service Funds</i>
	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest revenue - investments	47,484	987	48,471	8,166
Interest revenue - capital leases	2,130		2,130	
Interest expense and paying agent fees	(167,989)		(167,989)	
Interest expense - capital leases	(293,350)		(293,350)	
Gain (loss) on disposal of capital assets	(1,121)		(1,121)	
Other revenues (expenses)	(271,382)		(271,382)	
Total nonoperating revenues (expenses)	<u>(684,228)</u>	<u>987</u>	<u>(683,241)</u>	<u>8,166</u>
Income before contributions and transfers	1,328,555	-	1,328,555	(1,391,444)
Transfers in			-	1,449,574
Transfers out	<u>(3,318,900)</u>		<u>(3,318,900)</u>	<u>(2,049)</u>
Change in net assets	(1,990,345)	-	(1,990,345)	56,081
Total net assets, beginning of year	<u>71,879,618</u>	<u>-</u>		<u>1,621,951</u>
Total net assets, end of year	<u><u>69,889,273</u></u>	<u><u>-</u></u>		<u><u>1,678,032</u></u>
Some amounts reported for business-type activities in the statement of activities are different because the net revenue of certain internal service funds is reported with business-type activities.			<u>(16,850)</u>	
Change in net assets of business-type activities			<u>\$ (2,007,195)</u>	

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended September 30, 2012

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Texarkana, Texas Water Utilities	Other Proprietary Funds	Total	
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$15,955,825	949,542	16,905,367	1,686,206
Cash received from interfund services provided and used			-	4,682,586
Cash paid to suppliers	(6,781,833)	(714,515)	(7,496,348)	(6,193,649)
Cash paid to employees	(3,990,178)	(140,193)	(4,130,371)	(252,149)
Net cash provided (used) from operating activities	<u>5,183,814</u>	<u>94,834</u>	<u>5,278,648</u>	<u>(77,006)</u>
<b>Cash flows from non-capital financing activities:</b>				
Nonoperating costs- legal fees	(271,382)		(271,382)	
Transfers from other funds			-	
Transfers to other funds	(3,318,900)		(3,318,900)	(2,049)
Net cash used from non-capital financing activities	<u>(3,590,282)</u>	<u>-</u>	<u>(3,590,282)</u>	<u>(2,049)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(2,961,845)	(114,624)	(3,076,469)	(39,793)
Principal paid on bonds	(1,300,000)		(1,300,000)	
Interest paid on bonds	(177,101)		(177,101)	
Principal paid on capital leases	(333,241)		(333,241)	
Interest paid on capital leases	(240,731)		(240,731)	
Principal received on direct financing leases	29,317		29,317	
Interest received on direct financing leases	2,130		2,130	
Capital improvement deposits paid	(131,156)		(131,156)	
Capital improvement deposits received	530,145	95,033	625,178	
Interest received on capital improvement deposits	4,433	4,451	8,884	
Proceeds from disposal of capital assets			-	
Net cash used from capital and related financing activities	<u>(4,578,049)</u>	<u>(15,140)</u>	<u>(4,593,189)</u>	<u>(39,793)</u>
<b>Cash flows from investing activities:</b>				
Purchase of investments	(6,050,000)	(1,500,000)	(7,550,000)	
Proceeds from sale and maturities of investments	8,700,000	1,750,000	10,450,000	
Interest received on investments	42,792	987	43,779	8,166
Net cash provided from investing activities	<u>2,692,792</u>	<u>250,987</u>	<u>2,943,779</u>	<u>8,166</u>
Net increase (decrease) in cash	(291,725)	330,681	38,956	(110,682)
Cash, beginning of year	<u>7,602,945</u>	<u>330,241</u>	<u>7,933,186</u>	<u>1,884,130</u>
Cash, end of year	<u>\$ 7,311,220</u>	<u>660,922</u>	<u>7,972,142</u>	<u>1,773,448</u>

The notes to the financial statements are an integral part of this statement.

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended September 30, 2012

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Texarkana, Texas Water Utilities	Other Proprietary Funds	Total	
<b><u>Reconciliation of operating income (loss) to net cash provided by operating activities</u></b>				
Operating income (loss)	\$ 2,012,783	(987)	2,011,796	(1,399,610)
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>				
Depreciation expense	2,877,004		2,877,004	18,238
Amortization of bond issuance cost	28,091		28,091	
Millwood expense	12,316		12,316	
Transfers from other funds				1,449,574
<b>(Increase) decrease in assets:</b>				
Accounts receivable	(230,741)	80,314	(150,427)	(3,961)
Allowance for doubtful accounts	6,647		6,647	
Due from other government agencies			-	390
Due from other funds	27		27	24,255
Due from component units			-	14,433
Inventory	(19,792)		(19,792)	3,225
Prepaid expenses	3,146		3,146	
<b>Increase (decrease) in liabilities:</b>				
Accounts payable	(315,622)	1,568	(314,054)	(29,868)
Accrued liabilities	18,364	(14)	18,350	313
Due to other funds	526,001	13,953	539,954	(153,995)
Accrued compensated absences	49,480		49,480	
Customer deposits	11,829		11,829	
Net pension and other postemployment obligations	165,797		165,797	
Other payables	38,484		38,484	
Total adjustments	3,171,031	95,821	3,266,852	1,322,604
Net cash provided (used) from operating activities	\$ 5,183,814	94,834	5,278,648	(77,006)
<b>Noncash investing, capital, and financing activities:</b>				
Additions to capital assets and direct financing lease	28,310			

The notes to the financial statements are an integral part of this statement.

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS September 30, 2012

	<i>Firemen's Relief Pension Trust Fund</i>	<i>Agency Funds</i>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash	\$ 479,458	72,916
Investments, at fair value		
Common trust funds	18,286,911	
Treasury and federal agencies	3,754,651	
Nongovernment obligations	1,061,984	
Foreign obligations	1,013,900	
Exchange traded funds	969,321	
Small cap growth funds	1,556,208	
LTD partnerships & LTD liability corporations	31,919	
Preferred stocks nonconvertible	27,930	
Common stocks	957,939	
Accrued interest receivable	46,428	
Due from other funds	1,101	
<b>TOTAL ASSETS</b>	<u>28,187,750</u>	<u>72,916</u>
<b>LIABILITIES</b>		
Accounts payable	44,510	
Due to other funds	1,552	
Escrow deposits		(72,916)
<b>TOTAL LIABILITIES</b>	<u>46,062</u>	<u>(72,916)</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits and other purposes	28,141,688	
<b>TOTAL NET ASSETS</b>	<u>\$ 28,141,688</u>	<u>-</u>

The notes to the financial statements are an integral part of this statement.

# CITY OF TEXARKANA, TEXAS

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## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUND For the Year Ended September 30, 2012

	<i>Firemen's Relief Pension Trust Fund</i>
	<u>                    </u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 804,883
Employee	609,999
Investment earnings:	
Interest	761,018
Net increase in the fair value of investments	<u>4,063,846</u>
<b>TOTAL ADDITIONS</b>	<u>6,239,746</u>
<b>DEDUCTIONS</b>	
Benefit payments	1,667,710
Administrative expenses	<u>235,365</u>
<b>TOTAL DEDUCTIONS</b>	<u>1,903,075</u>
Change in net assets	4,336,671
Net assets at beginning of year	<u>23,805,017</u>
Net assets at end of year	<u><u>\$ 28,141,688</u></u>

*The notes to the financial statements are an integral part of this statement.*

# CITY OF TEXARKANA, TEXAS

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## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2012

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *A. REPORTING ENTITY*

The City of Texarkana, Texas was incorporated on April 5, 1960 under the provisions of Vernon's Civil Statutes Article 1175 (1) as amended (Home Rule Enabling Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City of Texarkana, Texas (the primary government) and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column of the financial statements to emphasize it is legally separate from the government.

#### *B. INDIVIDUAL COMPONENT UNIT DISCLOSURES- Discretely Presented Component Unit*

The **Texarkana -Bowie County Family Health Center**, a public health district as established under Texas Civil Statutes, was organized by a cooperative agreement between the City and Bowie County, Texas. Because 7 of the 12 members of the governing body serve by virtue of the position each holds with the primary government, management has concluded that the primary government effectively appoints a voting majority of the governing body. Management believes that failure to include the Health Center would render the City's financial statements incomplete or misleading. The remaining 5 members of the Health Center governing body are the Bowie County Commissioners Court members. The City provides the facilities, a majority of the operating funds, and fiscal management of the Center. The City contributed \$74,945 towards the Health Center's operations during the year ended September 30, 2012. The Health Center does not have separately issued financial statements.

The **Texarkana Public Library** is a joint venture between the Cities of Texarkana, Texas and Texarkana, Arkansas. The library is governed by the Texarkana Public Library Commission Trustees, appointed by the Cities of Texarkana, Texas and Texarkana, Arkansas. Each City appoints five members to the Library Commission. Each City subsidizes the Library which is located within the geographic boundaries of the City of Texarkana, Texas. Currently, the subsidies provided from the Cities is approximately 58% from Texarkana, Texas and 42% from Texarkana, Arkansas. The Library is fiscally dependent on its subsidy from the City of Texarkana, Texas since its subsidy is over fifty percent of the Library's revenue. The City of Texarkana, Texas processes the Library's payroll. Library employees are covered under the City of Texarkana, Texas retirement system. The City provides the facility from which the Library operates. The City approves the Library's operating budget. The Library cannot issue bonded debt or levy taxes without the City's approval. Management believes that failure to include the Library would render the City's financial statements incomplete or misleading. The City contributed \$446,834 toward the Library's operations during the year ended September 30, 2012. Complete financial statements for the Library may be obtained at the Library's administrative office at 600 West Third Street, Texarkana, Texas.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## **C. RELATED ORGANIZATIONS**

The City's officials are also responsible for appointing 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 Council or specific committees of the City Council appoint members of the following organizations: Board of Adjustment, Ark-Tex Council of Governments, Building Code Revision Committee, Building and Standards Commission, Civil Service Commission, CDBG Citizens Advisory Committee, Electrical Examining Board, Health Facilities Development Corporation, Historic Landmark Preservation Commission, Hospital Authority Board of Directors, Texarkana Housing Authority, Housing Finance Corporation, Industrial Development Corporation, Intergovernmental Advisory Committee, Library Commission, Northeast Texas Mental Health/Mental Retardation (MHMR) Board of Trustees, Permit and License Appeal Board, Planning and Zoning Commission, Plumbing Appeals and Advisory Board, Public Responsibility Committee (MHMR), and Tax Increment Reinvestment Zone Boards. Positions on these boards are appointed in certain instances in entirety, partially, or with City Board members.

## **D. JOINT VENTURES**

### Texarkana Airport Authority

The City is a participant with Texarkana, Arkansas 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, Texas and four of whom are residents of Texarkana, Arkansas. These board members are appointed by the mayors of the respective Cities. 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.

In previous years, the cities have made contributions of assets to the Airport Authority of \$860,717 by Texarkana, Texas and \$1,035,239 by Texarkana, Arkansas. During the Airport Authority's fiscal year ended December 31, 2011, the City of Texarkana, Texas contributed \$127,152 and the City of Texarkana, Arkansas contributed \$97,060. The City of Texarkana, Texas' net investment in the Airport Authority is reported in the City's financial statements with governmental activities capital assets. The City's equity interest in the Airport Authority was \$10,276,511 at December 31, 2011. 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, Arkansas and Bowie County, Texas. The Bi-State Justice Center is jointly occupied by law enforcement and criminal justice agencies of the City of Texarkana, Texas; the City of Texarkana, Arkansas; and Bowie County, Texas. The facility is located on the state line, half in Texarkana, Texas and half in Texarkana, Arkansas. The Intergovernmental Advisory Committee is responsible for the operations of the Center. This seven member committee is comprised of two members from the City of Texarkana, Texas City Council, two members from the Texarkana, Arkansas Board of Directors, the Bowie County Judge, one

# CITY OF TEXARKANA, TEXAS

## *Notes to the financial statements continued.*

Bowie County Commissioner, and one independent member. The Center accounts only for the operations of its own law enforcement and criminal justice agencies. The annual budget is underwritten by the participating entities based on a formula which uses floor space occupied, number of records processed by the Building Information Center and the number of prisoners in the detention facility for each entity. Each year's revenues and expenditures are equal; therefore, there is never a net income or loss and no fund balance.

The City of Texarkana, Texas' net investment, which consists of capital outlay in the Bi-State Justice Center, is reported in the City's financial statements with governmental activities capital assets. The City's equity interest at September 30, 2012 was \$286,788 based on the Bi-State Justice Center's audited financial statements at December 31, 2011 (the latest available). As described in Note 18, the City has outstanding debt totaling \$1,905,000 at September 30, 2012, which is considered to be conduit debt in accordance with governmental accounting standards. The debt was issued or obtained by the City on behalf of the Bi-State Justice Center. Complete financial statements for the Bi-State Justice Center can be obtained from the City of Texarkana, Arkansas Finance Department.

### Bowie Central Appraisal District

The City is a participant with the other taxing jurisdictions of Bowie County in the Bowie Central Appraisal District. The Appraisal District is responsible for appraising property for ad valorem purposes for each taxing unit that imposes ad valorem taxes on property in the County. In July 1986, the Appraisal District began collecting taxes for some of the jurisdictions. The Bowie Central Appraisal District is governed by a board of directors chosen by vote of the governing bodies of the taxing jurisdictions. Board members serve two-year terms. The taxing jurisdictions of Bowie County have both an ongoing financial responsibility and financial interest in the Appraisal District.

The City of Texarkana, Texas' net investment in this joint venture is reported in the City's financial statements in the General Fund since the joint venture does not represent equity primarily in capital assets. The City's equity interest at September 30, 2012 was \$101,081 based on the Appraisal District's audited financial statements at December 31, 2011 (the latest available). Complete financial statements for the Appraisal District can be obtained from the Bowie Central Appraisal District in New Boston, Texas.

### Texarkana Urban Transportation Study (TUTS)

The City of Texarkana, Texas is a participant with seven other entities in the Texarkana Urban Transportation Study (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, Texas; three of whom are representatives of the City of Texarkana, Arkansas; the Bowie County Judge, the Miller County Judge, the Mayor of the City of Wake Village, Texas; the Mayor of the City of Nash, Texas; two representatives for the Arkansas State Highways 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.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

The City of Texarkana, Texas' net investment in the joint venture is reported in the City's financial statements in the General Fund since the joint venture does not represent equity primarily in capital assets. The City's interest at September 30, 2012 was \$0 based on the Texarkana Urban Transportation Study Policy Committee's audited financial statements at September 30, 2012. The TUTS does not have separately issued financial statements for the year ended September 30, 2012.

## Texarkana Urban Transit District

The City of Texarkana, Texas is a participant with three other cities in the Texarkana Urban Transit District (TUTD). The purpose of the TUTD will be 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, Texas - three members, one of whom is an elected official; the City of Texarkana, Arkansas - 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 of the TUTD since its continued existence depends on continued funding by the City.

The City of Texarkana, Texas' net investment in the joint venture is reported in the City's financial statements with governmental activities capital assets since the joint venture represents equity primarily in capital assets. The City's interest at September 30, 2012 was \$1,780,482 based on the Texarkana Urban Transit District's audited financial statements at September 30, 2011 (the latest available). Complete financial statements for the TUTD can be obtained from the ATCOG Finance Department in Texarkana, Texas.

## ***E. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS***

The government-wide financial statements consist of the statement of net assets and the statement of activities. The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services. Similarly, the primary government is reported separately from 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 segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Separate financial statements are provided for governmental funds and proprietary funds as well as fiduciary funds even though they are excluded from the government-wide financial statements. Major individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

## ***F. BASIS OF ACCOUNTING***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements, with the exception of agency funds. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded when payment is due.

Revenue sources such as property taxes, sales tax, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service - This fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs of all of the City's long-term general obligation debt of governmental funds.

2009 Bond Capital Projects Fund - This fund was established to account for bond proceeds used for (i) constructing and improving streets, including related traffic signalization, signage, sidewalks, landscaping and drainage improvement, and the acquisition of land and right-of-way, (ii) acquiring, constructing, improving and equipping park and recreational facilities, including the purchase of land, (iii) improving and extending the City's combined waterworks and sewer system, including the purchase of land, right of way and equipment, (iv) constructing and improving facilities and acquiring equipment and vehicles for various City departments, (v) constructing, improving, renovating and equipping City hall and related professional services.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

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The City reports the following major proprietary funds:

Texarkana, Texas Water Utilities- This fund is used to account for water and sewer services provided to the citizens of Texarkana, Texas and other incorporated and unincorporated areas adjacent to the City.

Additionally, the City reports the following types of funds:

Internal Service Funds - These funds are established to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City has two internal service funds. The Employee Benefit fund is used to account for employee medical benefits and life insurance premiums for covered City employees. The Fleet Services fund is used to account for the repair and maintenance of all vehicles and equipment owned by the City except for the Water Utilities.

Pension Trust Fund - This fund is established to account for the accumulation of resources to provide pension benefits to the City's firemen. The principal revenue sources for this fund are employer and employee contributions and investment earnings.

Agency Funds - These funds are used to account for evidence money seized by the police department and held in escrow until the court directs its disposition.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in accounting and reporting its government-wide and proprietary operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. All taxes are included as general revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of Texarkana, Texas Water Utilities, as well as the City's internal service funds are charges to customers for sales and services. Texarkana, Texas Water Utilities also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and service,

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

## ***G. ASSETS, LIABILITIES, AND NETS ASSETS OR EQUITY***

### **1. Deposits and investments**

The City's cash and cash equivalents include amounts in demand and time deposit accounts. The City classifies all certificates of deposit as investments. State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record.

The Firemen's Relief and Pension Trust Fund is authorized to invest in bonds or other interest-bearing obligations and securities of the United States, the State of Texas, or any county, city or other political subdivision of the State of Texas; in insured shares or share accounts of savings and loan associations; in insured first lien real estate mortgage securities and in selected corporation bonds, preferred stocks, and common stocks.

Investments for the City and its component units are reported at fair value. Short-term investments, such as certificates of deposit and debt securities with a maturity date of less than one year, are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals.

For purposes of the statement of cash flows, the proprietary funds consider cash in bank, money market and savings accounts as cash and cash equivalents. All certificates of deposit and investments in other securities and instruments are considered to be investments.

### **2. Receivables and payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as either "due to/from other funds (i.e. the current portion of interfund loans) or "advances to/from other funds (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the City's governmental activities and business type activities are reported in the government-wide financial statements as "internal balances".

All trade and property taxes receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 91 percent of outstanding property taxes as of September 30, 2012.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Property taxes are levied each October 1 and may be paid without penalty until January 31. A penalty is added to payments received February 1 through June 30. Optionally, taxes may be paid in two installments, one-half due November 30 and one-half due June 30. A 15% penalty is added to taxes remaining delinquent on July 1 and an enforceable lien attaches July 1. As of July 6, 1986, the Bowie Central Appraisal District assumed the billing and collection function for property taxes for the City of Texarkana and other cities and schools, and Bowie County under an intergovernmental agreement.

The Texas Constitution limits the City's ad valorem tax rate for all purposes to \$2.50 per one hundred dollars of assessed valuation. Ad valorem tax revenue during the year ended September 30, 2012 was levied using a rate of \$.669293 per hundred dollars of assessed valuation, based on 100% of estimated market value, which means that the City has a tax margin of \$1.830707 per \$100 and could raise taxes up to an additional \$43,757,477 a year from the present assessed valuation of \$2,390,195,512 before the limit is reached.

### **3. Inventories and prepaid items**

Inventories of the governmental funds are valued at cost using the average cost method. Inventory in the general fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed.

Inventories of the enterprise funds are valued at average cost or market whichever is lower. The first-in, first-out method of valuation is utilized. Inventories consist of repair materials and spare parts for water and wastewater treatment and distribution.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

### **4. Restricted Assets**

Certain proceeds of enterprise fund revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Each of the enterprise funds report such proceeds of revenue bond issuances that are restricted for use in construction, debt service, and capital maintenance. Restricted assets also include interest accrued on unexpended bond proceeds.

### **5. Capital assets**

Capital assets which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns of the government-wide financial statements.

*Governmental activities and health component unit:*

Capital assets are defined by governmental activities and the health component unit as assets with a normal service life greater than one year and an initial individual cost of more than the following amounts:

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Land	\$ -
Buildings	5,000
Improvements other than buildings	5,000
Infrastructure	5,000
Machinery and equipment	5,000
Licensed vehicles	5,000

Such assets are stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. Major infrastructure includes those items acquired after June 30, 1980. An infrastructure asset is considered "major" if the cost or estimated cost of a network of infrastructure assets is expected to be at least 10 percent of the total cost of all general capital assets reported in the first fiscal year ending after June 15, 1999. An infrastructure asset is also considered "major" if the cost or estimated cost of a subsystem of infrastructure assets is expected to be at least 5 percent of the total cost of all general capital assets reported in the first fiscal year ending after June 15, 1999.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government as well as the component unit is depreciated using the straight line method over the following estimated useful lives:

Land improvements	20 years
Furniture and fixtures	20 years
Licensed vehicles	8 years
Machinery and equipment	5 to 20 years
Communication equipment	10 years
Building	25 to 50 years
Infrastructure	10 to 60 years

### *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	\$ 100
Licensed vehicles	1,000
Mobile equipment	1,000
Machinery and equipment	500
Communication equipment	500
Pumps and purification equipment	1,000
Building and facilities	1,000
New improvements	1,000

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest during construction is capitalized to the extent that interest costs exceed interest income on externally restricted bond proceeds. Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

Licensed vehicles	5 years
Mobile equipment	5 years
Machinery and equipment	5 to 10 years
Communication equipment	5 years
Pumps and purification equipment	10 years
Buildings	10 to 50 years
Water and sewer systems	12 to 99 years

Leases are accounted for in accordance with FASB Accounting Standards Codification (ASC) 840. Amortization of the leased assets is recorded in the depreciation accounts.

## **6. Compensated Absences**

The City allows employees to accumulate earned but unused vacation and sick pay benefits. The City's full-time employees are granted 120 hours of vacation and 120 hours of sick leave per year of continuous service. A maximum of 160 hours of accrued vacation leave can be vested and carried forward to succeeding calendar years, with the exception of firemen who can accrue 168 hours. All accrued sick leave credited to an employee can be carried forward to succeeding calendar years without limitation. A maximum of 120 hours accrued vacation is payable to an employee upon termination for any reason. Upon separation from service with the City, whether voluntarily or otherwise, anytime after three years of continuous service, all regular full-time and regular part-time employees can receive pay for any unused sick leave accumulated up to ninety working days. This provision applies to all employees hired prior to April 26, 1977. All employees appointed on or after April 26, 1977, but prior to October 1, 1987 can receive payment for unused sick leave if such employees give adequate notice prior to termination and leave in good standing. Employees hired on or after April 26, 1977, but before October 1, 1987, will receive pay for up to 720 hours of unused sick leave, based on the rate of pay at the time of termination. Employees hired after October 1, 1987 will receive payment for up to 720 hours of unused sick leave based on the rate of pay at the time of termination after ten years of continuous service.

Non-civil service, Bi-City, and such other Bi-City employees governed by the City of Texarkana, Texas personnel policy who are hired on or after October 1, 1987 upon termination of employment, forfeit any unused sick leave. Such employees may, upon vested termination, convert unused sick leave to health and/or dental insurance coverage, subject to limitations set for employees appointed on or after April 26, 1977.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of Governmental Accounting Standards Board Statement No.16, "Accounting for Compensated Absences," no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

The City is funding part of its liability through annual allocations and transfers to separate accounts. Allocations, set annually by the City Council, are for employee termination payments.

## 7. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

## 8. Fund equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balances may be restricted or unrestricted (the total of committed, assigned, and unassigned fund balance). The government itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). Fund balance for governmental funds can consist of the following:

**Non-spendable fund balance** - includes those amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts and long-term notes receivable.

**Restricted fund balance** -- includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

**Committed fund balance** - includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

**Assigned fund balance** - includes amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the chief financial officer to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignment generally only exist temporarily, in other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. Assigned amounts also include all residual amounts in governmental funds (except negative amounts that are not classified as non-spendable, restricted, or committed).

**Unassigned fund balance** – this residual classification is used for all negative fund balances.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple funds balance classifications fund balance is depleted in the order of restricted, committed, assigned and unassigned.

## **9. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **10. Encumbrances**

Encumbrance accounting is employed in the governmental fund types in the fund financial statements. Purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation. Any purchase order open at the end of the fiscal year are closed out and new purchase orders are issued in the subsequent fiscal year, if needed.

## **NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **A. Explanation of certain differences between the governmental fund balance sheet and the government wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains the “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds”. The details of this (\$64,881,789) difference are as follows:

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Net pension and other postemployment obligations	\$ (2,523,405)
General obligation bonds payable	(15,808,814)
Certificates of obligation	(42,125,475)
Tax notes	(860,000)
Capital leases	(86,295)
Compensated absences	<u>(3,477,800)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (64,881,789)</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund financial statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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 details of this \$7,712,525 difference are as follows:

Capital outlay	\$ 12,141,083
Amounts in capital outlay below the capitalization threshold	(176,114)
Depreciation expense	<u>(4,252,444)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 7,712,525</u>

Another element of that reconciliation states “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 the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. The details of this (\$985,432) difference are as follows:

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Issuance of debt:	
General obligation bonds	\$ (10,730,000)
Certificates of obligation	(4,115,000)
Capital leases	(82,905)
Payments to bond escrow agent	11,805,488
Increase in net pension and other postemployment obligation	(423,832)
Accretion on capital appreciation bonds	(236,968)
Principal repayments:	
General obligation bonds	1,780,000
Certificates of obligation	1,680,000
Tax notes	180,000
Capital leases	145,146
Premiums/discounts on new bonds	(931,434)
Amortization of bond issuance costs and premiums	<u>(55,927)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (985,432)</u>

## **NOTE 3 - STEWARDSHIP, COMPLIANCE AND RESPONSIBILITY**

### **A. BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General fund and the following special revenue funds: Theatre, Hotel/Motel Tax, Economic Development, Law Enforcement Programs, Brownfield Grant, TIRZ #1 and Stormwater Management. Debt service funds do not have legally adopted budgets because effective budgetary control is alternately achieved through general obligation bond indenture provisions. In addition to the above mentioned funds, the Housing and Community Development Special Revenue Fund and the capital projects funds have legally adopted project-length budgets. All budget annual appropriations lapse at year-end and are re-established in the succeeding year.

By June of each year, all agencies of the City submit requests for appropriation to the City Manager so that a budget may be prepared. Prior to August 1, the City Manager submits a proposed operating budget for the fiscal year commencing the following October 1 to the City Council. After official journal notification, the City Council conducts public hearings to obtain taxpayer comments. A final budget must be prepared and legally adopted through the passage of an ordinance no later than September 1.

The appropriated budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. 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 City Council. The City Council 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 City Council. The City Charter prohibits budgeting total proposed expenditures in excess of total anticipated revenues and any unencumbered funds from prior years; therefore, expenditures may not legally exceed revenues and unencumbered fund balances from prior years.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

The legal level of budgetary control (i.e., the lowest level at which expenditures may not legally exceed appropriation) is the fund level. The Council made several supplemental budgetary appropriations throughout the year. Individual amendments were not material in relation to the original appropriations.

Comparison of budgeted and actual amounts as shown in the accompanying financial report includes the General Fund and those Special Revenue Funds which are included in the annual operating budget (Theatre, Hotel/Motel Tax, Economic Development, Law Enforcement Programs, Brownfield Grant, TIRZ #1 and Stormwater Management). The capital budget ordinances which encompass the Housing and Community Development and Capital Projects Funds present cumulative (by project) as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial report for these funds. A reconciliation of special revenue funds with budgets and total special revenue funds is as follows:

	<u>Revenue</u>	<u>Expendi- tures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance at Beginning of Year</u>	<u>Fund Balance at End of Year</u>
<b>Special Revenue Funds with Budgets:</b>					
Theatre	\$ 97,190	279,490	302,589	653,499	773,788
Hotel/Motel Tax	1,192,143	348,973	(884,088)	1,246,401	1,205,483
Economic Development	376,606	576,409	(10,000)	1,911,341	1,701,538
Law Enforcement Programs	53	3,014		13,007	10,046
Brownfield Grant	60,749	111,933		(23,568)	(74,752)
TIRZ #1	142,929	175,000		43,935	11,864
Stormwater Management	29	447,292	497,000	-	49,737
Total Special Revenue Funds with budgets	<u>1,869,699</u>	<u>1,942,111</u>	<u>(94,499)</u>	<u>3,844,615</u>	<u>3,677,704</u>
<b>Special Revenue Funds without Budgets:</b>					
Housing and Community Development	811,055	811,055		-	-
Home Program	310,183	513,843	57,000	203,822	57,162
Housing	11,986	10,963	(57,000)	459,879	403,902
Law Enforcement Block Grant	57,958	57,036		-	922
Rotary Splash Park	44,784	260,252		24,520	(190,948)
Total Special Revenue Funds without budgets	<u>1,235,966</u>	<u>1,653,149</u>	<u>-</u>	<u>688,221</u>	<u>271,038</u>
Total Special Revenue Funds	<u>\$ 3,105,665</u>	<u>3,595,260</u>	<u>(94,499)</u>	<u>4,532,836</u>	<u>3,948,742</u>

## ***B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS***

The expenditures in the Economic Development Fund exceeded appropriations by \$263,909. The expenditures in the TIRZ #1 Fund exceeded appropriations by \$175,000. The expenditures in the Stormwater Management Fund exceeded appropriations by \$197,672.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## **C. RESTRICTED BY ENABLING LEGISLATION**

The government-wide Statement of Net Assets reports restricted net assets, of which \$1,205,483 is restricted by enabling legislation. This amount consists of unspent hotel/motel taxes.

## **D. DEFICIT FUND EQUITY**

The Brownfield Grant fund had a deficit fund balance of \$74,752. The Rotary Splash Park fund had a deficit fund balance of \$190,948. The 2010 Bond fund had a deficit fund balance of \$741,393.

## **E. ENCUMBRANCES**

As discussed in the Summary of Significant Accounting Policies, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

2009 Bond Capital Projects fund                      \$947,745

## **NOTE 4 - DEPOSITS AND INVESTMENTS**

### Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the investment portfolio as follows:

<i>Investment Type</i>	<i>Not to exceed</i>
U.S. Government agencies	80%
Fully insured or collateralized CD's	100%
Banker's acceptances	15%
Commercial paper	15%
Maximum per commercial paper issuer	5%
Repurchase agreements	50%
Money market funds:	
Operating funds	100%
Bond funds	100%
Local government investment pools	80%
Maximum percent ownership of pool	10%
Maximum percent investment in any one pool	50%

The City's investment policy covers all funds except for the Firemen's Relief and Pension fund. The City's investment policy requires that the average maturity of the City's operating fund not exceed one year. The maximum final stated maturity of any investment shall not exceed five years. Investments in all funds shall be managed in such a way that the market price losses resulting from interest rate volatility would be offset by coupon income and current income received from the volume of the portfolio during a twelve-month period.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

The City, including the Utility and the component units, do not have any debt security investments, other than in the Firemen's Relief and Pension Fund, that are exposed to interest rate risk.

As of September 30, 2012, the City's Firemen's Relief and Pension fund had the following debt security investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
<b>Fire Pension Fund:</b>					
U.S. treasuries & federal agencies	\$ 3,754,651	884,659	654,807	154,787	2,060,398
Nongovernment obligations	1,061,984	66,258	382,368	613,358	
Foreign obligations	1,013,900	47,370	605,727	286,016	74,787
	<u>\$ 5,830,535</u>	<u>998,287</u>	<u>1,642,902</u>	<u>1,054,161</u>	<u>2,135,185</u>

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's Firemen's Relief and Pension fund investment policy limits the investment portfolio as follows:

<u>Portfolio Segment</u>	<u>Range of Portfolio Assets</u>
Equity Securities (*1)	40-70%
Fixed Income Securities	30-60%
Cash Equivalents	0-20%

\*1 Foreign equities (ADR's or foreign equity mutual funds) investment cannot exceed 15% of total equity fund at market.

## Custodial Credit Risk

For a deposit, custodial credit risk is the risk that, in the event of a failure of a depository institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Of the primary government's \$27,371,302 in categorizable bank deposits, none were uninsured and uncollateralized. Of the component units' \$1,317,096 in bank deposits, \$14,656 of Library's deposits were uninsured and uncollateralized at September 30, 2012. Of the enterprise fund's \$11,952,238, none were uninsured and uncollateralized.

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 investments or collateral securities that are in the possession of an outside party. Of the primary government's total categorizable investments of \$7,799,183, none were uninsured and uncollateralized.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

The City's policy on custodial credit risk requires that all deposits and investments of City funds other than direct purchases of U.S. Treasuries or Agencies shall be secured by pledged collateral at a level of 102% of the market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC or FSLIC. The City's policy also requires that collateral pledged to secure the deposits of the City be held by a safekeeping institution, or Trustee, such as the Federal Reserve Bank or an institution not affiliated with the firm pledging the collateral.

## Credit Risk

The City is authorized to invest in obligations of the U.S. Government or the State of Texas, obligations of states, counties, cities, or other political subdivisions with a quality rating of not less than "A". The City is also authorized to invest in (a) certificates of deposit of banks insured by FDIC, National Credit Union Share Insurance, or secured by mortgage-backed securities rated AAA, (b) fully collateralized direct repurchased agreements with a defined termination date secured by obligations of the U.S. government, (c) investment pools, not to exceed 80% of the City's portfolio, and rated no lower than AAA or AAA-m, with a weighted average maturity of 90 days or less, (d) money market mutual funds that have a rating of AAA and a weighted average maturity of 90 days or less, (e) banker's acceptances with a stated maturity of 270 days or less and rated not less than A-1 or P-1 and is fully secured by an irrevocable letter of credit issued by a bank, (f) guaranteed investment contracts, for bond proceeds only, if such contracts have a defined termination date, and are secured by U.S. Government Obligations.

The City's investments in U. S. treasuries and federal agencies were rated Aaa by Moody's Investor Service and AA+ to AAA by Standard and Poor's. The City's investments in nongovernment obligations were rated from A3 to Aaa by Moody's Investors Service, and A- to AA+ by Standard and Poor's. The City's investments in foreign obligations were rated from B3 to Aaa by Moody's Investors Service, and B- to AAA by Standard and Poor's.

Concentrations of credit risk of over 5% by issuer are as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Cash and Certificates of Deposit	Wells Fargo Bank	\$ 38,314,610	55.90%

## Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The City's Firemen's Relief and Pension fund's investment policy requires that foreign equities investments cannot exceed 15% of total equity fund at market value. In order to minimize foreign currency risk, the City invests in a well-diversified fund. The City's Firemen's Relief and Pension fund's investment policy prohibits investment in any security payable in foreign currency.

At September 30, 2012, the City's Firemen's Relief and Pension fund had fixed income securities of \$27,191 invested in foreign obligations with Hillswick Asset Management, LLC, and \$986,709 invested in foreign obligations with Seacrest Investment Management, LLC. The Firemen's Relief and Pension fund also had

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

common trust funds of \$873,265 invested in Westwood Trust International Growth Equity (Global Equity) - EB Fund and \$1,722,822 invested in Westwood Trust International Value Equity (Emerging Markets) -EB. The Westwood equity funds are comprised of the following investments at December 31, 2011 (latest audit report available):

	International Growth	International Value
Cash and cash equivalents	1.81%	0.62%
Cash denominated in foreign currencies		2.98%
Investments in securities:		
Vanguard Tax Managed Intl Fd Msci Eafe Etf	72.74%	
Vanguard Intl Equity Index F Msci Emr Mkt Eft	25.45%	
Securities:		
Australia		1.87%
Belgium		2.48%
Brazil		1.39%
Egypt		1.30%
Finland		2.60%
France		9.15%
Germany		6.07%
Great Britain		35.48%
Hong Kong		3.13%
Indonesia		1.64%
Ireland		4.98%
Japan		12.55%
Netherlands		2.45%
South Africa		3.32%
Spain		1.97%
Switzerland		4.93%
USA		1.43%
Total Securities	98.19%	96.74%
Other		-0.34%
Total	100.00%	100.00%

## NOTE 5 - RECEIVABLES

Receivables as of year end for the City's individual major funds and nonmajor funds, internal service funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<i>General</i>	<i>2009 Bond</i>	<i>Debt Service</i>	<i>Texarkana, Texas Water Utilities</i>	<i>Nonmajor and Other Funds</i>	<i>Total</i>
Receivables:						
Property taxes	\$ 606,834		353,649		10,867	971,350
Other taxes	184,565				141,968	326,533
Accounts	866,328	4,093		2,686,541	144,357	3,701,319
Intergovernmental	3,305,880			23,291	233,526	3,562,697
Interest				1,059	47,843	48,902
Loans					2,070,270	2,070,270
Restricted accounts					156,239	156,239
Restricted interest				3,170	566	3,736
Gross receivables	<u>4,963,607</u>	<u>4,093</u>	<u>353,649</u>	<u>2,714,061</u>	<u>2,805,636</u>	<u>10,841,046</u>
Less: allowance for uncollectibles	<u>1,372,957</u>		<u>321,140</u>	<u>80,310</u>	<u>1,088,634</u>	<u>2,863,041</u>
Net total receivables	<u>\$ 3,590,650</u>	<u>4,093</u>	<u>32,509</u>	<u>2,633,751</u>	<u>1,717,002</u>	<u>7,978,005</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grant receivable (General fund)	\$ 61,403	
Grant receivable (HCD fund)	87,837	
Taxes receivable (Hotel/Motel Tax fund)	11,652	
Grant receivable (2005 Bond fund)		
Grant drawdowns prior to meeting all eligibility requirements (HCD)		<u>9,408</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 160,892</u>	<u>9,408</u>

## NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 was as follows:

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<i>Balance October 1, 2011</i>	<i>Additions</i>	<i>Deletions</i>	<i>Transfers</i>	<i>Balance September 30, 2012</i>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 45,241,184	75,346		176,291	45,492,821
Construction in progress	6,012,462	10,084,356		(1,444,934)	14,651,884
Total capital assets, not being depreciated	<u>51,253,646</u>	<u>10,159,702</u>	<u>-</u>	<u>(1,268,643)</u>	<u>60,144,705</u>
Capital assets, being depreciated:					
Buildings	25,618,432	81,329	(29,990)		25,669,771
Improvements other than buildings	6,277,937		(78,741)	293,968	6,493,164
Infrastructure	101,453,177	518,424		914,618	102,886,219
Machinery and equipment	2,663,987	438,416	(36,395)	60,057	3,126,065
Licensed vehicles	7,672,026	806,891	(129,712)		8,349,205
Total capital assets, being depreciated	<u>143,685,559</u>	<u>1,845,060</u>	<u>(274,838)</u>	<u>1,268,643</u>	<u>146,524,424</u>
Less accumulated depreciation for:					
Buildings	(13,922,231)	(512,130)	29,990		(14,404,371)
Improvements other than buildings	(4,307,708)	(231,562)	74,566		(4,464,704)
Infrastructure	(54,732,677)	(2,746,841)			(57,479,518)
Machinery and equipment	(898,676)	(247,257)	28,587		(1,117,346)
Licensed vehicles	(5,601,626)	(532,892)	72,181		(6,062,337)
Total accumulated depreciation	<u>(79,462,918)</u>	<u>(4,270,682)</u>	<u>205,324</u>	<u>-</u>	<u>(83,528,276)</u>
Total capital assets, being depreciated, net	<u>64,222,641</u>	<u>(2,425,622)</u>	<u>(69,514)</u>	<u>1,268,643</u>	<u>62,996,148</u>
Governmental capital assets, net	<u>\$ 115,476,287</u>	<u>7,734,080</u>	<u>(69,514)</u>	<u>-</u>	<u>123,140,853</u>
<b>Business-type activities</b>					
Capital assets, not being depreciated:					
Land	\$ 1,333,465			500	1,333,965
Construction in progress	2,901,881	2,528,723		(3,346,917)	2,083,687
Total capital assets, not being depreciated	<u>4,235,346</u>	<u>2,528,723</u>	<u>-</u>	<u>(3,346,417)</u>	<u>3,417,652</u>
Capital assets, being depreciated:					
Buildings	3,414,242				3,414,242
Improvements other than buildings	82,933,261	792,171		2,810,115	86,535,547
Machinery and equipment	9,070,331	17,295	(17,491)	536,302	9,606,437
Property under capital lease	20,554,810	5,958			20,560,768
Water rights	287,572				287,572
Total capital assets, being depreciated	<u>116,260,216</u>	<u>815,424</u>	<u>(17,491)</u>	<u>3,346,417</u>	<u>120,404,566</u>

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<i>Balance October 1, 2011</i>	<i>Additions</i>	<i>Deletions</i>	<i>Transfers</i>	<i>Balance September 30, 2012</i>
Less accumulated depreciation for:					
Buildings	(2,167,886)	(77,562)			(2,245,448)
Improvements other than buildings	(31,792,932)	(1,945,525)			(33,738,457)
Machinery and equipment	(7,704,276)	(451,125)	16,370		(8,139,031)
Property under capital lease	(10,625,764)	(402,792)			(11,028,556)
Water rights	(287,572)				(287,572)
Total accumulated depreciation	<u>(52,578,430)</u>	<u>(2,877,004)</u>	<u>16,370</u>	<u>-</u>	<u>(55,439,064)</u>
Total capital assets, being depreciated, net	<u>63,681,786</u>	<u>(2,061,580)</u>	<u>(1,121)</u>	<u>3,346,417</u>	<u>64,965,502</u>
Business-type capital assets, net	<u>\$ 67,917,132</u>	<u>467,143</u>	<u>(1,121)</u>	<u>-</u>	<u>68,383,154</u>

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

Governmental activities	
General government	\$ 123,174
Public safety	731,030
Public works	2,927,320
Parks and recreation	470,920
Capital assets held by the City's internal service funds charged to the various functions based on their usage of the assets	18,238
Total depreciation expense - governmental activities	<u>\$ 4,270,682</u>
Business-type activities:	
Water and sewer	\$ 2,877,004
Total depreciation expense - business-type activities	<u>\$ 2,877,004</u>

## Discretely Presented Component Unit

Activity for the Health Center for the year ended September 30, 2012 was as follows:

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

	<i>Balance October 1, 2011</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance Sept. 30, 2012</i>
Capital assets, being depreciated:				
Buildings	\$ 1,246,445	5,500		1,251,945
Improvements other than buildings	42,841			42,841
Machinery and equipment	12,827			12,827
Total capital assets, being depreciated	<u>1,302,113</u>	<u>5,500</u>	<u>-</u>	<u>1,307,613</u>
Less accumulated depreciation for:				
Buildings	(833,822)	(27,809)		(861,631)
Improvements other than buildings	(42,841)			(42,841)
Machinery and equipment	(11,811)	(1,016)		(12,827)
Total accumulated depreciation	<u>(888,474)</u>	<u>(28,825)</u>	<u>-</u>	<u>(917,299)</u>
Total capital assets, being depreciated, net	<u>\$ 413,639</u>	<u>(23,325)</u>	<u>-</u>	<u>390,314</u>

Activity for the Library for the year ended September 30, 2012 was as follows:

	<i>Balance October 1, 2011</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance Sept. 30, 2012</i>
Capital assets, being depreciated:				
Machinery and equipment	\$ 643,335	9,282	(13,491)	639,126
Total capital assets, being depreciated	<u>643,335</u>	<u>9,282</u>	<u>(13,491)</u>	<u>639,126</u>
Less accumulated depreciation for:				
Machinery and equipment	(546,619)	(27,910)	12,653	(561,876)
Total accumulated depreciation	<u>(546,619)</u>	<u>(27,910)</u>	<u>12,653</u>	<u>(561,876)</u>
Total capital assets, being depreciated, net	<u>\$ 96,716</u>	<u>(18,628)</u>	<u>(838)</u>	<u>77,250</u>

## NOTE 7 - CONSTRUCTION PROJECTS

As of September 30, 2012, the City had the following commitments with respect to an unfinished capital project. These projects are being financed with capital project funds from proceeds of bond issues.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

	<i>Project Authorization</i>	<i>Expended Through 9/30/2012</i>	<i>Required Future Financing</i>
Texas A&M East Approach	\$ 2,331,159	2,233,271	97,888
Lake Drive Overpass	991,054	991,054	-
Storm Water Utility	254,600	252,950	1,650
Morris Lane - Phase 2	3,500,000	186,485	3,313,515
Cowhorn Drain Restudy	168,000	153,008	14,992
City-wide Master Drain	540,500	529,300	11,200
Storm Water Design Manual	75,000	46,000	29,000
Convention Center Construction	8,486,477	6,632,110	1,854,367
Texas A&M Phase 2	1,934,355	1,858,299	76,056
Texas A&M Phase 3	1,591,780	1,361,385	230,395
Texas A&M Phase 4	1,023,821	313,790	710,031
Summer Glen Acres Drive	242,000	7,000	235,000
Bringle North Park	3,000,000	87,232	2,912,768
Total	<u>\$ 24,138,746</u>	<u>14,651,884</u>	<u>9,486,862</u>

## Business-type activities construction projects

The Texarkana Water Utilities completed numerous water and sewer line extension and other improvements during fiscal year 2012 using Utility materials, personnel and equipment, which were funded by various capital improvement funds. In addition, several major projects were completed and several others continued during the fiscal year both in Texarkana, Texas and Texarkana, Arkansas utilizing outside contractors and various capital improvement funds.

Various water, sanitary sewer line and lift station improvements totaling \$910,876 were financed by the Texas capital improvement funds during fiscal year 2012. Some projects completed during fiscal year included: various sewer system improvements totaling \$48,612; the Lake Drive Sewer Relocation for \$54,340; Rebuilding Hatton Street Lift Station for \$12,510, Pump & Motor Rebuild at Waggoner Creek for \$14,366; Wyatt Lane Sewer Extension for \$20,725. Work continued on the East Approach to Texas A&M Water/Sewer Project with \$255,933 spent during this fiscal year. Another Texas Utility project was carried over from fiscal year 2011 and completed in fiscal year 2012. The Utility began construction on the Deerwood/Texas A&M Lift Station Project in fiscal year 2011 and continued into fiscal year 2012. The total project cost was \$1,594,731 of which \$66,617 was paid toward the project in fiscal year 2012. Kampco, Inc. was the contractor for the project. Barnwell Industries was the contractor for the Bringle Lake Lift Station Project that began in fiscal year 2012 and continued into fiscal year 2013, and at the end of fiscal year 2012, \$358,292 had been paid toward this project.

Approximately \$918,549 of Texas utility infrastructure funds were spent on various two inch (2") water line replacements and sewer main repairs such as: the Rhazine Street Water Main Replacement for \$51,101; the Lubbock Street Sewer Main Replacement for \$40,456; the Moore's Lane Utility Relocations, with \$674,757 spent for AC Line Replacement and \$102,298 for Sewer Line Replacement; the Walnut and West 32nd Streets Sewer Main Replacement totaling \$15,287 and the Stuckey Street Water Main Replacement for \$34,462. Two (2) projects totaling \$26,436 were paid for from the 2004 Bond Fund: the Aaron Lane Sewer Main Extension; and the Cascade Boulevard Water Main Lowering.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

A total of \$297,215 was spent in fiscal year 2012 from the South Regional wastewater depreciation funds with \$182,161 paid by the Texas Utility and \$115,054 paid by the Arkansas Utility. Some significant projects included Pump and Motor Replacements for \$98,376; Replace Blowers for \$36,000; Variable Frequency Drives for \$23,088; Electrical Work for \$27,717; Records Storage Area Construction for \$18,960; SO2 Evaporator for \$27,400; Repair Centrifuge for \$14,265; and a Compressor for \$16,466. The balance of the expenditures was for items such as security enhancements, SCADA/tower upgrades, 300 building AC Coil, and grounds vehicle replacement.

In fiscal year 2012, \$499,733 was spent from compost funds, with \$308,280 paid from the Texas Utility and \$191,453 from the Arkansas Utility. A Compost Windrow Turner was purchased for \$424,100; Concrete Compost Pad extended for \$35,696; Hammermill Cutters for \$31,683; and a Front End Loader Tire/Rim replaced for \$8,253.

A total of \$399,686 was spent from technology funds in fiscal year 2012, with \$208,872 paid from the Texas Utility and \$190,814 paid from the Arkansas Utility. \$127,028 was spent for Aerial Digital Imagery, of this amount \$78,434 was 100% Arkansas, and \$48,594 was 100% Texas. LIDAR Elevation Modeling Project expenditures amounted to \$99,624, with the Arkansas Utility portion of \$51,984, and the Texas Utility portion of \$47,640. Projects for this year included lease payments to Dell, Microsoft, and Cisco that totaled \$16,064, \$53,258, and \$23,144, respectively. Some of the other technology projects included City Works Software Implementation of \$13,965; Network Upgrades of \$33,649; 100% Texas Utility Fiber of \$15,090; and other electronic equipment expenditures totaling \$17,864.

Fiscal year 2012 expenditures from equipment acquisition funds totaled \$61,717, of which \$24,236 was from the Arkansas Utility and \$37,481 from the Texas Utility. A used bucket truck was purchased for \$14,500; a vac truck was refurbished for \$35,401, and various furniture and equipment was purchased for \$11,815.

## NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2012 is as follows:

### Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 1,049,245
General	Fleet internal service	15,643
General	Employee Benefit internal service	6,250
General	Fire Pension fiduciary	1,552
2009 Bond	General	173,442
Debt Service	General	6,444
Nonmajor governmental fund	General	9,415
Nonmajor governmental fund	2009 Bond	2,995
Nonmajor governmental fund	Nonmajor governmental fund	80,810
Fleet internal service	General	149,044
Employee Benefit internal service	General	1,997
Employee Benefit internal service	Nonmajor governmental fund	764
Texarkana, Texas Water Utilities	Nonmajor enterprise fund	286,451
Nonmajor enterprise fund	Texarkana, Texas Water Utilities	14,795
Fire Pension fiduciary fund	General	1,101
Total		<u>\$ 1,799,948</u>

# CITY OF TEXARKANA, TEXAS

## *Notes to the financial statements continued.*

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

### Purpose:

- \$302,285 To reimburse the General fund for expenditures paid for the Housing and Community Development fund (nonmajor governmental fund).
- \$106,672 To reimburse the General fund for expenditures paid on behalf of HOME fund (nonmajor governmental fund).
- \$36,524 To reimburse the General fund for legal fees paid on behalf of Hotel/Motel fund (nonmajor governmental fund).
- \$320,373 To reimburse the General fund for expenditures paid on behalf of Housing fund (nonmajor governmental fund).
- \$47,421 To reimburse the General fund for expenditures paid for the Brownfield Grant fund (nonmajor governmental fund).
- \$8,596 To reimburse the General fund for expenditures paid for the Rotary Splash Park fund (nonmajor governmental fund).
- \$227,373 To reimburse the General fund for expenditures paid for the 2010 Convention Center Bond fund (nonmajor governmental fund).
- \$15,644 To reimburse the General Fund for expenditures paid on behalf the Fleet Services fund (internal service fund).
- \$6,250 To reimburse the General Fund for expenditures paid on behalf the Employee Benefit fund (internal service fund).
- \$1,552 To reimburse the General Fund for expenditures paid on behalf the Fire Pension fund.
- \$173,442 To reimburse the 2009 Bond fund to correct cash receipts posting.
- \$6,444 The balance due to the Debt Service fund from the General fund for property taxes.
- \$887 To reimburse HCD fund for expenditures paid on behalf the General fund.
- \$1,417 To reimburse the Theatre fund for expenditures paid on behalf the General fund.
- \$5 To reimburse the Stormwater Management fund for expenditures paid on behalf the General fund.
- \$152 The balance due to TIRZ #1 fund for property taxes received by the General Fund.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

\$4,640	The balance due to the Economic Development fund (nonmajor governmental fund) for a voided transaction by the General fund.
\$2,314	The balance due to the 2003 Bond fund from the General fund to correct cash receipts posting.
\$995	To reimburse the 2009 Bond fund for legal fees paid on behalf the Hotel/Motel fund.
\$2,000	To reimburse the 2009 Bond fund for expenditures paid on behalf the 2005 Bond fund.
\$23,810	To reimburse the HCD fund (nonmajor governmental fund) for expenditures related to HOME fund.
\$57,000	To reimburse the HOME fund (nonmajor governmental fund) for matching expenditures which are funded by the Housing fund (nonmajor governmental fund).
\$149,044	To reimburse Fleet Services (internal service fund) for primarily fuel and maintenance expense by the General Fund.
\$1,997	To reimburse the Employee Benefit fund by the General fund for correction of cash receipts posting and accounts payable reimbursement.
\$764	To reimburse the Employee Benefit fund by the Hotel/Motel fund for deposit recorded in wrong fund in error.
\$286,451	International Paper Company (IP) reimburses the Texas Utility Fund for all operating expenses incurred in the IP Water Fund. The Due to Texas balance of \$132,481 at September 30, 2012, represents operating capital advances by the Texas Fund pending receipt of funds from IP. The remaining \$153,970 is owed to the Texas Fund for money advanced on a line relation project to be reimbursed by the Texas Department of Transportation.
\$14,795	Lake Texarkana Water Supply owes the Texas Utility Fund for overpayments of capital contributions.
\$1,101	The General fund owes the Fire Pension fund for fiscal year 2012 expenses.

**Due to/from primary government and component units:**

<u>Receivable Entity</u>	<u>Payable Entry</u>	<u>Amount</u>
Primary government - General	Component unit - Library	\$ 954
Primary government - General	Component unit - Health	1,651
Component unit - Library	Primary government - General	114
Component unit - Health	Primary government - General	22,139
Total		<u>\$ 24,858</u>

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Purpose:

- \$954 To reimburse the General fund for Library (component unit) miscellaneous expenses of \$954.
- \$1,651 To reimburse the General fund for Health (component unit) expenses.
- \$114 To reimburse the Library (component unit) for miscellaneous expenses for the General fund.
- \$22,139 To reimburse Health (component unit) for General Fund expenses.

**Interfund transfers:**

<i>Transfer in:</i>	<i>Transfer Out:</i>				<i>Total</i>
	<i>General Fund</i>	<i>Nonmajor Governmental</i>	<i>Fleet Internal Service</i>	<i>Texarkana, Texas Water Utilities</i>	
General fund	\$ -	190,411	2,049	2,818,900	3,011,360
Debt service		404,088			404,088
Nonmajor governmental funds	-	362,000		500,000	862,000
Fleet services (internal service)	1,449,574				1,449,574
Total transfers in	<u>\$ 1,449,574</u>	<u>956,499</u>	<u>2,049</u>	<u>3,318,900</u>	<u>5,727,022</u>

Transfers may be used to (1) move revenues from the fund with collection authorization to another specific required fund, (2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, (3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grants, and other purposes.

Purpose:

- \$175,000 Transfers to the General Fund from the Hotel/Motel fund (nonmajor governmental fund) were made to cover expenses.
- \$10,000 Funds were transferred to the General Fund from the Economic Development fund (nonmajor governmental fund) to cover part of salary expenses.
- \$2,800,000 A one-time transfer of funds was made from Texarkana, Texas Water Utilities to the General fund for various expenses.
- \$18,900 Transfer of the City's administrative fees due under contracts between the City and International Paper Company water service contracts.
- \$2,411 Funds were also transferred to the General Fund from the Theatre fund (nonmajor governmental fund).
- \$2,049 Funds transferred to General fund from the Stormwater fund (nonmajor governmental fund) for technology related expenses.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

\$3,000	Funds were transferred to the General Fund from the Texarkana, Texas Water Utilities for stormwater fees.
\$404,088	Transfers to the Debt Service fund for debt service payments from the Hotel/Motel fund (nonmajor governmental fund).
\$305,000	Transfers to the Theatre fund (nonmajor governmental fund) from the Hotel/Motel fund (nonmajor governmental fund) for the quarterly budget amount for the Perot Theatre.
\$57,000	Funds were transferred to the HOME fund (nonmajor governmental fund) from the Housing fund (nonmajor governmental fund) for the matching expenditures of the HOME grant project.
\$500,000	A one-time transfer of funds was made from Texarkana, Texas Water Utilities to the Stormwater fund (nonmajor governmental fund) for related expenses.
\$1,416,830	Funds were transferred from the General fund to the Fleet Services (internal service fund) for fuel and maintenance.
\$32,744	Funds were also transferred from the General fund to the Fleet Services (internal service fund) for additions to capital assets.

## **NOTE 9 - ENTERPRISE FUNDS - Merger of Texarkana Water Supply Corporation Into Lake Texarkana Water Supply Corporation**

In June 1969, Texarkana Water Supply Corporation was merged into Lake Texarkana Water Supply Corporation, the latter being the surviving corporation. Lake Texarkana Water Supply Corporation is a non-profit corporation which was organized under the provisions of the Texas Non-Profit Corporation Act for the purpose of furnishing a water supply to towns, cities, private corporations, individuals and military camps and bases in the area of Bowie, Morris, Cass and Red River Counties, Texas. Seven cities in the area are participants in the corporation as "Member Cities." Wholesale water supply contracts have been entered into with eight other cities as of September 30, 2012.

To finance the construction of this area-wide supply and distribution system, Lake Texarkana Water Supply Corporation received a grant of \$3,000,000 from the Department of Housing and Urban Development and sold \$8,400,000 of its bonds designated as Lake Texarkana Water Supply Corporation Bonds, Series 1969. These bonds are dated June 1, 1969 and matured in varying amounts from June 1, 1972 to June 1, 2001.

## **NOTE 10 - ENTERPRISE FUNDS - Water Supply System Sale/Purchase Financing Agreement**

On July 24, 1969 the City of Texarkana, Texas entered into a contract with Lake Texarkana Water Supply Corporation (hereinafter referred to as the Corporation) which provided that the Corporation, acting as general contractor for the City, would construct extensions and improvements to its existing system for the treatment and transporting of water to such of the area cities as may make contractual arrangements with the City. The City in turn agreed to purchase from the Corporation all of its water system properties, facilities, and improvements, including those to be constructed, with money derived from revenues of the water system pledged for this purpose or from the levy of City taxes in such amounts as are required to meet principal and interest on the outstanding bonds of the Corporation as they shall mature plus paying agents' fees and all other charges which may accrue in connection with paying the "Lake Texarkana Water Supply Corporation Bonds,

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Series 1969". The contract provided that the purchase price is to be paid in semiannual installments beginning November 15, 1971. In prior years, the City made monthly transfers to the Lake Texarkana Water Supply debt service fund.

## **NOTE 11 - ENTERPRISE FUNDS - Contracts with City of Texarkana, Arkansas**

Under a contract dated August 5, 1948 as subsequently amended, the City 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 new agreement was executed between the Cities of Texarkana, Texas and Texarkana, Arkansas on May 20, 1969. This new agreement relates to the matter of supplying treated water only and does not amend the prior agreement relating to sewer service. The terms of the new 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 (See Note 12). The Texarkana, Arkansas Water Utilities made total transfers to the Texarkana, Texas Water Utilities for water purchases of \$622,733 and \$699,653 for 2012 and 2011, respectively.

The agreement further provides that, when the indebtedness of the Lake Texarkana Water Supply Corporation incurred in connection with the acquisition and construction of the system facilities has been discharged, the City of Texarkana, Texas will convey to the City of Texarkana, Arkansas an undivided interest in the system facilities used to serve Arkansas. Texarkana, Arkansas' undivided interest in the facilities shall be a pro rata portion of the total capital payments made on the system by both Texarkana, Texas and Texarkana, Arkansas. Capital payments are defined as payments made or to be made on the principal for the bond obligations of Texarkana Water Supply Corporation and Lake Texarkana Water Supply Corporation. The Texarkana, Arkansas Water Utilities has made no transfers to the Texarkana, Texas Water Utilities for debt service since 2001 when the capital lease debt was retired.

A water system agreement entered into on December 1, 1982 and amended on October 15, 1985, with the City of Texarkana, Arkansas provides for the sale of water taken from the Millwood Reservoir and processed in the Millwood Water Treatment Facilities. The agreement further provides that the City of Texarkana, Arkansas will sell treated water to 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 Texarkana, Texas Water Utilities made total transfers to the Texarkana, Arkansas Water Utilities for water purchases of \$567,380 and \$581,218 for 2012 and 2011, 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. Texarkana, Texas' share is currently estimated to be approximately 62 percent of the total. Capital payments are defined as payments made or to be made on the principal of the bond obligation of Texarkana, Arkansas. The Texarkana, Texas Water Utilities made total transfers to the Texarkana, Arkansas Water Utilities for debt service of \$ 440,079 and \$425,858 for 2012 and 2011, respectively. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease.

# CITY OF TEXARKANA, TEXAS

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*Notes to the financial statements continued.*

## **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 the computed 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 cost for contract customers is based on metered wastewater treated in combination with the retail customers for each City to the total for both Cities.

The agreement further provides that, when the indebtedness of the City of Texarkana, Texas incurred in connection with the acquisition and construction of the wastewater treatment facility has been discharged, the City of Texarkana, Texas will convey to the City of Texarkana, Arkansas an undivided interest in the system facilities used to serve Arkansas. Texarkana, Arkansas' undivided interest in the facilities shall be a pro rata portion of the total payments on bond obligations made on the system by both Texarkana, Texas and Texarkana, Arkansas. The Texarkana, Arkansas Water Utilities made total transfers to the Texarkana, Texas Water Utilities for debt service of \$31,447 and \$32,800 for 2012 and 2011, respectively. The effective transfer of assets pursuant to this agreement has been recorded as a direct financing lease.

## **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. In 2012 and 2011, the Texarkana, Texas Water Utilities made transfers to the Texarkana, Arkansas Water Utilities for debt service in the amounts of \$109,639 and \$109,638, respectively. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease between the Utilities and all transactions between them are eliminated in combination.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## **NOTE 12 - ENTERPRISE FUNDS - Water Supply Contracts Between City of Texarkana, Texas and "Member Cities"**

A water supply contract has been entered into between the City of Texarkana, Texas and seven cities in the area which are described as "Member Cities". Texarkana, Texas has agreed to supply each of these cities with a maximum amount of treated water per year. Each Member City agrees to make minimum monthly payments to the City of Texarkana, Texas, which shall be adequate to discharge its pro rata part of debt service, maintenance and operating, and administrative expenses to Lake Texarkana Water Supply Corporation. The proceeds of these contracts with the various Member Cities are pledged by the City for the payment of the bonds issued by Lake Texarkana Water Supply Corporation described in Note 9.

The contracts also provide that at such time as all bonds or other indebtedness incurred by Lake Texarkana Water Supply Corporation in connection with the acquisition and construction of system facilities have been fully paid, the City of Texarkana, will upon request by the Member City, convey to the Member City, an undivided interest in such facilities equal to that percentage of the amount which was paid by the Member City (under this contract) on bond principal to the amount paid by all other contracting municipalities. The effective transfer of assets pursuant to this agreement has been recorded as a direct financing lease. The Member Cities have made no debt service payments to Lake Texarkana Water Supply Corporation since 2001 when the direct financing lease debt was retired.

## **NOTE 13 - WATER SUPPLY CONTRACT WITH INTERNATIONAL PAPER COMPANY**

On October 11, 1971, the City of Texarkana, Texas and International Paper Company (the Company) entered into an agreement under which the City agrees to furnish the raw water and treated water requirements to the Company in connection with its paper mill facility and subsequently issued \$8,060,000 Water Contract Revenue Bonds. The primary term of the contract extended to December 1, 2002 and can be extended for three (3) additional terms of ten (10) years each. The Company agreed to make a monthly payment to the City in the amount required to reimburse for the debt service payments on the bonds. In addition, the Company agreed to pay the City an administrative charge of \$40,300 per year, which is 1/2 of 1% of the par amount of the bonds. Subsequent to September 30, 2002, the contract was extended for a ten year term and shall remain in effect until December 1, 2011.

On August 1, 1977, the City issued an additional \$2,600,000 Water Facilities Expansion Contract Revenue Bonds under a new contract dated October 26, 1976 which extends through August 1, 2007, with substantially the same provisions as the October 11, 1971 contract. Under the expansion contract the Company agreed to reimburse the City for the debt service paid on the bonds and to pay \$18,900 per year for administrative charges. The bonds were paid off in fiscal year 2005.

## **NOTE 14 - ENTERPRISE FUNDS - Water Supply**

### ***TEXARKANA RESERVOIR***

In 1953, the Cities of Texarkana, Texas and Arkansas entered into a contract with the U.S. Government for the right to withdraw up to 13 million gallons of water per day from Texarkana Reservoir. The term of the agreement is for fifty years from the effective date. Annual payments of \$7,000 are required. The U. S. Government has extended the contract pending execution of a new agreement expected to be completed in the near future.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

In 1968, the City of Texarkana, Texas entered into two agreements with the U.S. Government for water rights in the Texarkana Reservoir. The first agreement dated April 16, 1968, provides for the reallocation of an additional 120,000 acre-feet of water storage in Texarkana Reservoir to the City of Texarkana after the completion of Cooper Reservoir. This space will become available to Texarkana effective with the latter of 1) the date Cooper Reservoir becomes operative for storage of water for flood control or 2) the date of completion of modification to Texarkana Reservoir which is required to affect the conversion of storage space therein from flood control use to municipal and industrial water supply use. The term of contract is for as long as the Government continues to operate Texarkana Reservoir. Payments of \$269,308 per year for 50 years are estimated beginning upon the effective date of water withdrawal.

The second contract is for the purpose of providing the City of Texarkana, Texas an additional water supply until Cooper Reservoir is completed and modifications are made to Texarkana Reservoir to convert additional storage to municipal and industrial use. This contract dated September 16, 1968, provides for 84 million gallons per day in addition to the 13 million gallons provided in the 1953 contract. The term of this contract is fifty years and the annual payment is \$55,300.

## **MILLWOOD RESERVOIR**

The City of Texarkana, Arkansas has entered into a contract with the Southwest Arkansas Water District(SWAWD) to reserve storage space sufficient to provide 50 million gallons of water per day (MGD) from the Millwood Reservoir. The reservation of storage space ensures that the City will have the contracted quantity of water available when needed. Payments to the Water District of \$639,048 prior to September 30, 1985 have been capitalized as deferred charges and are allocated 55% to Arkansas and 45% to Texas pursuant to an agreement between the two cities. Amortization of the deferred charges, which began in fiscal year ending September 30, 1987, the first full year of operations, was made over the 25 years remaining life of the bonds issued to construct the reservoir facilities.

On May 14, 1986, in anticipation of the start-up of the Millwood Water Treatment Plant, the City of Texarkana, Arkansas entered into an agreement with Southwest Arkansas Water District to actual take 5 MGD of the 50 MGD reserved in Millwood Reservoir. The contract specifies a monthly payment of \$793 representing principal and interest for the 5 MGD with the final payment being due in 2016. Since 1986, the monthly payments to the water district for water used have included principal and interest on the 5 MGD being taken and interest only on the remaining 45 MGD reserved along with the districts monthly operating costs. Payments were made to the water district for water used from the reservoir totaling \$179,275 and \$183,642 for fiscal year 2012 and 2011, respectively. These amounts are included in Water Production costs of the Arkansas Utility and the Texas Utility based on the contract percentages of 55% and 45%, respectively. Due to anticipated needs for additional water from Millwood, the City of Texarkana, Arkansas on July 2, 2012, entered into a new contract with SWAWD to take an additional 10 MGD. Texarkana, Texas was not a party to this contract, so Texarkana, Arkansas anticipates paying all the costs of this addition unless a revised agreement is reached with Texarkana, Texas in the future. The Corp of Engineers determined the cost of this additional water to be \$539,511, plus interest, payable in 43 monthly payments beginning July 2012 and ending January 2016. Total deferred charges at September 30, 2012 were \$536,139. Amortization of the deferred charges, which began in fiscal year ending September 30, 2012, the year of purchase, was made over 40 years. In the FY 2012 budget a new restricted account, the Millwood Water Rights account, was set up to receive transfers from the Arkansas Revenue account to pay the monthly cost of the additional 10 MGD as well as to accumulate funds to pay the projected principal cost of \$1,888,451 for the remaining 35 MGD in January 2016. A total of \$495,000 was transferred to the Millwood Water Rights account during FY 2012.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## NOTE 15 - LEASE COMMITMENTS - Direct Financing Leases

The following lists the components of the net investment in direct financing leases as reported in the enterprise fund as of September 30, 2012:

	<i>Texas Utility System</i>
Total minimum lease payments	\$ 31,689
Less: Unearned income	(743)
Net investment in direct financing leases	<u>\$ 30,946</u>

As of September 30, 2012, the minimum lease payments by years are as follows:

<i>Year Ended September 30</i>	<i>Texas Utility System</i>
<u>2013</u>	<u>\$ 31,689</u>
	<u>\$ 31,689</u>

A pro rata portion of all unexpended funds including bond proceeds is credited against the minimum lease payment receivable.

The gross amount of assets acquired in prior years under the capital lease were as follows:

<u><i>Asset Class</i></u>	<u><i>Amount</i></u>
Land	\$ 32,066
Building	861,398
Improvements other than buildings	18,304,073
Machinery and equipment	154,163
Total	<u>\$ 19,351,700</u>

## NOTE 16 - LEASE COMMITMENTS - Capital Leases

The government has entered into a lease agreement as lessee for financing the acquisition of various equipment, including police cars, service trucks, maintenance equipment and safety equipment. The government also has financed undivided interests in the acquisition of the Millwood Water Treatment Facilities and the McKinney Bayou Wastewater Facilities. The following is a schedule by years of future minimum lease payments under capital lease obligations as of September 30, 2012:

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

<u>Ending September 30:</u>	<u>Governmental Activities</u>	<u>Enterprise Funds</u>
2013	\$ 55,068	605,036
2014	20,697	604,335
2015	10,530	586,513
2016		646,914
2017		647,358
2018-2022		3,063,996
2023-2025		1,600,813
Total minimum lease payments	<u>86,295</u>	<u>7,754,965</u>
Less:		
Unexpended funds		(751,461)
Amounts representing interest	-	(1,774,027)
Present value of minimum lease payments	<u>\$ 86,295</u>	<u>5,229,477</u>

## NOTE 17 - LONG-TERM OBLIGATIONS

### General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City has dedicated 33.27% of the ad valorem taxes received for the year for the payment of principal and interest on general obligation bonds. General obligation bonds at September 30, 2012 are as follows:

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2012</u>
<b>General obligation bonds:</b>			
General Obligation Refunding Bonds, Series 2003 used to refund certain bonds which were issued to finance certain capital improvements of the City - due serially in varying amounts from February 15, 2004 through February 15, 2016.	2.60% - 5.00%	\$ 9,430,000	1,200,000
General Obligation Bonds, Series 2003 used to improve streets, drainage, flood control, and the library - due serially in varying amounts from February 15, 2004 through February 15, 2023. Original issue amount includes accretion of capital appreciation bonds at September 30, 2012 of \$18,927.	1.40% - 5.00%	13,718,526	921,073

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2012</u>
General Obligation Refunding Bonds, Series 2006 used to refund certain bonds which were issued to finance certain capital improvements of the City - due serially in varying amounts from February 1, 2007 through February 1, 2022.	3.85% - 4.00%	3,060,000	2,455,000
General Obligation Refunding Bonds, Series 2012 used to refund certain bonds which were issued to finance certain capital improvements of the City - due serially in varying amounts from February 15, 2013 through February 15, 2023.	2.00% - 5.00%	<u>10,730,000</u>	<u>10,730,000</u>
Total general obligation bonds		<u>\$ 36,938,526</u>	<u>15,306,073</u>

Annual requirements to amortize general obligation bonds outstanding at September 30, 2012 are as follows:

<u>Requirements Year Ending September 30</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,850,000	787,547	2,637,547
2014	1,705,000	466,103	2,171,103
2015	1,475,000	423,472	1,898,472
2016	1,530,000	379,281	1,909,281
2017	1,395,000	327,803	1,722,803
2018-2022	6,345,000	918,637	7,263,637
2023	1,025,000	25,625	1,050,625
Subtotal	<u>15,325,000</u>	<u>3,328,468</u>	<u>18,653,468</u>
Less: Adjustment for future accretion of capital appreciation bonds	(18,927)		(18,927)
Total	<u>\$ 15,306,073</u>	<u>3,328,468</u>	<u>18,634,541</u>

## Certificates of Obligation

The City issues certificates of obligation to fund construction projects and acquire capital assets. Certificates of obligation are direct obligations and pledge the full faith and credit of the City. Certificates of obligation at September 30, 2012 are as follows:

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2012</u>
<b>Certificates of obligation:</b>			
Certificates of Obligation, Series 2005 used for street and park improvements, constructing and equipping fire-fighting training facilities, purchase of fire trucks - due serially in varying amounts through August 1, 2027.	3.00% - 5.00%	\$ 17,750,000	15,315,000
Certificates of Obligation, Series 2009 used for acquiring, constructing, improving and equipping various streets, park and recreational facilities, Waterworks and Sewer System, facilities, equipment and vehicles for various City departments, including City hall - due serially in varying amounts through February 1, 2030.	3.00% - 4.50%	17,420,000	16,230,000
Certificates of Obligation, Series 2010 used for constructing, improving and equipping convention center facilities and the acquisition of sites - due serially in varying amounts through February 1, 2030.	1.02% - 5.728%	7,000,000	6,545,000
Combination Tax and Revenue Certificates of Obligation, Series 2012 used for street and drainage improvements, constructing, improving and equipping park and recreational facilities - due serially in varying amounts through February 1, 2035.	0.50% - 3.500%	<u>4,115,000</u>	<u>4,115,000</u>
Total certificates of obligation		<u>\$ 46,285,000</u>	<u>42,205,000</u>

Annual requirements to amortize certificates of obligations outstanding at September 30, 2012 are as follows:

<i>Requirements Year Ending September 30</i>	<i>Certificates of Obligation</i>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,535,000	1,779,930	3,314,930
2014	1,690,000	1,723,608	3,413,608
2015	1,815,000	1,657,371	3,472,371
2016	1,905,000	1,587,469	3,492,469
2017	1,990,000	1,512,067	3,502,067
2018-2022	11,510,000	6,191,715	17,701,715
2023-2027	14,825,000	3,269,566	18,094,566
2028-2032	6,210,000	589,895	6,799,895
2033-2035	<u>725,000</u>	<u>38,587</u>	<u>763,587</u>
Total	<u>\$ 42,205,000</u>	<u>18,350,208</u>	<u>60,555,208</u>

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## Tax Notes

The City issues tax anticipation notes to pay contractual obligations to be incurred for the construction of public works or for the purchase of equipment, machinery and vehicles for various City departments. The tax notes will be funded by a continuing direct annual ad valorem tax. Tax notes outstanding as of September 30, 2012 are as follows:

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2012</u>
<b>Tax Notes:</b>			
City of Texarkana, Texas Tax Notes Series 2008 used for the purchase of equipment and vehicles for human resources, police, fire, street, park and recreation and fleet departments, construction of improvements to park and recreation facilities and fire-fighting facilities -due serially in varying amounts through February 15, 2015	3.395%	<u>\$ 1,200,000</u>	<u>860,000</u>
Total tax notes		<u><u>\$ 1,200,000</u></u>	<u><u>860,000</u></u>

<u>Requirements Year Ending September 30</u>	<u>Principal</u>	<u>Tax Notes Interest</u>	<u>Total</u>
2013	\$ 335,000	23,510	358,510
2014	260,000	13,411	273,411
2015	265,000	4,498	269,498
Total	<u><u>\$ 860,000</u></u>	<u><u>41,419</u></u>	<u><u>901,419</u></u>

## Revenue Bonds

The City issues bonds pledged with income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at September 30, 2012 are as follows:

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2012</u>
<b>Revenue bonds:</b>			
Waterworks and Sanitary Sewer System Revenue Refunding Bonds, Series 2002 net of bond discount and premium of \$3,880 - used to refund certain bonds which were issued to finance the costs of making improvements and extensions to the water and sewer system - due serially in varying amounts from February 1, 2003 through February 1, 2013.	3.10% - 4.65%	\$ 4,355,000	95,000

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2012</u>
Waterworks and Sanitary Sewer System Revenue Bonds Series 2004 net of bond premium of \$8,505 used to finance the costs of making improvements and extensions to the water and sewer system due serially in varying amounts from February 1, 2006 through February 1, 2023.	3.00% - 4.25%	2,500,000	1,705,000
Waterworks and Sanitary Sewer System Revenue Bonds, Series 2005 net of bond discount and premium of \$35,081 used to finance the costs of making improvements and extensions to the water and sewer system. Due serially in varying amounts from February 1, 2007 through February 1, 2017.	3.10% - 4.65%	<u>1,805,000</u>	<u>920,000</u>
Total Texarkana, Texas Water Utilities		<u>\$ 8,660,000</u>	<u>2,720,000</u>

Annual requirements to amortize revenue bonds outstanding at September 30, 2012 are as follows:

<i>Requirements Year Ending September 30</i>	<i>Revenue Bonds</i>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 379,927	102,840	482,767
2014	298,807	89,838	388,645
2015	313,807	78,434	392,241
2016	323,807	66,303	390,110
2017	343,807	53,515	397,322
2018-2022	839,115	131,363	970,478
2023	190,274	4,038	194,312
Total	<u>\$ 2,689,544</u>	<u>526,331</u>	<u>3,215,875</u>

## Changes in long-term liabilities

The following is a summary of changes in long-term liabilities for the year ended September 30, 2012:

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<i>Balance</i> <i>October 1,</i> <i>2011</i>	<i>Additions</i>	<i>Retirements/ Deductions</i>	<i>Balance</i> <i>September 30,</i> <i>2012</i>	<i>Long-term</i> <i>Balance</i>	<i>Due</i> <i>Within</i> <i>One Year</i>
<b>Governmental activities:</b>						
General obligation bonds	\$ 15,477,002	10,966,968	(11,137,897)	15,306,073	13,475,000	1,831,073
Less deferred charges:						
For issuance premiums		1,150,861	(20,191)	1,130,670	1,130,670	
On refunding	(368,429)	(332,016)	72,516	(627,929)	(627,929)	
Total general obligation bonds	<u>15,108,573</u>	<u>11,785,813</u>	<u>(11,085,572)</u>	<u>15,808,814</u>	<u>13,977,741</u>	<u>1,831,073</u>
Certificates of obligation	41,990,000	4,115,000	(3,900,000)	42,205,000	40,670,000	1,535,000
Less deferred charges:						
For issuance premiums	547,987		(33,829)	514,158	514,158	
On refunding	(516,113)	(115,000)	37,430	(593,683)	(593,683)	
Total certificates of obligation	<u>42,021,874</u>	<u>4,000,000</u>	<u>(3,896,399)</u>	<u>42,125,475</u>	<u>40,590,475</u>	<u>1,535,000</u>
Tax Notes	1,040,000		(180,000)	860,000	525,000	335,000
Capital leases	148,537	82,905	(145,147)	86,295	31,227	55,068
Net pension and other postemploy- ment obligations	2,099,573	3,080,362	(2,656,530)	2,523,405	2,523,405	
Accrued compensated absences	<u>3,299,591</u>	<u>1,539,868</u>	<u>(1,361,659)</u>	<u>3,477,800</u>	<u>3,282,901</u>	<u>194,919</u>
Governmental activity						
Long-term liabilities	<u>\$ 63,718,148</u>	<u>20,488,948</u>	<u>(19,325,307)</u>	<u>64,881,789</u>	<u>60,930,749</u>	<u>3,951,060</u>

	<i>Balance</i> <i>October 1,</i> <i>2011</i>	<i>Additions</i>	<i>Retirements/ Deductions</i>	<i>Total</i> <i>Balance</i> <i>September 30,</i> <i>2012</i>	<i>Long-term</i> <i>Balance</i>	<i>Due</i> <i>Within</i> <i>One Year</i>
<b>Business-type activities:</b>						
Revenue bonds	\$ 4,020,000		(1,300,000)	2,720,000	2,330,000	390,000
Less deferred charges:						
For issuance premiums (discounts)	9,659		(1,072)	8,587	8,587	
On refunding	(57,948)		18,905	(39,043)	(39,043)	
Total revenue bonds	<u>3,971,711</u>	<u>-</u>	<u>(1,282,167)</u>	<u>2,689,544</u>	<u>2,299,544</u>	<u>390,000</u>
Capital leases	5,497,784		(268,308)	5,229,476	4,871,175	358,301
Net pension and other postemploy- ment obligations	632,020	966,837	(801,040)	797,817	797,817	
Accrued compensated absences	<u>357,831</u>	<u>324,695</u>	<u>(275,216)</u>	<u>407,310</u>	<u>374,755</u>	<u>32,555</u>
Business-type activity						
Long-term liabilities	<u>\$ 10,459,346</u>	<u>1,291,532</u>	<u>(2,626,731)</u>	<u>9,124,147</u>	<u>8,343,291</u>	<u>780,856</u>

The addition to the general obligation bond includes \$236,968 of accretion on capital appreciation bonds during the fiscal year ended September 30, 2012.

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year end, \$37,371 of internal service funds compensated absences is included in the above amounts.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

The General Fund is the governmental fund which primarily is responsible for the accrued compensated absences liability for the governmental activities.

## Advance Refunding

The City issued \$10,730,000 in General Obligation Refunding Bonds, Series 2012 with interest rates ranging from 2.0% to 5.0%. The proceeds were used to advance refund \$1,200,000 of outstanding Combination Tax and Revenue Certificates of Obligation, Series 1998, \$1,020,000 of outstanding Combination Tax and Revenue Certificates of Obligation, Series 2002 and current interest bonds in the principal amount of \$5,355,000 and capital appreciation bonds in the original principal amount of \$2,615,621 and aggregating in maturity amount of \$4,710,000, aggregating in total original principal amount of \$7,970,621 in the General Obligation Bonds, Series 2003. These refunded bonds had interest rates ranging from 4.0% to 7.0%, 3.0% to 5.0% and 1.4% to 5.0%, respectively. The net proceeds of \$11,805,488 (including a \$1,150,861 premium and after payment of \$104,424 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 1998 and 2002 certificates of obligation and the 2003 bonds are considered defeased and the liability for those obligations has been removed from the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$227,593. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The City advance refunded the 1998, 2002 and 2003 debt to reduce its total debt service payments by \$1,742,876 and to obtain an economic gain (difference between the present values of the debt service payment on the old and new debt) of \$1,546,515. The refunded issues were scheduled to mature in 2018, 2019 and 2023. The new debt matures in 2023.

## **NOTE 18 - CONDUIT DEBT**

The City issued \$2,430,000 in Combination Tax and Revenue Certificates of Obligation, Series 2008 dated February 1, 2008. The stated maturity date of the debt is February 1, 2023, with an interest rate of 3.660% per annum. The certificates were issued by the City on behalf of the Bi-State Justice Center. The purpose of the debt is to pay contractual obligations for improvements to the Bi-State Criminal Justice Center and professional services rendered in connection therewith. The payments are made by the Bi-State Justice Center directly to the paying agent. The City has no responsibility for the repayment of the debt beyond its participation in the BSJC joint venture. The balance outstanding at September 30, 2012 is \$1,905,000.

## **NOTE 19 - RISK MANAGEMENT**

The City's workers' compensation insurance coverage is obtained through the Texas Municipal League Intergovernmental Risk Pool (TML Pool). The TML Pool was established by the various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. Losses under a stated amount for workers' compensation that are incurred by TML members are paid with TML Pool funds. Claims in excess of this limit are paid under terms of insurance policies obtained by the TML Pool. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board or by the State Board of Insurance of Texas. Such rates are estimated to include all claims expected to occur during the policy period, including claims incurred but not reported. The TML has established claims reserves for each of the types of insurance offered. Thus, although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contributed rate for subsequent years. Members are also entitled to returns of contributions if actual results are more favorable than estimated. For the year ended September 30, 2012, the City contributed \$197,235 for workers' compensation coverage.

Through an amendment, in 1978, of the Texas Unemployment Compensation Act, the City of Texarkana elected the Reimbursing Employer Option for providing unemployment insurance benefits for eligible former City employees.

The City has outside property insurance coverage totaling \$24,661,000 for major structures, primarily those used by the public and those located in a cluster to provide protection from catastrophic losses, as well as \$8,148,260 of contents coverage.

The City maintains liability insurance coverage of \$1,003,851 for all its vehicles and equipment. It has vehicle damage coverage on the most expensive vehicles and equipment including fire engines and large trucks.

The City has established an Employee Benefit Fund (an internal service fund) to account for a self-insured employee health benefit program. The City accounts for this expense on the accrual method in that as cash is transferred to the Employee Benefit Fund, it is expensed on the transferring fund. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). 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. Under this program, the City is self-insured up to a maximum of \$100,000 specific deductible per covered person in a calendar year, and a \$75,000 aggregating specific deductible. Costs in excess of this amount, up to \$1,250,000 per claimant as an annual benefit and unlimited as a lifetime benefit, were insured through QBE Insurance Corporation, which was offered by the reinsurance company, Beacon Risk Strategies, LLC. Beacon, Risk Strategies, LLC is offered through the Third Party Administrator, Blue Advantage of Arkansas. Each participating fund makes payments to the Employee Benefit Fund based upon the computed monthly amount determined by the administrator of the plan. Employees pay a portion of their costs and an amount for dependents and the City pays for the remainder of employees' coverage. Costs are recognized by the City in the Employee Benefit Fund when claims are filed and processed according to the City of Texarkana's plan document by Blue Advantage Administrators of Arkansas. Estimated costs incurred but not billed at year end are accrued.

Changes in the balance of claims liabilities during the past year are as follows:

	<i>Year Ended</i> <u>September 30, 2012</u>	<i>Year Ended</i> <u>September 30, 2011</u>
Unpaid claims, October 1	\$ 284,104	284,104
Incurred claims	2,168,970	1,993,842
Claim payments	<u>(2,090,824)</u>	<u>(1,993,842)</u>
Unpaid claims, September 30	<u>\$ 362,250</u>	<u>284,104</u>

The amount of settlements has not exceeded the coverage during any of the past three years.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## NOTE 20 - EMPLOYEE RETIREMENT SYSTEMS

The City has elected to participate in the following retirement plans for its employees: A) Texas Municipal Retirement System, and B) Texarkana Firemen's Relief and Retirement Fund.

### A. TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

The City participates in three retirement plans in the Texas Municipal Retirement System (TMRS) which covers all eligible full time employees, excluding firefighters: Plan #1 covers Police Officers, Plan #2 covers Other City employees and Plan #3 covers Texarkana Water Utilities Employees.

#### Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statement and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contribution, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

#### Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuations that serves as the basis of the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/ (asset) are as follows:

	<i>Plan No. 1</i>	<i>Plan No. 2</i>		<i>Plan No. 3</i>
	<u>City</u>	<u>City</u>	<u>Library</u>	<u>Utility</u>
Calculation of Net Pension Obligation:				
Annual required contribution (ARC)	\$ 1,175,640	1,228,579	56,863	808,143
Interest on NPO	44,913	46,673	2,158	31,137
Adjustment to the NPO	<u>(38,607)</u>	<u>(40,120)</u>	<u>(1,855)</u>	<u>(26,766)</u>
Annual pension cost (APC)	1,181,946	1,235,132	57,166	812,514
Contributions made	<u>(1,125,133)</u>	<u>(1,171,684)</u>	<u>(54,183)</u>	<u>(748,122)</u>
Increase (decrease) in NPO	56,813	63,448	2,983	64,392
NPO at the beginning of period	<u>641,614</u>	<u>666,830</u>	<u>30,754</u>	<u>444,818</u>
NPO at the end of period	<u><u>698,427</u></u>	<u><u>730,278</u></u>	<u><u>33,737</u></u>	<u><u>509,210</u></u>

## THREE YEAR TREND INFORMATION

	<i>Fiscal</i>	<i>Annual</i>	<i>Actual</i>	<i>Percentage</i>	<i>Net</i>
	<u>Year</u>	<u>Pension</u>	<u>Contributions</u>	<u>of APC</u>	<u>Pension</u>
	<u>Ending</u>	<u>Cost</u>	<u>Made</u>	<u>Contributed</u>	<u>Obligation</u>
Plan No. 1	9/30/2010	\$ 1,204,136	\$ 971,582	81%	\$ 430,668
	9/30/2011	1,277,041	1,066,095	83%	641,614
	9/30/2012	1,181,946	1,125,133	95%	698,427
Plan No. 2	9/30/2010	1,338,876	1,073,413	80%	454,031
	9/30/2011	1,410,817	1,167,264	83%	697,584
	9/30/2012	1,292,298	1,225,867	95%	764,015
Plan No. 3	9/30/2010	813,891	640,967	79%	444,550
	9/30/2011	798,851	654,806	82%	664,064
	9/30/2012	812,514	748,122	92%	509,210

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation date	12/31/2009	12/31/2010	12/31/2011
Actuarial cost method	projected unit credit	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll
GASB 25 equivalent single amortization period			
Plan No. 1	28.2 years; closed period	27.2 years; closed period	26.3 years; closed period
Plan No. 2	28.1 years; closed period	27.2 years; closed period	26.2 years; closed period
Plan No. 3	28 years; closed period	27.2 years; closed period	26.2 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial assumptions:			
Investment rate of return*	7.50%	7.00%	7.00%
Projected salary increases*	varies by age and service	varies by age and service	varies by age and service
*includes inflation at	3.00%	3.00%	3.00%
cost of living adjustments	2.10%	2.10%	2.10%

## Funded Status and Funding Progress

The funded status as of December 31, 2011, the most recent actuarial valuations, is presented as follows:

	<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Funded Ratio</i>	<i>Unfunded AAL (UAAL)</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
Plan No. 1	12/31/2011	\$ 28,124,543	\$ 35,166,331	80.0%	\$ 7,041,788	\$ 5,327,177	132.2%
Plan No. 2	12/31/2011	33,170,614	40,344,012	82.2%	7,173,398	7,772,142	92.3%
Plan No. 3	12/31/2011	22,638,642	30,022,659	75.4%	7,384,017	6,239,126	118.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

## **B. TEXARKANA FIREMEN'S RELIEF AND RETIREMENT FUND (FRRF)**

### **Plan Description**

The Board of Trustees of the Texarkana Firefighter's Relief and Retirement Fund is the administrator of a single-employer defined benefit pension plan. The Texarkana Firefighter's Relief and Retirement Fund is considered part of the City of Texarkana, Texas financial reporting entity and is included in the City's financial reports as a pension trust fund.

Firefighters in the Texarkana Fire Department are covered by the Texarkana Firefighter's Relief and Retirement Fund. The table below summarizes the membership of the fund as of December 31, 2011 the most recent biennial actuarial valuation.

<u>Group</u>	<u>Number</u>
Retiree and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	53
Current employees	
Vested	23
Nonvested	56
Total	<u>132</u>

The Texarkana Firefighter's Relief and Retirement Fund provides service retirement, death, disability and withdrawal benefits. These benefits fully vest after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. As of the December 31, 2009 actuarial valuation date, the plan effective July 31, 2009 provided a monthly normal service retirement benefit, payable in a joint and two-thirds to spouse form of annuity, equal to 2.98% of highest 36-month average salary for each whole year of service.

There is no provision for automatic post-retirement benefit increases. The fund has the authority to provide, and has periodically in the past provided for, ad hoc post-retirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

The City does not issue a stand-alone financial report for this pension plan. The plan is not included in the financial report of any other entity.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## **Summary of Significant Accounting Policies**

### ***Basis of Accounting***

The Texarkana Firemen's Relief and Retirement Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the 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 the plan.

### ***Method Used to Value Investments***

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

## **Contributions Required and Contributions Made**

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability. The number of years needed to amortize the plan's unfunded actuarial accrued liability (UAAL) is determined using an open, level percentage of payroll method.

The costs of administering the plan are financed from the fund.

The funding policy of the Texarkana Firefighter's Relief and Retirement Fund requires contributions equal to 13.5% of pay by the firefighters and contributions by the City of 19.5%.

## **Annual Pension Cost**

For the fiscal year ending September 30, 2012, the City of Texarkana's annual pension cost (APC) was equal to the annual required contributions and was \$804,883. Based on the results of the December 31, 2011 actuarial valuation of the plan effective July 31, 2009, the Board's actuary found that the fund has an adequate contribution arrangement based on the current level of the firefighter and City of Texarkana contribution rates. The funding policy of the fund requires the firefighters to contribute 13.5% of pay and the City to contribute 19.5% of pay.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

The annual required contributions (ARC) by the City for the fiscal year ending September 30, 2012 were based on the results of the actuarial valuation as of December 31, 2009 and as of December 31, 2011 using the entry age actuarial cost method and were determined in compliance with the GASB Statement No. 27 parameters. The actuarial methods and assumptions used for these two biennial actuarial valuations are shown below:

Valuation date	12/31/2009	12/31/2011
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of payroll, open	Level percent of payroll, open
Amortization period for ARC	10 years	15 years
Asset valuation method	5-year adjusted market value	5-year adjusted market value
Actuarial assumptions		
Investment return	7.75%	7.75%
Inflation	3.50%	3.50%
Projected salary increases		
General	3.50%	3.50%
Promotion and longevity	0% to 5%	0% to 5.5%
Total	3.50% to 8.67%	3.50% to 9.19%
Cost-of-living increases	0.00%	0.00%
Payroll increases	3.50%	3.50%
ARC as a percentage of payroll	19.50%	19.50%

## **Trend Information**

Six-year trend information may be found in the Required Supplementary Information Section of this report which follows the Notes to Combined Financial Statements.

<i><u>Fiscal Year Ending</u></i>	<i><u>Annual Pension Cost (APC)</u></i>	<i><u>Percentage of APC Contributed</u></i>	<i><u>Contribution as a Percentage of Payroll</u></i>	<i><u>Net Pension Obligation</u></i>
9/30/2010	\$781,461	100%	19.50%	\$ -
9/30/2011	786,256	100%	19.50%	0
9/30/2012	804,883	100%	19.50%	0

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

The funded status as of December 31, 2011, the most recent actuarial valuation date, is as follows:

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Funded Ratio</i>	<i>Unfunded AAL (UAAL)</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
12/31/2011	\$ 26,721,817	\$ 32,246,803	82.9%	\$ 5,524,986	\$ 4,210,076	131.2%

## NOTE 21 - POSTEMPLOYMENT HEALTH CARE BENEFITS

In addition to the retirement benefits described in Note 20, 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 a balance in item 2 can only be used for healthcare it is required to be included as another post-employment benefit (OPEB).

The City and Texas Water Utility both provide the above described post employment benefits. Each plan has a separate actuarial valuation and are reported separately in the following disclosures.

### Funding Policy

The Annual Required Contribution (ARC) is the periodic required contribution to fund the post employment healthcare benefits of both active and inactive participants. The ARC includes both the value of benefits earned during the year (normal costs) and an amortization of the Unfunded Actuarial Accrued Liability (UAAL). Although there is no requirement to contribute the ARC, it serves as the starting point for the Annual OPEB Cost.

The annual OPEB Cost is the amount the employer charges as the cost of the post employment healthcare benefits on its income statement each fiscal year. If there is no Net OPEB Obligation on the financial statements then the Annual OPEB Cost is equal to the ARC. However, if there is a Net OPEB Obligation, then the Annual OPEB Cost reflects adjustments for the Net OPEB Obligation previously recognized and interest.

The Annual Expected Pay-As-You-Go Cost is the expected claims and administration costs less deductibles, coinsurance and contributions for inactive participants during the fiscal year.

The City's Annual Required Contribution and Annual OPEB costs are as follows:

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<u>City</u>	<u>TWU</u>
Normal costs	\$ 302,218	63,812
Amortization of unfunded actuarial accrued liability	226,852	56,502
Interest adjustment	21,163	
Annual required contribution	550,233	120,314
Interest on BOY net OPEB obligation	31,645	7,258
Annual required contribution adjustment	(32,280)	(10,493)
Annual OPEB cost	549,598	117,079
Contributions made	(246,027)	(15,673)
Increase (decrease) in OPEB obligation	303,571	101,406
OPEB at the beginning of period	791,129	187,201
OPEB at the end of period	<u>\$ 1,094,700</u>	<u>288,607</u>

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year ended September 30, 2012 and the two preceding years were as follows:

<u>Plan</u>	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
City	9/30/2010	\$ 376,044	44.52%	450,936
	9/30/2011	530,058	35.82%	791,129
	9/30/2012	549,598	44.76%	1,094,700
TWU	9/30/2010	\$ 84,497	34.46%	108,216
	9/30/2011	84,858	11.19%	187,202
	9/30/2012	117,079	8.11%	288,607

## Funding Status and Funding Progress

The funded status of the plans as of September 30, 2012 was as follows:

### SCHEDULE OF FUNDING PROGRESS

<u>Plan</u>	<u>Fiscal Year Ended</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
City	9/30/2010	\$ -	\$ 3,801,790	\$ 3,801,790	0%	14,176,268	27%
	9/30/2011		5,206,952	5,206,952	0%	13,155,949	40%
	9/30/2012		5,539,672	5,539,672	0%	13,099,319	

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

## SCHEDULE OF FUNDING PROGRESS

<i>Plan</i>	<i>Fiscal Year Ended</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
TWU	9/30/2010	\$ -	\$ 758,392	\$ 758,392	0%	4,214,181	18%
	9/30/2011	-	780,083	780,083	0%	6,101,086	13%
	9/30/2012		970,479	970,479	0%	6,239,126	16%

### Actuarial Methods and Assumptions

**City Plan** – The actuarial assumptions used in the actuarial valuations are either based on actual City experience and developed through discussion with the City, or drawn from either the December 31, 2008 Texas Municipal Retirement System City of Texarkana (TMRS-COT) Actuarial Valuation, December 31, 2008 Texas Municipal Retirement System Texarkana Police Department (TMRS-TPD) Actuarial Valuation or December 31, 2007 Texarkana Firemen’s Relief and Retirement Fund (FRRF) Actuarial Valuation. The TMRS actuarial valuation assumptions were developed from an actuarial investigation of TMRS experience during 1993 through 2006. Actuarial assumptions used from the TMRS-COT, TMRS-TPD, and FRRF Actuarial Valuations are assumed to be appropriate because employees and retirees of the City are members of one of these three retirement plans. Significant methods and assumptions were as follows:

Valuation date	10/1/2010
Benefits valued	Medical and prescription drug benefits are valued. Dental benefits were not valued because retirees and their dependents are required to contribute the full group rates which are assumed to cover their full expected costs of dental coverage.
Discount Rate	4.0% (Pay-As-You-Go Funding)
Actuarial cost methods	Projected unit credit. The initial UAAL and subsequent gains and losses are amortized as a percent of payroll over closed 30 year periods.
Actuarial value of assets	The plan is not prefunded.
Payroll growth rate	3.0% (based on 3% for the TMRS-COT plan, 3% for the TMRS-TPD plan and 3.5% for the FRRF plan)
Individual pay rate increases	4.00%
Inflation rate	3.00%
Sick leave hour accrual	Active employees are assumed to continue accruing sick leave hours until retirement at the same rate they accrued hours in the past.

# CITY OF TEXARKANA, TEXAS

## *Notes to the financial statements continued.*

Medical/Rx Elections	<p>90% of City employees, Police and Firefighters are assumed to elect medical and prescription drug coverage at retirement.</p> <p>25% of City employees and Police electing medical and prescription drug coverage at retirement are assumed to be married and elect coverage for their spouse at retirement.</p> <p>60% of Firefighters electing medical and prescription drug coverage at retirement are assumed to be married and elect coverage for their spouse.</p> <p>50% of retirees are assumed to waive healthcare coverage upon exhaustion of their sick leave balances.</p>
Termination rates	<p>City and Police termination rates are the Mid Withdrawal and Turnover rates from the December 31, 2008 TMRS Actuarial Valuation. These termination rates were based on 5 years of recent City termination experience and long-term expectations of the City. Rates range from 0.00 to .299.</p> <p>Firefighter termination rates are the rates from the December 31, 2009 Texarkana FRRF Actuarial Valuation. These termination rates were based on five years of recent Firefighters termination experience and long-term expectations of the City. Rates range from 0.00 to .030.</p>
Disability rate	None
Retirement rates	<p>The retirement rates for City and Police are based on the rates used in the 12/31/10 TMRS reports and was chosen based on the City and Police experience and long-term expectations. Retirement rates range from .06 to 1.</p> <p>The retirement rates for Firefighters are based on the rates used in the 12/31/09 FRRF reports and was chosen based on Firefighters experience and long-term expectations. Retirement rates range from .1 to 1.</p>
Mortality Rates	<p>Active mortality rates for the City are based on the rates used in the 12/31/09 TMRS report. Retired and survivor mortality rates are based on the rates used in the 12/31/09 TMRS report. These rates range from .0003 to 1 for males and .0002 to 1 for females.</p> <p>For Firefighter participants who are active, retire or survivor, mortality rates are those used in the FRRF 12/31/09 actuarial valuation. Specifically, the table used in the RP-2000 table, projected to year 2014 using Projection Scale AA.</p>
Healthcare cost trend rates	Healthcare cost trend rates are assumed to decrease in future years. Rates for future years range from 10% to 5%.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

**TWU Plan** - Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date of the pattern of sharing benefit costs between the employer and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Payroll Increase	N/A																		
Mortality rates	<p>Pre-retirement: Sex distinct RP-2000 Combined Healthy Mortality Table with Scale AA projected to 2017</p> <p>Post-retirement: Sex distinct RP-2000 Combined Healthy Mortality Table with Scale AA projected to 2017</p>																		
Disability rates	None assumed																		
Withdrawal rates	<p>Sample rates are as follows:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Age</u></th> <th style="text-align: left;"><u>Male</u></th> <th style="text-align: left;"><u>Female</u></th> </tr> </thead> <tbody> <tr> <td>20</td> <td>17.90%</td> <td>17.90%</td> </tr> <tr> <td>30</td> <td>16.2</td> <td>16.2</td> </tr> <tr> <td>40</td> <td>13.1</td> <td>13.1</td> </tr> <tr> <td>50</td> <td>7.9</td> <td>7.9</td> </tr> <tr> <td>60</td> <td>1.2</td> <td>1.2</td> </tr> </tbody> </table>	<u>Age</u>	<u>Male</u>	<u>Female</u>	20	17.90%	17.90%	30	16.2	16.2	40	13.1	13.1	50	7.9	7.9	60	1.2	1.2
<u>Age</u>	<u>Male</u>	<u>Female</u>																	
20	17.90%	17.90%																	
30	16.2	16.2																	
40	13.1	13.1																	
50	7.9	7.9																	
60	1.2	1.2																	
Assumed Sick Leave Balance	Active participants assumed to have the maximum leave balance accrued at time of retirement (720 hours). Retirees use actual sick leave balances.																		
Participation Assumption	100% of all employees who are eligible for retiree medical benefits are assumed to elect medical coverage in retirement.																		
Marriage Assumption	For actives it is assumed that husbands are two years older than their wives. 25% of active participants making it to retirement are assumed to be married and elect spouse medical coverage.																		

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Retirement rates

Sample rates for pre 7/1/1999 hires are as follows:

<u>Age</u>	<u>Males</u>	<u>Females</u>
40-44	5.0%	5.0%
45-49	6.0%	6.0%
50-54	4.0%	4.0%
55-59	3.0%	3.0%
60	2.9%	2.9%
61	2.5%	2.5%
62	4.2%	4.2%
63	6.6%	6.6%
64	10.3%	10.3%
65	17.8%	17.8%
66-69	32.5%	32.5%
70+	48.6%	48.6%

## **NOTE 22 - 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 January 1, 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 at September 30, 2012.

## **NOTE 23 – CLASSIFICATION OF GOVERNMENTAL FUND BALANCES**

The table below presents a summary of the September 30, 2012, governmental fund balances by fund type and specific purpose.

The classifications of nonspendable, restricted, committed, assigned and unassigned are the new fund balance classifications according to GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which was implemented for fiscal year 2011. With the exception of nonspendable fund balances, fund balance is presented based on specific purpose as required by GASB 54. For the general fund, special revenue funds, debt service fund and capital projects funds, the specific purpose of the fund balance is determined by the governmental function for which the funds are restricted, committed, assigned or unassigned.

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<i>General</i>	<i>2009 Bond Capital Projects</i>	<i>Debt Service</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Fund Balances:					
Nonspendable for:					
Noncurrent loans	\$ -			310,426	310,426
Investment in joint venture	101,081				101,081
Restricted					
Court security and technology	290,127				290,127
Police	185,666			10,968	196,634
Health and welfare	2,250			223,671	225,921
Convention center				619,651	619,651
Debt service			318,394		318,394
Capital improvements		8,939,237		5,449,034	14,388,271
Committed					
Economic development				1,701,538	1,701,538
Stormwater				49,737	49,737
Assigned					
Police	2,915				2,915
Theatre				773,788	773,788
Tourism				585,832	585,832
Insurance	440,814				440,814
Energy conservation	19,123				19,123
Capital improvements				11,864	11,864
Unassigned					
General fund	7,808,993				7,808,993
Special revenue funds				(338,733)	(338,733)
Capital Project fund				(741,393)	(741,393)
Total Fund Balances	<u>\$ 8,850,969</u>	<u>8,939,237</u>	<u>318,394</u>	<u>8,656,383</u>	<u>26,764,983</u>

## NOTE 24 - CONTINGENT LIABILITIES

### Litigation

The City of Texarkana, Arkansas applied to federal court for an order to compel arbitration with the City of Texarkana, Texas, contending a right to arbitration over Texarkana Water Utilities (TWU) management issues and other matters pursuant to the terms of a 1985 water supply contract. The specific relief requested in the application filed by the City of Texarkana, Arkansas was denied by court order dated July 6, 2012. The federal court ordered to arbitration certain other matters not contained in the filed application that the City of Texarkana, Arkansas, requested pertaining to the 1985 water supply contract, but those matters do not involve affirmative claims for money damages. The federal judge also ordered to arbitration all matters requested by the City of Texarkana, Texas, which include affirmative claims for money damages. In compliance with the

# CITY OF TEXARKANA, TEXAS

## *Notes to the financial statements continued.*

federal court order, the City Council appointed an arbitrator, and notice was given to the City of Texarkana, Arkansas, of that appointment. The arbitrator appointed by the City of Texarkana, Arkansas, has not yet contacted the arbitrator appointed by the City of Texarkana, Texas, to select a third arbitrator as required by the 1985 contract. There appear to be no allegations or claims for damages asserted by the City of Texarkana, Arkansas. The City attorney asserts that it is premature at this time to evaluate the likelihood of an unfavorable outcome, and an estimate of the amount or range of potential loss cannot be made at this time.

The City generally follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount.

### Grant Disallowances

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor agency. As of September 30, 2012, significant amounts of grant expenditures have not been audited but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

### **NOTE 25- SUBSEQUENT PRONOUNCEMENTS**

The Governmental Accounting Standards Board recently issued the following statements not yet implemented by the City of Texarkana, Texas. The statements which might impact the City are as follows:

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* issued in November 2010 will be effective for the City for the year ending September 30, 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, were amended to better meet user needs and to address reporting entity issue that have arisen since the issuance of those Statements.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued in June 2011 will be effective for the City for the year ending September 30, 2013. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statements amends the net assets reporting requirements in Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflow of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012 will be effective for the year ending September 30, 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process (Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*). This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, issued March 2012 will be effective for the year ending September 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, issued June 2012 will be effective for the year ending September 30, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, issued June 2012 will be effective for the year ending September 30, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful

# CITY OF TEXARKANA, TEXAS

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*Notes to the financial statements continued.*

information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

## **NOTE 26 – SUBSEQUENT EVENTS**

The City approved the application of different allocation ratios than those used in the fiscal year 2012 audit for shared costs of the Texarkana Water Utilities (business-type activities and enterprise fund) in the fiscal year 2013. The new funding ratio adopted will be 61.14% Texas and 38.86% Arkansas.

The City of Texarkana, Texas anticipates issuing approximately \$4,200,000 in Water and Sewer Revenue Bonds before the end of May 2013 in order to finance the relocation and upgrade water main to be installed between Malta, Texas and DeKalb, Texas. These relocations are made necessary by the widening of US Highway 82 between New Boston, Texas and DeKalb, Texas, a Bowie County voter approved project.

The City Council has authorized a refunding issuance of \$14,565,000, which is scheduled to occur in March 2013. The overall length of bonds outstanding will not be affected. This a refunding of higher interest callable bonds for lower interest rate bonds on the same payback schedule.

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through April 3, 2013, the date the financial statements were available to be issued.

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## **Required Supplementary Information**

# CITY OF TEXARKANA, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION - *Three Year Historical Trend* September 30, 2012

### TMRS PLAN #1 - Police Officers

#### *SCHEDULE OF FUNDING PROGRESS*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Unit Credit</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2009	\$ 13,842,840	\$ 23,875,638	58.0%	\$ 10,032,798	\$ 5,411,235	185.4%
12/31/2010	26,309,455	33,755,169	77.9%	7,445,714	5,256,581	141.6%
12/31/2011	28,124,543	35,166,331	80.0%	7,041,788	5,327,177	132.2%

### TMRS PLAN #2 - Other City Employees

#### *SCHEDULE OF FUNDING PROGRESS*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Unit Credit</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2009	\$ 18,309,284	\$ 27,512,820	66.5%	\$ 9,203,536	\$ 8,041,002	114.5%
12/31/2010	31,172,648	38,396,439	81.2%	7,223,791	7,899,368	91.4%
12/31/2011	33,170,614	40,344,012	82.2%	7,173,398	7,772,142	91.4%

# CITY OF TEXARKANA, TEXAS

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## REQUIRED SUPPLEMENTARY INFORMATION - *Three Year Historical Trend* September 30, 2012

### TMRS PLAN #3 - Water Utilities

#### *SCHEDULE OF FUNDING PROGRESS*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Unit Credit</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2009	\$ 8,123,308	\$ 13,949,863	58.2%	\$ 5,826,555	\$ 4,214,181	138.3%
12/31/2010	13,561,710	18,621,242	72.8%	5,059,532	3,925,160	128.9%
12/31/2011	22,638,642	30,022,659	75.4%	7,384,017	6,239,126	118.4%

# CITY OF TEXARKANA, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION - Six Year Historical Trend September 30, 2012

### TEXARKANA FIREMEN'S RELIEF AND RETIREMENT

#### *SCHEDULE OF FUNDING PROGRESS*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll(1)</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/07 (2)	23,463,936	26,506,378	3,042,442	88.5%	3,867,848	78.7%
12/31/09 (3)	24,692,627	28,818,073	4,125,446	85.7%	3,920,128	105.2%
12/31/11 (4)	26,721,817	32,246,803	5,524,986	82.9%	4,210,076	131.2%

- (1) The covered payroll is based on estimated annualized salaries used in the valuation.
- (2) Reflects plan benefit provisions effective November 1, 2006.
- (3) Reflects plan benefit provisions effective July 31, 2009.
- (4) Economic and demographic assumptions were revised.

#### *SCHEDULE OF EMPLOYER CONTRIBUTIONS*

<u>Plan Year Ended December 31</u>	<u>Annual Contribution As a Fixed Percentage of Payroll</u>	<u>Annual Required Contribution (1)</u>	<u>Percentage Contributed</u>
2006	14.00%	\$ 489,610	100%
2007	14.33%	494,343	100%
2008	14.66%	556,817	100%
2009	15.00%/ 19.50% (2)	620,189	100%
2010	19.50%	784,726	100%
2011	19.50%	784,726	100%
2012	19.50%		

- (1) The annual required contribution is the actual employer contribution reported in the fund's annual report to the State of Texas Fire Fighters' Pension Commission because the actuarial valuation that was the basis for each ARC had an amortization period that was compliant with GASB parameters (up to 40 years through the 2006 plan year and up to 30 years after the 2006 plan year).
- (2) The percentage rate changed from 15.00% to 19.50% beginning October 1, 2009.

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## **Nonmajor Governmental Funds Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Housing and Community Development Fund** - This fund was established to account for the receipts and disbursements of Department of Housing and Urban Development Community Development Block Grant Funds.

**HOME Fund** - This fund was established to account for the repayment of loans originally funded through the Home Program.

**Theatre Fund** - This fund was established to account for the operations of the Perot Theatre.

**Hotel/Motel Tax Fund** - This fund was established to account for the collection and distribution of hotel/motel taxes.

**Housing Fund** - This fund was established to account for the repayment of loans which are funded with non-federal, local funds under the Home Ownership Assistance Program guidelines.

**Economic Development** - This fund was established to account for additional franchise tax revenue restricted for economic development activity.

**Law Enforcement Block Grant** - This fund was established to account for the activity related to the Law Enforcement Block Grant, Weed and Seed Grant and Asset Forfeiture Program.

**Law Enforcement Programs Fund** - This fund was established to account for the activity related to the Tobacco Compliance Grant and the Law Enforcement Officer Standards and Education (LEOSE) allocations.

**Brownfield Grant Fund** – This fund was established to account for the activity related to the Environmental Protection Agency Brownfield Hazardous Waste and Petroleum Assessment Grants.

**TIRZ #1 Fund** - This fund was established to facilitate a program of public improvements to allow and encourage the development and redevelopment of approximately 868 acres of land located in the north and west part of Texarkana through the use of tax dollars collected over a designated base amount.

**Rotary Splash Park Fund** - This fund was established to account for the activity related to the splash pad at Spring Lake Park.

**Stormwater Management Fund** – This fund was established to account for the activity related to the stormwater program responsible for managing the City's Stormwater Utility to keep the City in compliance with its MS4 permits while approving and monitoring all Stormwater Pollution Prevention Plans for both public and private developments.

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## Capital Project Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

**1998 Bond Fund**- This fund was established to account for bond proceeds used for street and drainage improvements, the acquisition of land, purchase of a fire truck, acquisition of right of ways and various other improvements.

**2003 Bond Fund** - This fund was established to account for bond proceeds used for improving streets, drainage, flood control and the library.

**2005 Bond Fund** - This fund was established to account for bond proceeds used for improving streets and parks, as well as fire-fighting facilities and purchase of three fire trucks.

**2010 Bond Fund** – This fund was established to account for bond proceeds used for constructing, improving and equipping convention center facilities and the acquisition of sites.

**TIRZ Bond Fund** – This fund was established to account for 2012 bond proceeds used for street and drainage improvements, constructing, improving and equipping park and recreational facilities.

# CITY OF TEXARKANA, TEXAS

## BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS September 30, 2012

	<i>Special Revenue Funds</i>		
	<i>Housing and Community Development</i>	<i>HOME</i>	<i>Theatre</i>
<b>ASSETS</b>			
Cash	\$ 56		795,133
Investments - certificates of deposit			
Receivables (net of allowance for uncollectible):			
Property taxes			
Other taxes			
Accounts			
Other government agencies	233,526		
Accrued interest			
Loans	77,068	133,256	
Due from other funds	24,697	57,000	1,417
Houses held for resale	84,356		
<b>TOTAL ASSETS</b>	<u>419,703</u>	<u>190,256</u>	<u>796,550</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable	20,173		22,762
Contracts payable			
Accrued payroll			
Due to other governments			
Due to other funds	302,285	130,482	
Deferred revenue	87,837		
Unearned revenue	9,408		
Other liabilities and escrow deposits		2,612	
<b>TOTAL LIABILITIES</b>	<u>419,703</u>	<u>133,094</u>	<u>22,762</u>
 <b>FUND BALANCES</b>			
Nonspendable:			
Noncurrent loans		130,195	
Restricted			
Committed			
Assigned			773,788
Unassigned		(73,033)	
<b>TOTAL FUND BALANCE</b>	<u>-</u>	<u>57,162</u>	<u>773,788</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>419,703</u>	<u>190,256</u>	<u>796,550</u>

*Special Revenue Funds*

<i>Hotel/ Motel Tax</i>	<i>Housing</i>	<i>Economic Development</i>	<i>Law Enforcement Block Grant</i>	<i>Law Enforcement Programs</i>	<i>Brownfield Grant</i>
1,113,500	95	1,162,248 503,203	922	10,046	
141,968		36,225			
		899			
	781,180				
995		4,640			
<u>1,256,463</u>	<u>781,275</u>	<u>1,707,215</u>	<u>922</u>	<u>10,046</u>	
2,040		5,677			27,331
37,288 11,652	377,373				47,421
<u>50,980</u>	<u>377,373</u>	<u>5,677</u>	<u>-</u>	<u>-</u>	<u>74,752</u>
619,651	180,231 223,671		922	10,046	
585,832		1,701,538			
<u>1,205,483</u>	<u>403,902</u>	<u>1,701,538</u>	<u>922</u>	<u>10,046</u>	<u>(74,752)</u>
<u>1,256,463</u>	<u>781,275</u>	<u>1,707,215</u>	<u>922</u>	<u>10,046</u>	<u>(74,752)</u>
					<u>-</u>

(Continued)

# CITY OF TEXARKANA, TEXAS

## BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS September 30, 2012

	<i>Special Revenue Funds</i>			
	<i>TIRZ #1</i>	<i>Rotary Splash Park</i>	<i>Storm- water Management</i>	
<b>ASSETS</b>				
Cash	89,137		52,263	3,223,400
Investments - certificates of deposit				503,203
Receivables (net of allowance for uncollectible):				
Property taxes	999			999
Other taxes				141,968
Accounts				36,225
Other government agencies				233,526
Accrued interest				899
Loans				991,504
Due from other funds	152		5	88,906
House held for resale				84,356
<b>TOTAL ASSETS</b>	<u>90,288</u>	<u>-</u>	<u>52,268</u>	<u>5,304,986</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable		182,352	70	260,405
Contracts payable				
Accrued payroll			2,461	2,461
Due to other governments	78,424			78,424
Due to other funds		8,596		903,445
Deferred revenue				99,489
Unearned revenue				9,408
Other liabilities and escrow deposits				2,612
<b>TOTAL LIABILITIES</b>	<u>78,424</u>	<u>190,948</u>	<u>2,531</u>	<u>1,356,244</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Noncurrent loans				310,426
Restricted				854,290
Committed			49,737	1,751,275
Assigned	11,864			1,371,484
Unassigned		(190,948)		(338,733)
<b>TOTAL FUND BALANCE</b>	<u>11,864</u>	<u>(190,948)</u>	<u>49,737</u>	<u>3,948,742</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>90,288</u>	<u>-</u>	<u>52,268</u>	<u>5,304,986</u>

**Capital Projects Funds**

<u>1998</u> <u>Bond</u>	<u>2003</u> <u>Bond</u>	<u>2005</u> <u>Bond</u>	<u>2010</u> <u>Bond</u>	<u>TIRZ</u> <u>Bond</u>	<u>Total</u> <u>Capital</u> <u>Project</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Fund</u>
3	693,419	298,543 446,002	210	3,999,997	4,992,172 446,002	8,215,572 949,205
					-	999
					-	141,968
	6,240				6,240	42,465
					-	233,526
		516			516	1,415
					-	991,504
	2,314	2,000			4,314	93,220
					-	84,356
<u>3</u>	<u>701,973</u>	<u>747,061</u>	<u>210</u>	<u>3,999,997</u>	<u>5,449,244</u>	<u>10,754,230</u>
					-	260,405
			514,230		514,230	514,230
					-	2,461
					-	78,424
			227,373		227,373	1,130,818
					-	99,489
					-	9,408
					-	2,612
<u>-</u>	<u>-</u>	<u>-</u>	<u>741,603</u>	<u>-</u>	<u>741,603</u>	<u>2,097,847</u>
					-	310,426
3	701,973	747,061		3,999,997	5,449,034	6,303,324
					-	1,751,275
					-	1,371,484
			(741,393)		(741,393)	(1,080,126)
<u>3</u>	<u>701,973</u>	<u>747,061</u>	<u>(741,393)</u>	<u>3,999,997</u>	<u>4,707,641</u>	<u>8,656,383</u>
<u>3</u>	<u>701,973</u>	<u>747,061</u>	<u>210</u>	<u>3,999,997</u>	<u>5,449,244</u>	<u>10,754,230</u>

(Concluded)

# CITY OF TEXARKANA, TEXAS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended September 30, 2012

	<i>Special Revenue Funds</i>		
	<i>Housing and Community Development</i>	<i>HOME</i>	<i>Theatre</i>
<b>REVENUES:</b>			
Property taxes	\$ -		
Taxes-other			
Franchise receipts			
Charges for services			93,625
Grants and entitlements	773,550	310,183	
Investment earnings:			
Interest and dividends			3,565
Intergovernmental			
Other	37,505		
Total revenues	<u>811,055</u>	<u>310,183</u>	<u>97,190</u>
<b>EXPENDITURES:</b>			
Current:			
General government	105,802		
Public safety			
Public works			
Parks and recreation			279,490
Health and welfare	489,524	513,843	
Capital outlay	215,729		
Debt service:			
Bond issuance costs			
Total expenditures	<u>811,055</u>	<u>513,843</u>	<u>279,490</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(203,660)</u>	<u>(182,300)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in		57,000	305,000
Transfers out			(2,411)
Certificates of obligation issued			
Total other financing sources (uses)	<u>-</u>	<u>57,000</u>	<u>302,589</u>
Net change in fund balances	-	(146,660)	120,289
Fund balances at beginning of year		203,822	653,499
Fund balances at end of year	<u>-</u>	<u>57,162</u>	<u>773,788</u>

*Special Revenue Funds*

<i>Hotel/ Motel Tax</i>	<i>Housing</i>	<i>Economic Development</i>	<i>Law Enforcement Block Grant</i>	<i>Law Enforcement Programs</i>	<i>Brownfield Grant</i>
1,187,104		366,271			
			57,958		60,749
5,039	11,986	9,335		53	
		1,000			
<u>1,192,143</u>	<u>11,986</u>	<u>376,606</u>	<u>57,958</u>	<u>53</u>	<u>60,749</u>
		256,563			
			57,036	3,014	
348,973	10,963	319,846			111,933
<u>348,973</u>	<u>10,963</u>	<u>576,409</u>	<u>57,036</u>	<u>3,014</u>	<u>111,933</u>
843,170	1,023	(199,803)	922	(2,961)	(51,184)
(884,088)	(57,000)	(10,000)			
<u>(884,088)</u>	<u>(57,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(40,918)	(55,977)	(209,803)	922	(2,961)	(51,184)
1,246,401	459,879	1,911,341		13,007	(23,568)
<u>1,205,483</u>	<u>403,902</u>	<u>1,701,538</u>	<u>922</u>	<u>10,046</u>	<u>(74,752)</u>

(continued)

# CITY OF TEXARKANA, TEXAS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended September 30, 2012

	<i>Special Revenue Funds</i>			
	<i>TIRZ #1</i>	<i>Rotary Splash Park</i>	<i>Storm- water Management</i>	<i>Total Special Revenue</i>
<b>REVENUES:</b>				
Property taxes	122,211			122,211
Taxes-other				1,187,104
Franchise receipts				366,271
Charges for services				93,625
Grants and entitlements				1,202,440
Investment earnings:				
Interest and dividends	699	134	29	30,840
Intergovernmental	20,019			20,019
Other		44,650		83,155
Total revenues	<u>142,929</u>	<u>44,784</u>	<u>29</u>	<u>3,105,665</u>
<b>EXPENDITURES:</b>				
Current:				
General government				362,365
Public safety				60,050
Public works			447,292	447,292
Parks and recreation		595		629,058
Health and welfare				1,126,263
Capital outlay	175,000	259,657		970,232
Debt service:				
Bond issuance costs				-
Total expenditures	<u>175,000</u>	<u>260,252</u>	<u>447,292</u>	<u>3,595,260</u>
Excess (deficiency) of revenues over expenditures	<u>(32,071)</u>	<u>(215,468)</u>	<u>(447,263)</u>	<u>(489,595)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in			500,000	862,000
Transfers out			(3,000)	(956,499)
Certificates of obligation issued				-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>497,000</u>	<u>(94,499)</u>
Net change in fund balances	(32,071)	(215,468)	49,737	(584,094)
Fund balances at beginning of year	<u>43,935</u>	<u>24,520</u>		<u>4,532,836</u>
Fund balances at end of year	<u><u>11,864</u></u>	<u><u>(190,948)</u></u>	<u><u>49,737</u></u>	<u><u>3,948,742</u></u>

**Capital Projects Funds**

<b>1998 Bond</b>	<b>2003 Bond</b>	<b>2005 Bond</b>	<b>2010 Bond</b>	<b>TIRZ Bond</b>	<b>Total Capital Projects</b>	<b>Total Nonmajor Governmental Fund</b>
					-	122,211
					-	1,187,104
					-	366,271
					-	93,625
		36,299			36,299	1,238,739
					-	
9	3,853	5,049	14,974		23,885	54,725
					-	20,019
					-	83,155
<u>9</u>	<u>3,853</u>	<u>41,348</u>	<u>14,974</u>	<u>-</u>	<u>60,184</u>	<u>3,165,849</u>
					-	362,365
					-	60,050
					-	447,292
					-	629,058
					-	1,126,263
3,948	272,522	171,988	5,518,102		5,966,560	6,936,792
				115,003	115,003	115,003
<u>3,948</u>	<u>272,522</u>	<u>171,988</u>	<u>5,518,102</u>	<u>115,003</u>	<u>6,081,563</u>	<u>9,676,823</u>
<u>(3,939)</u>	<u>(268,669)</u>	<u>(130,640)</u>	<u>(5,503,128)</u>	<u>(115,003)</u>	<u>(6,021,379)</u>	<u>(6,510,974)</u>
					-	862,000
					-	(956,499)
				4,115,000	4,115,000	4,115,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,115,000</u>	<u>4,115,000</u>	<u>4,020,501</u>
<u>(3,939)</u>	<u>(268,669)</u>	<u>(130,640)</u>	<u>(5,503,128)</u>	<u>3,999,997</u>	<u>(1,906,379)</u>	<u>(2,490,473)</u>
<u>3,942</u>	<u>970,642</u>	<u>877,701</u>	<u>4,761,735</u>		<u>6,614,020</u>	<u>11,146,856</u>
<u>3</u>	<u>701,973</u>	<u>747,061</u>	<u>(741,393)</u>	<u>3,999,997</u>	<u>4,707,641</u>	<u>8,656,383</u>
						(concluded)

# CITY OF TEXARKANA, TEXAS

**THEATRE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2012**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Over (Under)</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Charges for services	\$ 97,000	97,000	93,625	(3,375)
Investment earnings:				
Interest and dividends	3,465	3,465	3,565	100
Total revenues	<u>100,465</u>	<u>100,465</u>	<u>97,190</u>	<u>(3,275)</u>
<b>EXPENDITURES:</b>				
Current:				
Parks and recreation	419,347	419,347	279,490	139,857
Total expenditures	<u>419,347</u>	<u>419,347</u>	<u>279,490</u>	<u>139,857</u>
Excess (deficiency) of revenues over expenditures	<u>(318,882)</u>	<u>(318,882)</u>	<u>(182,300)</u>	<u>136,582</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	305,000	305,000	305,000	-
Transfers out	(2,411)	(2,411)	(2,411)	-
Total other financing sources/uses	<u>302,589</u>	<u>302,589</u>	<u>302,589</u>	<u>-</u>
Net change in fund balances	(16,293)	(16,293)	120,289	136,582
Fund balances at beginning of year	<u>653,499</u>	<u>653,499</u>	<u>653,499</u>	<u>-</u>
Fund balances at end of year	<u>\$ 637,206</u>	<u>637,206</u>	<u>773,788</u>	<u>136,582</u>

# CITY OF TEXARKANA, TEXAS

**HOTEL/MOTEL TAX FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2012**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Over (Under)</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Taxes-other	\$ 1,198,000	1,198,000	1,187,104	(10,896)
Investment earnings:				
Interest and dividends	5,000	5,000	5,039	39
Total revenues	<u>1,203,000</u>	<u>1,203,000</u>	<u>1,192,143</u>	<u>(10,857)</u>
<b>EXPENDITURES:</b>				
Current:				
Parks and recreation	<u>522,446</u>	<u>487,446</u>	<u>348,973</u>	<u>138,473</u>
Total expenditures	<u>522,446</u>	<u>487,446</u>	<u>348,973</u>	<u>138,473</u>
Excess (deficiency) of revenues over expenditures	<u>680,554</u>	<u>715,554</u>	<u>843,170</u>	<u>127,616</u>
<b>OTHER FINANCING USES:</b>				
Transfers out	<u>(1,042,346)</u>	<u>(1,056,400)</u>	<u>(884,088)</u>	<u>172,312</u>
Total other financing uses	<u>(1,042,346)</u>	<u>(1,056,400)</u>	<u>(884,088)</u>	<u>172,312</u>
Net change in fund balances	(361,792)	(340,846)	(40,918)	299,928
Fund balances at beginning of year	<u>1,246,401</u>	<u>1,246,401</u>	<u>1,246,401</u>	<u>-</u>
Fund balances at end of year	<u>\$ 884,609</u>	<u>905,555</u>	<u>1,205,483</u>	<u>299,928</u>

# CITY OF TEXARKANA, TEXAS

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**ECONOMIC DEVELOPMENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2012**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Over (Under)</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Franchise receipts	\$ 380,000	380,000	366,271	(13,729)
Investment earnings:				
Interest and dividends	9,500	9,500	9,335	(165)
Other	1,000	1,000	1,000	-
Total revenues	<u>390,500</u>	<u>390,500</u>	<u>376,606</u>	<u>(13,894)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	312,500	312,500	256,563	55,937
Capital outlay			319,846	(319,846)
Total expenditures	<u>312,500</u>	<u>312,500</u>	<u>576,409</u>	<u>(263,909)</u>
Excess of revenues over expenditures	<u>78,000</u>	<u>78,000</u>	<u>(199,803)</u>	<u>(277,803)</u>
<b>OTHER FINANCING USES:</b>				
Transfers out	(315)	(315)	(10,000)	(9,685)
Total other financing uses	<u>(315)</u>	<u>(315)</u>	<u>(10,000)</u>	<u>(9,685)</u>
Net change in fund balances	77,685	77,685	(209,803)	(287,488)
Fund balances at beginning of year	<u>1,911,341</u>	<u>1,911,341</u>	<u>1,911,341</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,989,026</u>	<u>1,989,026</u>	<u>1,701,538</u>	<u>(287,488)</u>

# CITY OF TEXARKANA, TEXAS

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**LAW ENFORCEMENT PROGRAMS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2012**

	<i>Budgeted Amounts</i>			<i>Variances with Final Budget Over (Under)</i>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
<b>REVENUES:</b>				
Investment earnings:				
Interest and dividends	\$ 80	80	53	(27)
Intergovernmental	1,500	1,500		(1,500)
Total revenues	<u>1,580</u>	<u>1,580</u>	<u>53</u>	<u>(1,527)</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	9,550	10,000	3,014	6,986
Total expenditures	<u>9,550</u>	<u>10,000</u>	<u>3,014</u>	<u>6,986</u>
Net change in fund balances	(7,970)	(8,420)	(2,961)	5,459
Fund balances at beginning of year	<u>13,007</u>	<u>13,007</u>	<u>13,007</u>	<u>-</u>
Fund balances at end of year	<u>\$ 5,037</u>	<u>4,587</u>	<u>10,046</u>	<u>5,459</u>

# CITY OF TEXARKANA, TEXAS

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**BROWNFIELD GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2012**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Over (Under)</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Grants and entitlements	\$ 600,079	600,079	60,749	(539,330)
Total revenues	<u>600,079</u>	<u>600,079</u>	<u>60,749</u>	<u>(539,330)</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	600,079	600,079	111,933	488,146
Total expenditures	<u>600,079</u>	<u>600,079</u>	<u>111,933</u>	<u>488,146</u>
Net change in fund balances	-	-	(51,184)	(51,184)
Fund balances at beginning of year	<u>(23,568)</u>	<u>(23,568)</u>	<u>(23,568)</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ (23,568)</u></u>	<u><u>(23,568)</u></u>	<u><u>(74,752)</u></u>	<u><u>(51,184)</u></u>

# CITY OF TEXARKANA, TEXAS

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## TIRZ #1 FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

#### BUDGET AND ACTUAL

For the Year Ended September 30, 2012

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Over (Under)</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Property taxes	\$ 120,933	108,044	122,211	14,167
Investment earnings:				
Interest and dividends	50	50	699	649
Intergovernmental			20,019	20,019
Total revenues	<u>120,983</u>	<u>108,094</u>	<u>142,929</u>	<u>34,835</u>
<b>EXPENDITURES:</b>				
Capital outlay			175,000	(175,000)
Total expenditures	<u>-</u>	<u>-</u>	<u>175,000</u>	<u>(175,000)</u>
Net change in fund balances	120,983	108,094	(32,071)	(140,165)
Fund balances at beginning of year	<u>43,935</u>	<u>43,935</u>	<u>43,935</u>	<u>-</u>
Fund balances at end of year	<u>\$ 164,918</u>	<u>152,029</u>	<u>11,864</u>	<u>(140,165)</u>

# CITY OF TEXARKANA, TEXAS

**STORMWATER MANAGEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2012**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Over (Under)</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Fees and permits	\$ 300,000	500,000		(500,000)
Investment earnings:				
Interest and dividends			29	29
Total revenues	<u>300,000</u>	<u>500,000</u>	<u>29</u>	<u>(499,971)</u>
<b>EXPENDITURES:</b>				
Public works	<u>249,620</u>	<u>249,620</u>	<u>447,292</u>	<u>(197,672)</u>
Total expenditures	<u>249,620</u>	<u>249,620</u>	<u>447,292</u>	<u>(197,672)</u>
Excess (deficiency) of revenues over expenditures	<u>50,380</u>	<u>250,380</u>	<u>(447,263)</u>	<u>(697,643)</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in			500,000	500,000
Transfers out	<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
Total other financing sources/uses	<u>(3,000)</u>	<u>(3,000)</u>	<u>497,000</u>	<u>500,000</u>
Net change in fund balances	47,380	247,380	49,737	(197,643)
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ 47,380</u>	<u>247,380</u>	<u>49,737</u>	<u>(197,643)</u>

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## **Nonmajor Enterprise Funds**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises in that the costs of providing goods and services to the general public on a continuing basis are recovered primarily through user charges. The City's enterprise funds are established to account for the financing of water and sewer services to the public, other municipalities and industrial customers. All activities necessary to provide these services are included in these funds.

**Lake Texarkana Water Supply Corporation** – This fund is used to account for the financing and operation of the water distribution system from Lake Wright Patman to the City of Texarkana and other “Member Cities” and wholesale customers located in Bowie and Red River counties. The operations of this fund are combined with the Texas Water Utilities for reporting purposes and all inter-fund accounts are eliminated in the combination.

**International Paper Company Water System Contract Fund** – This fund is used to account for the financing and operations of the water system which provides treated water from Lake Wright Patman to the International Paper Company paper mill.

# CITY OF TEXARKANA, TEXAS

## COMBINING STATEMENT OF NET ASSETS NONMAJOR ENTERPRISE FUNDS September 30, 2012

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
<b>ASSETS</b>			
Current assets:			
Cash	\$ -	158,920	158,920
Receivables (net of allowance for uncollectible):			
Accounts	32,264	66,032	98,296
Due from other funds	14,740	55	14,795
Total current assets	<u>47,004</u>	<u>225,007</u>	<u>272,011</u>
Noncurrent assets:			
Restricted assets:			
Cash	381,440	120,562	502,002
Investments	750,000		750,000
Receivables:			
Accounts		156,239	156,239
Accrued interest	566		566
Total noncurrent assets	<u>1,132,006</u>	<u>276,801</u>	<u>1,408,807</u>
<b>TOTAL ASSETS</b>	<u>1,179,010</u>	<u>501,808</u>	<u>1,680,818</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	34,048	48,038	82,086
Accrued liabilities		1,210	1,210
Due to other funds		286,451	286,451
Due to other governments	6,745		6,745
Total current liabilities	<u>40,793</u>	<u>335,699</u>	<u>376,492</u>
Noncurrent liabilities:			
Capital improvement deposits	1,138,217	166,109	1,304,326
Total noncurrent liabilities	<u>1,138,217</u>	<u>166,109</u>	<u>1,304,326</u>
<b>TOTAL LIABILITIES</b>	<u>1,179,010</u>	<u>501,808</u>	<u>1,680,818</u>
<b>NET ASSETS</b>			
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>

# CITY OF TEXARKANA, TEXAS

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**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
For the Year Ended September 30, 2012**

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
<b>OPERATING REVENUES</b>			
Water sales	\$ -	869,228	869,228
Total operating revenues	<u>-</u>	<u>869,228</u>	<u>869,228</u>
<b>OPERATING EXPENSES</b>			
Contract water & sewer expense-International Paper	<u>-</u>	870,215	870,215
Total operating expense	<u>-</u>	<u>870,215</u>	<u>870,215</u>
Operating income (loss)	<u>-</u>	<u>(987)</u>	<u>(987)</u>
<b>NONOPERATING REVENUES</b>			
Interest revenue - investments	<u>-</u>	987	987
Total nonoperating revenues	<u>-</u>	<u>987</u>	<u>987</u>
Change in net assets	-	-	-
Total net assets, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>

# CITY OF TEXARKANA, TEXAS

## COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended September 30, 2012

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ (29,635)	979,177	949,542
Cash paid to suppliers		(714,515)	(714,515)
Cash paid to employees		(140,193)	(140,193)
Net cash provided (used) from operating activities	<u>(29,635)</u>	<u>124,469</u>	<u>94,834</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(114,624)		(114,624)
Capital improvement deposits received	95,649	(616)	95,033
Interest received on capital improvement deposits	4,451		4,451
Net cash used from capital and related financing activities	<u>(14,524)</u>	<u>(616)</u>	<u>(15,140)</u>
<b>Cash flows from investing activities:</b>			
Purchase of investments	(1,500,000)		(1,500,000)
Proceeds from sale and maturities of investments	1,750,000		1,750,000
Interest received on investments		987	987
Net cash provided from investing activities	<u>250,000</u>	<u>987</u>	<u>250,987</u>
Net increase in cash	205,841	124,840	330,681
Cash, beginning of year	<u>175,599</u>	<u>154,642</u>	<u>330,241</u>
Cash, end of year	<u><u>\$ 381,440</u></u>	<u><u>279,482</u></u>	<u><u>660,922</u></u>

# CITY OF TEXARKANA, TEXAS

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## COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended September 30, 2012

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
<b><u>Reconciliation of operating income to net cash provided by operating activities</u></b>			
Operating income (loss)	\$ -	(987)	(987)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
(Increase) decrease in assets:			
Accounts receivable	(29,635)	109,949	80,314
Due from other funds			-
Increase (decrease) in liabilities:			
Accounts payable		1,568	1,568
Accrued liabilities		(14)	(14)
Due to other funds		13,953	13,953
Other payables			-
Total adjustments	<u>(29,635)</u>	<u>125,456</u>	<u>95,821</u>
Net cash provided from operating activities	<u>\$ (29,635)</u>	<u>124,469</u>	<u>94,834</u>

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## **Internal Service Funds**

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governments, on a cost-reimbursement basis.

**Employee Benefit Fund** - This fund is used to account for the contributions received from various other City funds and employees to pay medical benefits and life insurance premiums for covered City employees. Payments are made to a paying agent who determines coverage on claims submitted by employees.

**Fleet Services Fund** - This fund is used to account for the repair and maintenance on all vehicles and equipment owned by the City, excluding the Water Utilities.

# CITY OF TEXARKANA, TEXAS

## COMBINING STATEMENT OF NET ASSETS INTERNAL SERVICE FUNDS September 30, 2012

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,773,144	304	1,773,448
Receivables (net of allowance for uncollectible):			
Accounts	3,320	276	3,596
Other government agencies	343		343
Due from other funds	2,761	149,044	151,805
Inventory		20,018	20,018
Total current assets	<u>1,779,568</u>	<u>169,642</u>	<u>1,949,210</u>
Noncurrent assets:			
Capital assets (net of accumulated depreciation)			
Buildings		97,738	97,738
Improvements other than buildings		23,238	23,238
Machinery and equipment		34,700	34,700
Licensed vehicles		50,271	50,271
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>205,947</u>	<u>205,947</u>
<b>TOTAL ASSETS</b>	<u>1,779,568</u>	<u>375,589</u>	<u>2,155,157</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	413,980	34,508	448,488
Accrued payroll		5,945	5,945
Due to other funds	6,250	15,644	21,894
Due to other governments		798	798
<b>TOTAL LIABILITIES</b>	<u>420,230</u>	<u>56,895</u>	<u>477,125</u>
<b>NET ASSETS</b>			
Invested in capital assets		205,948	205,948
Unrestricted	1,359,338	112,746	1,472,084
<b>TOTAL NET ASSETS</b>	<u>\$ 1,359,338</u>	<u>318,694</u>	<u>1,678,032</u>

# CITY OF TEXARKANA, TEXAS

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## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS INTERNAL SERVICE FUNDS For the Year Ended September 30, 2012

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,803,735	29,942	4,833,677
Other		50,424	50,424
Total revenues	<u>4,803,735</u>	<u>80,366</u>	<u>4,884,101</u>
<b>OPERATING EXPENSES</b>			
Benefit payments	4,872,272		4,872,272
Cost of sales and service		1,393,201	1,393,201
Depreciation		18,238	18,238
Total expenditures	<u>4,872,272</u>	<u>1,411,439</u>	<u>6,283,711</u>
Operating income (loss)	<u>(68,537)</u>	<u>(1,331,073)</u>	<u>(1,399,610)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	8,118	48	8,166
Total nonoperating revenues (expenses)	<u>8,118</u>	<u>48</u>	<u>8,166</u>
Income (loss) before transfers	(60,419)	(1,331,025)	(1,391,444)
Transfers in		1,449,574	1,449,574
Transfers out		<u>(2,049)</u>	<u>(2,049)</u>
Change in net assets	(60,419)	116,500	56,081
Total net assets - beginning	<u>1,419,757</u>	<u>202,194</u>	<u>1,621,951</u>
Total net assets -ending	<u>\$ 1,359,338</u>	<u>318,694</u>	<u>1,678,032</u>

# CITY OF TEXARKANA, TEXAS

## COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended September 30, 2012

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
<b>Cash flows from operating activities:</b>			
Cash received from users	\$ 1,686,206		1,686,206
Cash received from interfund services provided and used	3,156,381	1,526,205	4,682,586
Cash paid to suppliers	(4,913,437)	(1,280,212)	(6,193,649)
Cash paid to employees		(252,149)	(252,149)
Net cash used from operating activities	<u>(70,850)</u>	<u>(6,156)</u>	<u>(77,006)</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers from other funds			-
Transfers to other funds		(2,049)	(2,049)
Net cash provided (used) from noncapital financing activities	<u>-</u>	<u>(2,049)</u>	<u>(2,049)</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets		(39,793)	(39,793)
Proceeds received from sale of capital assets			-
Net cash used from capital and related financing activities	<u>-</u>	<u>(39,793)</u>	<u>(39,793)</u>
<b>Cash flows from investing activities:</b>			
Interest received from investment	8,117	49	8,166
Net cash provided from investing activities	<u>8,117</u>	<u>49</u>	<u>8,166</u>
Net increase (decrease) in cash	(62,733)	(47,949)	(110,682)
Cash at beginning of year	1,835,877	48,253	1,884,130
Cash at end of year	<u>1,773,144</u>	<u>304</u>	<u>1,773,448</u>
<b><u>Reconciliation of Operating Income to Net Cash</u></b>			
<b><u>Provided by Operating Activities</u></b>			
Operating income (loss)	(68,537)	(1,331,073)	(1,399,610)
<b>Adjustments to Reconcile Operating Income to Net Cash</b>			
<b>Provided by Operating Activities</b>			
Depreciation		18,238	18,238
Transfers from other funds		1,449,574	1,449,574
<b>(Increase) decrease in assets:</b>			
Accounts receivable	(3,685)	(276)	(3,961)
Due from other government agencies	390		390
Due from other funds	27,714	(3,459)	24,255
Due from component units	14,433		14,433
Inventory		3,225	3,225
<b>Increase (decrease) in liabilities:</b>			
Accrued liabilities	(25,541)	(4,327)	(29,868)
Accrued payroll		313	313
Due to other funds	(15,624)	(138,371)	(153,995)
Total adjustments	<u>(2,313)</u>	<u>1,324,917</u>	<u>1,322,604</u>
Net cash provided by operating activities	<u>\$ (70,850)</u>	<u>(6,156)</u>	<u>(77,006)</u>

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## **Fiduciary Funds**

Fiduciary Funds are established to account for assets held by the City in a trustee capacity, or as an agent for individuals, other governmental units, and/or other funds.

### **Agency Funds**

**Police Evidence Fund** - This fund is used to account for evidence money seized by the Police Department. This money is held until disposition is directed by the courts.

**Drug Enforcement Fund** - This fund is used to account for evidence money seized by the Police Department, primarily in drug related cases. This money is held until disposition is directed by the courts.

# CITY OF TEXARKANA, TEXAS

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS

For the Year Ended September 30, 2012

	<i>Balance October 1, 2011</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance September 30, 2012</i>
<b>POLICE EVIDENCE FUND</b>				
<b>Assets</b>				
Cash	\$ 18,401	5,461	(370)	23,492
<b>Total Assets</b>	<u>18,401</u>	<u>5,461</u>	<u>(370)</u>	<u>23,492</u>
<b>Liabilities</b>				
Escrow Deposits	18,401	5,189	(98)	23,492
<b>Total Liabilities</b>	<u>18,401</u>	<u>5,189</u>	<u>(98)</u>	<u>23,492</u>
<b>Net assets</b>	<u>-</u>	<u>272</u>	<u>(272)</u>	<u>-</u>
<b>DRUG ENFORCEMENT ESCROW FUND</b>				
<b>Assets</b>				
Cash	36,453	29,448	(16,477)	49,424
<b>Total Assets</b>	<u>36,453</u>	<u>29,448</u>	<u>(16,477)</u>	<u>49,424</u>
<b>Liabilities</b>				
Escrow deposits	36,453	28,608	(15,637)	49,424
<b>Total liabilities</b>	<u>36,453</u>	<u>28,608</u>	<u>(15,637)</u>	<u>49,424</u>
<b>Net assets</b>	<u>-</u>	<u>840</u>	<u>(840)</u>	<u>-</u>
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash	54,854	34,909	(16,847)	72,916
<b>Total assets</b>	<u>54,854</u>	<u>34,909</u>	<u>(16,847)</u>	<u>72,916</u>
<b>Liabilities</b>				
Escrow deposits	54,854	33,797	(15,735)	72,916
<b>Total liabilities</b>	<u>54,854</u>	<u>33,797</u>	<u>(15,735)</u>	<u>72,916</u>
<b>Net assets</b>	<u>\$ -</u>	<u>1,112</u>	<u>(1,112)</u>	<u>-</u>

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**Capital Assets  
Used in the Operation  
Of Governmental Funds**

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# CITY OF TEXARKANA, TEXAS

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## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

### SCHEDULE BY SOURCE

September 30, 2012

#### Governmental funds capital assets:

Land	\$ 45,492,821
Buildings	25,391,456
Improvements other than buildings	6,433,903
Infrastructure	102,886,219
Machinery and equipment	3,057,230
Licensed vehicles	8,225,412
Construction in progress	14,651,884
Total governmental funds capital assets	<u>\$ 206,138,925</u>

#### Investments in governmental funds capital assets by source:

General fund	\$ 135,646,151
Special revenue funds	3,833,758
Capital projects funds	66,659,016
Total governmental funds capital assets	<u>\$ 206,138,925</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds and investments in joint ventures are excluded from the above amounts. Generally, the capital assets of internal service funds and investments in joint ventures are included as governmental activities in the statement of net assets.

# CITY OF TEXARKANA, TEXAS

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## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION AND ACTIVITY September 30, 2012

<b>Function and activity</b>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>
General government			
Quality assurance			
Municipal court			
Finance administration			
Purchasing		224,754	
Accounting			
Building maintenance		1,900,832	133,102
Economic development			
Other - unclassified	45,492,821		
Total general government	<u>45,492,821</u>	<u>2,125,586</u>	<u>133,102</u>
Public safety			
Police administration		12,069,245	167,088
Patrol division			
Services division		45,724	
Criminal investigation			
Commercial vehicle enforcement			
Code enforcement			
Animal control			
Special operations			
Narcotics			
Fire administration			
Fire operations		1,635,961	136,236
Fire prevention			
Fire training		791,009	
Emergency management		6,450	
Total public safety	<u>-</u>	<u>14,548,389</u>	<u>303,324</u>
Public works			
Engineering design			
Street maintenance		460,894	128,268
Inspection			
Sign and signal		249,164	64,064
Total public works	<u>-</u>	<u>710,058</u>	<u>192,332</u>

<u>Infrastructure</u>	<u>Machinery and Equipment</u>	<u>Licensed Vehicles</u>	<u>Construction in Progress</u>	<u>Total</u>
	29,158			29,158
	70,567			70,567
	326,416			326,416
	112,968	8,402		346,124
	11,635			11,635
244,500				2,033,934
				244,500
<u>244,500</u>	<u>550,744</u>	<u>8,402</u>	<u>-</u>	<u>45,492,821</u>
				<u>48,555,155</u>
	6,000	295,766		12,538,099
	143,248	958,117		1,101,365
	11,017	236,896		293,637
	30,452	286,514		316,966
	5,795	51,625		57,420
		20,180		20,180
		100,027		100,027
	15,188	15,250		30,438
	14,150			14,150
		29,561		29,561
12,493	238,265	2,727,692		4,750,647
	14,309	62,001		76,310
		17,424		808,433
11,110	231,179	60,942		309,681
<u>23,603</u>	<u>709,603</u>	<u>4,861,995</u>	<u>-</u>	<u>20,446,914</u>
99,514,902	109,228	79,434		188,662
	822,655	2,258,474	7,932,543	111,117,736
		84,506		84,506
2,684,999	102,857	302,841		3,403,925
<u>102,199,901</u>	<u>1,034,740</u>	<u>2,725,255</u>	<u>7,932,543</u>	<u>114,794,829</u>

# CITY OF TEXARKANA, TEXAS

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## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION AND ACTIVITY

September 30, 2012

<b>Function and activity</b>	<u><i>Land</i></u>	<u><i>Buildings</i></u>	<u><i>Improvements other than Buildings</i></u>
Health and welfare			
Community development		6,500	
Environmental services			
Farmers' market			
Total health and welfare	<u>-</u>	<u>6,500</u>	<u>-</u>
Parks and recreation			
Parks maintenance		2,033,614	1,659,896
Recreational programs		54,874	3,977,469
Perot Theatre		3,061,434	51,468
Senior citizens programs		103,800	70,084
Beverly Center		125,960	
Sports Promotion			
Library		2,621,241	46,228
Convention Center			
Total parks and recreation	<u>-</u>	<u>8,000,923</u>	<u>5,805,145</u>
Total governmental funds capital assets	<u>\$ 45,492,821</u>	<u>25,391,456</u>	<u>6,433,903</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds and investments in joint ventures are excluded from the above amounts. Generally, the capital assets of internal service funds and investments in joint ventures are included as governmental activities in the statement of net assets.

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<u><i>Infrastructure</i></u>	<u><i>Machinery and Equipment</i></u>	<u><i>Licensed Vehicles</i></u>	<u><i>Construction in Progress</i></u>	<u><i>Total</i></u>
		16,600		23,100
	11,271	32,829		44,100
107,792				107,792
<u>107,792</u>	<u>11,271</u>	<u>49,429</u>	<u>-</u>	<u>174,992</u>
243,274	573,888	580,331	87,231	5,178,234
	69,419			4,101,762
	82,330			3,195,232
				173,884
				125,960
	18,797			18,797
67,149	6,438			2,741,056
<u>310,423</u>	<u>750,872</u>	<u>580,331</u>	<u>6,632,110</u>	<u>6,632,110</u>
			<u>6,719,341</u>	<u>22,167,035</u>
<u>102,886,219</u>	<u>3,057,230</u>	<u>8,225,412</u>	<u>14,651,884</u>	<u>206,138,925</u>

# CITY OF TEXARKANA, TEXAS

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY For the Year Ended September 30, 2012

<b>Function and activity</b>	<b><i>Governmental Funds Capital Assets</i></b> <u>9/30/2011</u>	<u><b><i>Additions</i></b></u>
General government		
Quality assurance	16,958	12,200
Municipal court	70,567	
Finance administration	318,923	17,912
Purchasing	298,774	47,350
Accounting	11,635	
Building maintenance	2,033,934	
Economic development	-	244,500
Other - unclassified	<u>45,241,184</u>	<u>75,346</u>
Total general government	<u>47,991,975</u>	<u>397,308</u>
Public safety		
Police administration	12,294,966	243,133
Patrol division	1,180,264	
Services division	286,437	7,200
Criminal investigation	316,966	
Commercial Vehicle Enforcement	57,420	
Code Enforcement	20,180	
Animal control	100,027	
Special operations	40,838	
Narcotics	14,150	
Fire administration	29,561	
Fire operations	4,745,447	5,200
Fire prevention	76,310	
Fire training	808,433	
Emergency management	<u>262,785</u>	<u>46,896</u>
Total public safety	<u>20,233,784</u>	<u>302,429</u>
Public works		
Public works administration	7,490	
Engineering design	170,918	17,744
Street maintenance	106,227,510	5,106,930
Inspection	67,259	17,247
Sign and signal	<u>3,251,729</u>	<u>152,196</u>
Total public works	<u>109,724,906</u>	<u>5,294,117</u>
Health and welfare		
Community development	23,100	
Environmental services	44,100	
Farmers' market	<u>107,792</u>	
Total health and welfare	<u>174,992</u>	<u>-</u>

<u>Deductions</u>	<u>Transfers</u>	<u>Governmental Funds Capital Assets 9/30/2012</u>
		29,158
		70,567
(10,419)		326,416
		346,124
		11,635
		2,033,934
		244,500
	176,291	45,492,821
<u>(10,419)</u>	<u>176,291</u>	<u>48,555,155</u>
		12,538,099
(78,899)		1,101,365
		293,637
		316,966
		57,420
		20,180
		100,027
(10,400)		30,438
		14,150
		29,561
		4,750,647
		76,310
		808,433
		309,681
<u>(89,299)</u>	<u>-</u>	<u>20,446,914</u>
(7,490)		-
		188,662
(40,413)	(176,291)	111,117,736
		84,506
		3,403,925
<u>(47,903)</u>	<u>(176,291)</u>	<u>114,794,829</u>
		23,100
		44,100
		107,792
<u>-</u>	<u>-</u>	<u>174,992</u>

# CITY OF TEXARKANA, TEXAS

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**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
For the Year Ended September 30, 2012**

<b>Function and activity</b>	<i>Governmental Funds Capital Assets 9/30/2011</i>	<i>Additions</i>
Parks and recreation		
Parks maintenance	4,460,233	768,389
Recreational programs	4,173,395	
Perot Theatre	3,194,699	5,729
Senior citizens programs	173,884	
Beverly Center	125,960	
Sports Promotion	-	18,797
Library	2,741,056	
Convention Center	1,453,910	5,178,200
Total parks and recreation	<u>16,323,137</u>	<u>5,971,115</u>
Total governmental funds capital assets	<u>194,448,794</u>	<u>11,964,969</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds and investments in joint ventures are excluded from the above amounts. Generally, the capital assets of internal service funds and investments in joint ventures are included as governmental activities in the statement of net assets.

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<u>Deductions</u>	<u>Transfers</u>	<i>Governmental Funds Capital Assets 9/30/2012</i>
(50,388)	-	5,178,234
(71,633)		4,101,762
(5,196)		3,195,232
		173,884
		125,960
		18,797
		2,741,056
		6,632,110
<u>(127,217)</u>	<u>-</u>	<u>22,167,035</u>
<u>(274,838)</u>	<u>-</u>	<u>206,138,925</u>

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## **Component Units**

# CITY OF TEXARKANA, TEXAS

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## BALANCE SHEET COMPONENT UNITS September 30, 2012

	<i>Health</i>	<i>Public Library</i>
<b>ASSETS</b>		
Cash	\$ 139,410	644,461
Investments		562,176
Receivables (net of allowance for uncollectible):		
Accounts		
Other government agencies	147,055	8,322
Due from primary government	22,139	114
Prepaid items		2,870
<b>TOTAL ASSETS</b>	<u>\$ 308,604</u>	<u>1,217,943</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 38,767	2,724
Accrued payroll	14,102	8,807
Due to primary government	1,651	954
Deferred revenue	88,704	
<b>TOTAL LIABILITIES</b>	<u>143,224</u>	<u>12,485</u>
 Fund Balances:		
Nonspendable:		
Prepaid items		2,870
Permanent principal		10,000
Restricted		214,772
Committed	165,380	233,282
Assigned		173,134
Unassigned		571,400
<b>TOTAL FUND BALANCES</b>	<u>165,380</u>	<u>1,205,458</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 308,604</u>	<u>1,217,943</u>

# CITY OF TEXARKANA, TEXAS

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## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE COMPONENT UNITS For the Year Ended September 30, 2012

	<u>Health</u>	<u>Public Library</u>
<b>REVENUES</b>		
Charges for services	\$ 211,627	40,948
Grants and entitlements	785,643	11,500
Investment earnings:		
Interest and dividends	12	17,756
Net increase in fair value of investments		25,089
Intergovernmental	149,890	846,686
Other	12,627	22,687
Total revenues	<u>1,159,799</u>	<u>964,666</u>
<b>EXPENDITURES</b>		
Current:		
Culture and recreation		863,993
Health and welfare	1,189,758	
Capital outlay		733
Total expenditures	<u>1,189,758</u>	<u>864,726</u>
Net change in fund balance	(29,959)	99,940
Fund balance at beginning of year	<u>195,339</u>	<u>1,105,518</u>
Fund balance at end of year	<u>\$ 165,380</u>	<u>1,205,458</u>

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## **Statistical Section**

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## Statistical Section

This part of the City of Texarkana, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**Financial Trends** - Schedule 1 through Schedule 6 - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

**Revenue Capacity** - Schedule 7 through Schedule 14 - These schedules contain information to help the reader assess the City's most significant local revenue sources, including property taxes and water and sewer revenue.

**Debt Capacity** - Schedule 15 through Schedule 19 - The 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.

**Demographic and Economic Information** - Schedule 20 through Schedule 21 - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

**Operating Information** - Schedule 22 through Schedule 24 - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Net Assets by Component

#### Last Eight Fiscal Years

#### Schedule 1

(accrual basis of accounting)

	<i>Fiscal Year</i>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities:			
Invested in capital assets, net of related debt	\$ 74,294,428	75,882,325	76,103,232
Restricted	2,276,875	3,858,131	3,808,754
Unrestricted	13,254,500	10,442,284	16,623,006
Total governmental activities net assets	<u>89,825,803</u>	<u>90,182,740</u>	<u>96,534,992</u>
Business-type activities:			
Invested in capital assets, net of related debt	52,418,769	53,583,586	55,838,951
Restricted	7,530,857	7,524,832	8,176,712
Unrestricted (deficit)	6,064,248	7,207,285	6,079,546
Total business-type activities net assets	<u>66,013,874</u>	<u>68,315,703</u>	<u>70,095,209</u>
Primary government			
Invested in capital assets, net of related debt	126,713,197	135,935,912	131,942,183
Restricted	9,807,732	11,382,963	11,985,466
Unrestricted	19,318,748	11,179,568	22,702,552
Total primary government net assets	<u>\$ 155,839,677</u>	<u>158,498,443</u>	<u>166,630,201</u>

Note: The City began to report the above information when it implemented GASB Statement 44 in fiscal year 2006.

<i>Fiscal Year</i>				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
76,349,021	75,187,833	75,989,018	73,083,340	77,541,533
3,955,059	4,597,610	3,527,351	22,377,550	16,346,523
14,341,579	16,619,162	16,705,965	395,143	5,992,540
<u>94,645,659</u>	<u>96,404,605</u>	<u>96,222,334</u>	<u>95,856,033</u>	<u>99,880,596</u>
57,848,213	57,582,403	56,910,208	58,447,526	59,671,961
6,458,586	7,646,353	9,365,905	9,068,969	6,302,773
5,662,181	4,777,364	4,719,398	4,782,683	4,317,249
<u>69,968,980</u>	<u>70,006,120</u>	<u>70,995,511</u>	<u>72,299,178</u>	<u>70,291,983</u>
134,197,234	132,770,236	132,899,226	131,530,866	137,213,494
10,413,645	12,243,963	12,893,256	31,446,519	22,649,296
20,003,760	21,396,526	21,425,363	5,177,826	10,309,789
<u>164,614,639</u>	<u>166,410,725</u>	<u>167,217,845</u>	<u>168,155,211</u>	<u>170,172,579</u>

# CITY OF TEXARKANA, TEXAS

## STATISTICAL SECTION

### Changes in Net Assets

### Last Eight Fiscal Years

### Schedule 2

(accrual basis of accounting)

	<i>Fiscal Year</i>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses</b>			
Governmental activities:			
Current:			
General government	\$ 5,740,531	6,146,510	6,612,065
Public safety	13,243,055	13,182,978	13,517,972
Public works	5,632,282	5,832,473	5,956,957
Parks and recreation	2,398,572	2,520,349	2,632,806
Health and welfare	838,040	1,250,425	1,260,117
Interest on long-term debt	1,297,580	2,056,693	1,954,819
Total governmental activities expenses	<u>29,150,060</u>	<u>30,989,428</u>	<u>31,934,736</u>
Business-type activities:			
Water and Sewer	13,147,935	13,348,455	13,931,868
Total business-type activities expenses	<u>13,147,935</u>	<u>13,348,455</u>	<u>13,931,868</u>
Total primary government expenses	<u><u>42,297,995</u></u>	<u><u>44,337,883</u></u>	<u><u>45,866,604</u></u>
<b>Program Revenues</b>			
Governmental activities:			
Charges for services:			
General government	744,237	995,303	1,081,360
Public safety	1,029,318	1,488,121	1,506,126
Other activities	506,723	459,752	496,407
Operating grants and contributions	1,419,592	1,183,307	1,616,829
Capital grants and contributions			
Total governmental activities program revenues	<u>3,699,870</u>	<u>4,126,483</u>	<u>4,700,722</u>
Business-type activities:			
Charges for services:			
Water and sewer	13,227,921	14,351,535	13,453,857
Capital grants and contributions	90,800	1,054	879,848
Total business-type activities program revenues	<u>13,318,721</u>	<u>14,352,589</u>	<u>14,333,705</u>
Total primary government program revenues	<u><u>17,018,591</u></u>	<u><u>18,479,072</u></u>	<u><u>19,034,427</u></u>

Note: The City began to report the above information when it implemented GASB Statement 44 in fiscal year 2006.

*Unaudited -see accompanying auditors' report*

<i>Fiscal Year</i>				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
7,494,737	6,677,826	6,009,327	5,523,459	5,984,631
13,812,910	16,495,996	17,460,252	17,142,327	17,624,401
5,682,854	6,755,059	7,271,760	7,117,788	7,461,167
2,926,214	2,755,050	2,906,975	3,027,226	2,918,560
1,391,078	1,724,892	1,630,227	1,659,584	2,451,906
1,947,304	1,868,860	2,246,394	2,747,460	2,593,982
<u>33,255,097</u>	<u>36,277,683</u>	<u>37,524,935</u>	<u>37,217,844</u>	<u>39,034,647</u>
15,361,311	16,166,206	16,154,126	15,592,718	15,840,902
<u>15,361,311</u>	<u>16,166,206</u>	<u>16,154,126</u>	<u>15,592,718</u>	<u>15,840,902</u>
<u>48,616,408</u>	<u>52,443,889</u>	<u>53,679,061</u>	<u>52,810,562</u>	<u>54,875,549</u>
966,780	978,806	1,057,194	957,111	583,956
1,839,093	2,148,979	1,735,896	1,619,345	1,725,816
607,380	572,359	678,445	645,522	581,768
1,476,933	2,513,783	1,552,787	1,133,876	2,467,647
355,900		293,158		
<u>5,246,086</u>	<u>6,213,927</u>	<u>5,317,480</u>	<u>4,355,854</u>	<u>5,359,187</u>
13,988,748	15,184,072	15,259,196	16,030,015	16,136,042
41,822		199,074		
<u>14,030,570</u>	<u>15,184,072</u>	<u>15,458,270</u>	<u>16,030,015</u>	<u>16,136,042</u>
<u>19,276,656</u>	<u>21,397,999</u>	<u>20,775,750</u>	<u>20,385,869</u>	<u>21,495,229</u>

(Continued)

# CITY OF TEXARKANA, TEXAS

**STATISTICAL SECTION**  
**Changes in Net Assets**  
**Last Eight Fiscal Years**  
**Schedule 2 Continued**

	<i>Fiscal Year</i>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Net (Expense)/Revenue</b>			
Governmental activities	(25,450,190)	(26,862,945)	(27,234,014)
Business-type activities	170,786	1,004,134	401,837
Total primary government net expense	<u>(25,279,404)</u>	<u>(25,858,811)</u>	<u>(26,832,177)</u>
<b>General Revenues and Other Changes in Net Assets</b>			
Governmental activities:			
Property taxes	8,582,181	9,959,722	10,689,899
Sales taxes	11,520,058	12,349,822	12,861,211
Franchise taxes	1,969,038	2,165,122	2,160,078
Other taxes	932,178	919,402	892,562
Unrestricted investment earnings	592,936	1,603,970	1,425,700
Gain on sale of capital assets		6,398	62,273
Miscellaneous	403,711	178,743	627,374
Transfers	83,900	36,703	14,308
Total governmental activities	<u>24,084,002</u>	<u>27,219,882</u>	<u>28,733,405</u>
Business-type activities:			
Unrestricted investment earnings	581,326	583,293	669,904
Gain on sale of capital assets	2,185	-	
Miscellaneous	834,342	751,105	722,073
Transfers	(83,900)	(36,703)	(14,308)
Total business-type activities program revenues	<u>1,333,953</u>	<u>1,297,695</u>	<u>1,377,669</u>
<b>Change in Net Assets</b>			
Governmental activities	(1,366,188)	356,937	1,499,391
Business-type activities	1,504,739	2,301,829	1,779,506
Total primary government	<u>\$ 138,551</u>	<u>2,658,766</u>	<u>3,278,897</u>

<i>Fiscal Year</i>				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
(28,009,011)	(30,063,756)	(32,207,455)	(32,861,990)	(33,675,460)
<u>(1,330,741)</u>	<u>(982,134)</u>	<u>(695,856)</u>	<u>437,297</u>	<u>295,140</u>
<u><u>(29,339,752)</u></u>	<u><u>(31,045,890)</u></u>	<u><u>(32,903,311)</u></u>	<u><u>(32,424,693)</u></u>	<u><u>(33,380,320)</u></u>
11,456,172	13,346,908	13,584,920	13,655,104	15,577,638
13,045,922	13,392,204	13,148,821	13,800,353	14,114,271
2,230,071	2,196,103	2,197,528	2,070,004	2,002,603
1,261,153	1,183,855	1,379,404	1,278,680	1,264,118
663,762	198,386	243,935	211,155	186,700
1,231,150	1,486,346	1,451,676	1,211,493	1,235,793
<u>17,325</u>	<u>18,900</u>	<u>18,900</u>	<u>268,900</u>	<u>3,318,900</u>
<u>29,905,555</u>	<u>31,822,702</u>	<u>32,025,184</u>	<u>32,495,689</u>	<u>37,700,023</u>
348,128	94,880	48,472	65,121	50,601
873,709	943,294	1,655,675	1,070,149	965,964
<u>(17,325)</u>	<u>(18,900)</u>	<u>(18,900)</u>	<u>(268,900)</u>	<u>(3,318,900)</u>
<u>1,204,512</u>	<u>1,019,274</u>	<u>1,685,247</u>	<u>866,370</u>	<u>(2,302,335)</u>
1,896,544	1,758,946	(182,271)	(366,301)	4,024,563
<u>(126,229)</u>	<u>37,140</u>	<u>989,391</u>	<u>1,303,667</u>	<u>(2,007,195)</u>
<u><u>1,770,315</u></u>	<u><u>1,796,086</u></u>	<u><u>807,120</u></u>	<u><u>937,366</u></u>	<u><u>2,017,368</u></u>

(Concluded)

# CITY OF TEXARKANA, TEXAS

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**STATISTICAL SECTION**  
**Program Revenues by Function/ Program**  
**Last Eight Fiscal Years**  
**Schedule 3**  
 (accrual basis of accounting)

	<i>Program Revenues</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>
<b>Function/ Program</b>			
Governmental activities:			
General government	\$ 816,697	1,035,897	1,231,574
Public safety	1,758,076	1,831,168	2,019,494
Public works	283,348	313,885	444,022
Parks and Recreation	156,632	167,308	199,088
Health and welfare	685,117	778,225	806,544
Subtotal governmental activities	<u>3,699,870</u>	<u>4,126,483</u>	<u>4,700,722</u>
<i>Business-type activities:</i>			
Water and sewer	13,318,721	14,352,589	14,333,705
Subtotal business-type activities	<u>13,318,721</u>	<u>14,352,589</u>	<u>14,333,705</u>
Total primary government	<u>\$ 17,018,591</u>	<u>18,479,072</u>	<u>19,034,427</u>

Note: The City began to report the above information when it implemented GASB Statement 44 in fiscal year 2006.

*Unaudited -see accompanying auditors' report*

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*Program Revenues*

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
1,565,525	1,436,165	1,385,662	1,049,720	750,688
2,153,738	2,991,916	2,604,636	2,112,675	2,321,374
671,838	446,057	509,842	223,836	332,797
167,696	238,500	296,044	315,563	527,139
<u>687,289</u>	<u>1,101,289</u>	<u>521,296</u>	<u>654,060</u>	<u>1,427,189</u>
<u>5,246,086</u>	<u>6,213,927</u>	<u>5,317,480</u>	<u>4,355,854</u>	<u>5,359,187</u>
<u>14,030,570</u>	<u>15,184,072</u>	<u>15,458,270</u>	<u>16,030,015</u>	<u>16,136,042</u>
<u>14,030,570</u>	<u>15,184,072</u>	<u>15,458,270</u>	<u>16,030,015</u>	<u>16,136,042</u>
<u>19,276,656</u>	<u>21,397,999</u>	<u>20,775,750</u>	<u>20,385,869</u>	<u>21,495,229</u>

# CITY OF TEXARKANA, TEXAS

**STATISTICAL SECTION**  
**Fund Balances, Governmental Funds**  
**Last Eight Fiscal Years**  
**Schedule 4**  
(modified accrual basis of accounting)

	<i>Fiscal Year</i>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Fund</b>			
Reserved	\$ 332,751	384,658	425,905
Unreserved	985,581	732,852	504,565
Nonspendable			
Restricted			
Assigned			
Unassigned	1,977,402	1,985,615	2,990,900
Total General Fund	<u>\$ 3,295,734</u>	<u>3,103,125</u>	<u>3,921,370</u>
<b>All Other Governmental Funds</b>			
Reserved	\$ 24,685,615	21,604,607	12,395,257
Unreserved, designated for			
Convention center			469,717
Unreserved			
Special revenue fund	246,959	564,945	1,474,430
Debt service fund	1,410,722	1,588,486	1,779,458
Capital projects fund	2,950,060	1,345,965	1,841,743
Nonspendable			
Special revenue fund			
Restricted			
Special revenue fund			
Debt service fund			
Capital projects fund			
Committed			
Special revenue fund			
Assigned			
Special revenue fund			
Unassigned			
Special revenue fund			
Capital projects fund			
Total all other governmental funds	<u>\$ 29,293,356</u>	<u>25,104,003</u>	<u>17,960,605</u>

Note: The City began to report the above information when it implemented GASB Statement 44 in fiscal year 2006.

\* The City implemented GASB Statement 54 in fiscal year 2011. Except for the unassigned category, conversion of prior year data to new categories is not possible at this time.

*Unaudited -see accompanying auditors' report*

<i>Fiscal Year</i>				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011*</u>	<u>2012</u>
491,130	372,368	379,637		
205,066	551,949	1,550,244		
			93,257	101,081
			499,889	478,043
			2,172,462	462,852
<u>3,595,302</u>	<u>4,245,301</u>	<u>3,371,709</u>	<u>2,785,910</u>	<u>7,808,993</u>
<u>4,291,498</u>	<u>5,169,618</u>	<u>5,301,590</u>	<u>5,551,518</u>	<u>8,850,969</u>
7,093,884	4,356,314	25,434,284		
827,949	1,183,828	201,975		
1,757,441	2,400,757	2,369,474		
1,748,284	1,707,982	1,538,656		
786,593	622,126	469,315		
			638,311	310,426
			1,309,318	854,290
			670,992	318,394
			19,599,146	14,388,271
			1,911,341	1,751,275
			697,434	1,371,484
			(23,568)	(338,733)
				(741,393)
<u>12,214,151</u>	<u>10,271,007</u>	<u>30,013,704</u>	<u>24,802,974</u>	<u>17,914,014</u>

# CITY OF TEXARKANA, TEXAS

## STATISTICAL SECTION

### Changes in Fund Balances, Governmental Funds

#### Last Eight Fiscal Years

#### Schedule 5

(modified accrual basis of accounting)

	<i>Fiscal Year</i>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>REVENUES:</b>			
Taxes	\$ 23,112,100	25,243,079	26,545,692
Fees and permits	343,759	426,164	219,157
Charges for services	589,071	620,418	775,330
Municipal court	895,266	1,251,154	1,428,189
Grants and entitlements	1,043,160	939,334	929,462
Investment earnings	10,828	1,557,036	1,377,117
Intergovernmental	475,944	213,570	504,807
Sale of capital assets	197,474		
Other	303,120	404,529	602,235
Total revenues	<u>26,970,722</u>	<u>30,655,284</u>	<u>32,381,989</u>
<b>EXPENDITURES:</b>			
Current:			
General government	5,420,827	5,627,117	6,240,999
Public safety	11,738,759	12,428,580	12,823,379
Public works	3,340,575	3,399,674	3,806,711
Parks and recreation	1,882,981	2,076,854	2,151,789
Health and welfare	198,072	596,843	674,659
Miscellaneous	467,717	504,364	410,378
Capital outlay	4,690,270	6,235,723	9,738,050
Debt service:			
Principal retirement	2,116,829	2,553,606	2,798,292
Interest and fiscal charges	943,887	1,682,159	1,588,909
Bond issuance costs	229,878	73,907	
Total expenditures	<u>31,029,795</u>	<u>35,178,827</u>	<u>40,233,166</u>
Excess (deficiency) of revenues over expenditures	<u>(4,059,073)</u>	<u>(4,523,543)</u>	<u>(7,851,177)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	646,229	404,381	555,206
Transfers out	(562,329)	(367,678)	(540,898)
Bonds issued	17,750,000	3,060,000	
Tax notes issued			
Payments to refunded bond escrow agent		(3,024,153)	
Bond premium	319,878	-	
Capital lease	658,820	288,021	248,619
Discount on bonds issued			
Total other financing sources (uses)	<u>18,812,598</u>	<u>360,571</u>	<u>262,927</u>
Net change in fund balances	<u>\$ 14,753,525</u>	<u>(4,162,972)</u>	<u>(7,588,250)</u>
Debt Service as a percentage of noncapital expenditures	11.6%	14.6%	14.4%

Note: The City began to report the above information when it implemented GASB Statement 44 in fiscal year 2006.

Unaudited - see accompanying auditors' report

<i>Fiscal Year</i>				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
27,941,371	30,037,456	30,258,026	30,846,064	33,042,265
309,680	395,834	395,511	200,558	185,615
694,878	677,603	846,054	760,200	622,632
1,734,734	2,051,942	1,648,799	1,723,251	1,715,643
884,610	1,182,928	1,013,367	766,275	1,999,673
620,674	173,039	233,463	199,616	178,533
284,794	507,715	677,714	289,924	321,621
			780,731	
<u>1,021,179</u>	<u>935,364</u>	<u>467,527</u>	<u>335,346</u>	<u>288,508</u>
<u>33,491,920</u>	<u>35,961,881</u>	<u>35,540,461</u>	<u>35,901,965</u>	<u>38,354,490</u>
7,171,027	6,326,081	5,638,878	5,167,206	5,687,089
13,615,418	15,178,168	16,291,717	15,479,970	15,729,556
3,467,370	4,036,371	4,004,301	4,077,566	3,815,722
2,496,629	2,159,831	2,282,880	2,342,064	2,133,616
613,902	1,497,632	1,419,374	1,483,147	2,272,270
612,979	9,609	16,448	11,134	
7,960,625	3,650,301	6,115,692	6,859,040	12,141,083
2,583,789	2,685,087	2,552,290	3,472,228	3,788,802
1,573,889	1,502,725	1,897,567	2,415,565	2,301,087
12,820		394,530		219,427
<u>40,108,448</u>	<u>37,045,805</u>	<u>40,613,677</u>	<u>41,307,920</u>	<u>48,088,652</u>
<u>(6,616,528)</u>	<u>(1,083,924)</u>	<u>(5,073,216)</u>	<u>(5,405,955)</u>	<u>(9,734,162)</u>
408,440	488,197	593,911	1,510,273	4,277,448
(391,115)	(469,297)	(752,978)	(1,065,120)	(2,406,073)
		24,420,000		14,845,000
1,200,000				(11,805,488)
		446,830		1,150,861
		332,847		82,905
		(92,725)		
<u>1,217,325</u>	<u>18,900</u>	<u>24,947,885</u>	<u>445,153</u>	<u>6,144,653</u>
<u>(5,399,203)</u>	<u>(1,065,024)</u>	<u>19,874,669</u>	<u>(4,960,802)</u>	<u>(3,589,509)</u>
12.9%	12.5%	12.9%	17.1%	16.9%

# CITY OF TEXARKANA, TEXAS

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**STATISTICAL SECTION**  
**Tax Revenue by Source, Governmental Funds**  
**Last Eight Fiscal Years**  
**Schedule 6**

<i>Fiscal Year</i>	<i>Property</i>	<i>Sales and Use</i>	<i>Franchise</i>	<i>Other</i>	<i>Total</i>
2005	\$ 8,642,384	11,520,058	1,969,038	980,620	23,112,100
2006	9,891,537	12,349,822	2,165,122	836,598	25,243,079
2007	10,606,159	12,861,211	2,160,079	918,243	26,545,692
2008	11,350,892	13,045,922	2,230,070	1,314,487	27,941,371
2009	13,261,502	13,392,204	2,196,103	1,187,647	30,037,456
2010	13,606,421	13,148,821	2,197,528	1,305,256	30,258,026
2011	13,666,358	13,800,353	2,070,004	1,309,349	30,846,064
2012	15,629,446	14,114,271	2,002,603	1,295,945	33,042,265
Percentage change	14.36%	2.27%	-3.26%	-1.02%	7.12%

Note: The City began to report the above information when it implemented GASB Statement 44 in fiscal year 2006.

*Unaudited - see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

**STATISTICAL SECTION**  
**Assessed and Estimated Actual Value of Taxable Property**  
 (per \$100 of assessed value)  
**Last Ten Fiscal Years**  
**Schedule 7**

<i>Fiscal Year</i>	<i>Tax Roll Year</i>	<i>Personal Property Assessed Value</i>	<i>Real Property Assessed Value</i>	<i>Total Property Assessed Value</i>	<i>Tax Rate (1)</i>	<i>Total Tax Levy</i>	<i>Tax Distribution</i>		
							<i>General Fund</i>	<i>Debt Service</i>	<i>TIRZ #1</i>
2003	2002	\$ 313,859,583	1,275,361,917	1,589,221,500	0.4465	7,095,874	5,015,583	2,080,291	
2004	2003	299,910,899	1,393,619,102	1,693,530,001	0.4715	7,864,994	5,291,147	2,573,847	
2005	2004	340,491,257	1,483,075,445	1,823,566,702	0.4715	8,598,119	6,260,291	2,337,828	
2006	2005	349,333,095	1,524,200,808	1,873,533,903	0.5265	9,864,056	6,038,775	3,825,281	
2007	2006	343,388,570	1,666,170,594	2,009,559,164	0.5265	10,580,329	6,608,474	3,971,855	
2008	2007	363,820,820	1,789,358,078	2,153,178,898	0.5265	11,339,330	7,593,949	3,745,381	
2009	2008	378,012,082	1,911,219,783	2,289,231,865	0.5831	12,971,666	9,071,086	3,900,580	
2010	2009	388,655,480	1,998,210,887	2,386,866,367	0.5831	13,507,427	9,182,349	4,325,078	
2011	2010	366,108,919	2,104,527,844	2,470,636,763	0.5831	13,533,009	8,925,019	4,502,432	105,558
2012	2011	356,579,341	2,127,490,741	2,484,070,082	0.6693	15,479,476	6,833,090	3,446,289	80,927

Note:

(1) Tax rate per \$100 of assessed value.

Source: Bowie Central Appraisal District

*Unaudited - see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Direct and Overlapping Property Tax Rates

(per \$100 of assessed value)

Last Ten Fiscal Years

Schedule 8

<i>Fiscal Year</i>	<i>City Direct Rates</i>			<i>Total City Direct Rate</i>
	<i>General</i>	<i>General Obligation Debt Service</i>	<i>TIRZ #1</i>	
2003	0.3156	0.1309		0.4465
2004	0.3172	0.1543		0.4715
2005	0.3433	0.1282		0.4715
2006	0.3223	0.2042		0.5265
2007	0.3289	0.1976		0.5265
2008	0.3526	0.1739		0.5265
2009	0.4078	0.1753		0.5831
2010	0.3964	0.1867		0.5831
2011	0.3846	0.194	0.0045	0.5831
2012	0.441429	0.222636	0.005228	0.669293

Source: Bowie Central Appraisal District

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

Unaudited -see accompanying auditors' report

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*Overlapping Rates*

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<i>Texarkana Independent School District</i>	<i>Bowie County</i>	<i>Texarkana College</i>	<i>Liberty-Eylau Independent School District</i>	<i>Pleasant Grove Independent School District</i>
1.5362	0.3175	0.0831	1.4870	1.5325
1.5362	0.3141	0.0820	1.5300	1.5725
1.5362	0.3141	0.0820	1.5300	1.5725
1.6200	0.3090	0.0827	1.5453	1.6595
1.5116	0.3191	0.0826	1.4390	1.5289
1.339	0.327	0.089591	1.299535	1.44
1.339	0.327	0.09679	1.299193	1.44
1.339	0.3262	0.097527	1.29388	1.44
1.339	0.3262	0.097527	1.29388	1.44
1.339	0.3262	0.105339	1.29622	1.44

# CITY OF TEXARKANA, TEXAS

## STATISTICAL SECTION Principal Property Taxpayers Current Year and Nine Years Ago Schedule 9

<u>Taxpayer</u>	<u>Rank</u>	<u>2012</u>	
		<u>2011 Assessed Valuation (1) (2)</u>	<u>Percentage of Total Assessed Valuation</u>
Christus Health ArkLaTex	1	\$ 106,988,838	4.31%
GG&A Central Mall Partners	2	31,920,937	1.29%
WalMart Stores #01-2123	3	19,138,359	0.77%
AEP Southwestern Electric Power Co.	4	15,205,823	0.61%
Richmond Road Apartments LP	5	14,215,963	0.57%
Candle Corporation of America	6	12,094,694	0.49%
Valor Telecom of Texas LP	7	11,708,531	0.47%
Orr, William Gregg	8	10,765,793	0.43%
Cowhorn Creek Properties, LLC	9	10,573,819	0.43%
Condeb, LP	10	10,371,895	0.42%
Central Mall - Ed Warmack			
Four States Regional Health Center			
Home Depot, USA, Inc.			
Target Corp.			
Total principal taxpayers		<u>\$ 242,984,652</u>	<u>9.79%</u>

(1) Net of exemptions

(2) Source - Bowie Central Appraisal District

Unaudited - see accompanying auditors' report

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<i>2003</i>		
<u><i>Rank</i></u>	<u><i>2003 Assessed Valuation (1) (2)</i></u>	<u><i>Percentage of Total Assessed Valuation</i></u>
1	\$ 29,229,697	1.73%
4	17,537,805	1.04%
6	16,266,882	0.96%
5	16,934,061	1.00%
3	19,698,595	1.16%
9	10,245,269	0.60%
2	27,003,214	1.59%
7	14,210,733	0.84%
8	12,492,265	0.74%
10	9,055,512	0.53%
	<u><u>\$ 172,674,033</u></u>	<u><u>10.19%</u></u>

# CITY OF TEXARKANA, TEXAS

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**STATISTICAL SECTION  
Property Tax Levies and Collections  
Last Ten Fiscal Years  
Schedule 10**

<i>Fiscal Year</i>	<i>Tax Roll Year</i>	<i>Total Tax Levy</i>	<i>Collected within the Fiscal Year of the Levy</i>		<i>Collections in Subsequent Years</i>	<i>Total Collections to Date</i>	
			<i>Amount</i>	<i>Percentage</i>		<i>Amount</i>	<i>Percentage</i>
2003	2002	\$ 7,095,874	6,918,461	97.50%	153,616	7,072,077	99.66%
2004	2003	7,864,994	7,629,459	97.01%	201,524	7,830,983	99.57%
2005	2004	8,598,119	8,336,441	96.96%	226,151	8,562,592	99.59%
2006	2005	9,864,056	9,571,045	97.03%	236,391	9,807,436	99.43%
2007	2006	10,580,329	10,253,335	96.90%	255,169	10,508,504	99.32%
2008	2007	11,339,330	10,918,808	96.29%	235,088	11,153,896	98.36%
2009	2008	12,971,666	12,634,807	97.40%	392,913	13,027,720	100.43%
2010	2009	13,523,534	13,056,769	96.55%	205,755	13,262,524	98.07%
2011	2010	13,533,009	13,150,342	97.17%	236,565	13,386,907	98.92%
2012	2011	15,479,476	15,117,864	97.66%		15,117,864	97.66%

Ad valorem taxes are levied on October 1 of each year.

Source - Bowie Central Appraisal District.

*Unaudited -see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Direct and Overlapping Sales Tax Rates

(per \$100 of assessed value)

### Last Ten Fiscal Years

### Schedule 11

<i>Fiscal Year</i>	<i>City Direct Rate</i>	<i>Bowie County</i>
2003	1.50%	0.50%
2004	1.50%	0.50%
2005	1.50%	0.50%
2006	1.50%	0.50%
2007	1.50%	0.50%
2008	1.50%	0.50%
2009	1.50%	0.50%
2010	1.50%	0.50%
2011	1.50%	0.50%
2012	1.50%	0.50%

Source: Texas Comptroller Website

*Unaudited -see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Water Sold by Type of Customer - Texarkana, Texas Water Utilities

(in thousands of gallons)

Last Ten Fiscal Years

#### Schedule 12

Type of Customer	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Residential	1,091,067	936,885	1,029,450	1,020,361	944,028
Commercial	784,149	716,485	799,087	722,743	664,667
Member Cities	922,641	919,958	1,005,885	1,012,144	905,547
Wholesale	<u>622,003</u>	<u>633,148</u>	<u>726,797</u>	<u>752,482</u>	<u>723,824</u>
Total	<u><u>3,419,860</u></u>	<u><u>3,206,476</u></u>	<u><u>3,561,219</u></u>	<u><u>3,507,730</u></u>	<u><u>3,238,066</u></u>
Total Direct Rate					
per 1,000 Gallons					
Residential	2.27	2.27	2.35	2.43	2.48
Commercial	1.71	1.71	1.77	1.83	1.87
Member Cities	0.55	0.56	0.58	0.64	0.67

Unaudited -see accompanying auditors' report

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<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
937,401	914,376	926,250	1,164,446	1,141,614
652,537	585,553	596,290	735,020	769,874
936,941	916,698	928,052	1,014,877	1,071,608
<u>683,562</u>	<u>676,645</u>	<u>717,840</u>	<u>683,856</u>	<u>650,888</u>
<u><u>3,210,441</u></u>	<u><u>3,093,272</u></u>	<u><u>3,168,432</u></u>	<u><u>3,598,199</u></u>	<u><u>3,633,984</u></u>
2.59	3.01	3.01	3.01	3.01
1.95	2.26	2.26	2.26	2.26
0.64	0.98	0.77	0.65	0.83

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Water and Sewer Rates - Texarkana, Texas Water Utilities

#### Last Ten Fiscal Years

#### Schedule 13

<i>Fiscal Year</i>	<i>Water</i>		<i>Sewer</i>	
	<i>Monthly Minimum 2000 Gals</i>	<i>Rate per 1000 Gals Over Minimum</i>	<i>Monthly Minimum 2000 Gals</i>	<i>Rate per 1000 Gals Over Minimum</i>
<b>Residential</b>				
2003	6.15	2.27	8.30	2.98
2004	6.15	2.27	8.30	2.98
2005	6.37	2.35	8.59	3.08
2006	6.59	2.43	8.89	3.19
2007	6.72	2.48	9.07	3.25
2008	7.01	2.59	9.46	3.39
2009	8.15	3.01	10.52	3.77
2010	8.15	3.01	10.52	3.77
2011	8.15	3.01	10.52	3.77
2012	8.15	3.01	10.52	3.77
<b>Commercial</b>				
2003	7.00	1.71	8.30	3.48
2004	7.00	1.71	8.30	3.48
2005	7.25	1.77	8.59	3.60
2006	7.50	1.83	8.89	3.73
2007	7.65	1.87	9.07	3.80
2008	7.98	1.95	9.46	3.96
2009	9.28	2.26	10.52	4.41
2010	9.28	2.26	10.52	4.41
2011	9.28	2.26	10.52	4.41
2012	9.28	2.26	10.52	4.41

Note: (1) The Commercial minimum for water is based on a 5/8 inch meter. The minimum increases for each size up to \$50 for a 6 inch or larger meter.

(2) Rates for outside the City limit are 50% more than the above.

*Unaudited -see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

## STATISTICAL SECTION

### Principal Water and Sewer Revenue Payers - Texarkana, Texas Water Utilities

#### Current Year and Nine Years Ago

#### Schedule 14

<i>Payer</i>	<i>Rank</i>	<i>2012</i>		<i>Rank</i>	<i>2003</i>	
		<i>Water &amp; Sewer Revenue</i>	<i>Percentage of Total Water &amp; Sewer Revenue</i>		<i>Water &amp; Sewer Revenue</i>	<i>Percentage of Total Water &amp; Sewer Revenue</i>
Federal Correctional Institute	1	\$ 570,146	4.72%	1	\$ 676,721	7.41%
Christus St Michael Hospital	2	266,739	2.21%	3	249,412	2.73%
Wadley Hospital	3	153,604	1.27%	2	229,574	2.51%
Texarkana Housing Authority	4	238,888	1.98%	4	230,893	2.53%
Texarkana Texas ISD	5	155,118	1.28%			
Brighton Manor/Westridge/Park Apts.	6	189,120	1.57%			
Texas A&M University at Texarkana	7	111,931	0.93%			
Civigenics Texas, Inc.	8	120,047	0.99%			
Texarkana College	9	81,193	0.67%			
Austin	10	42,893	0.36%			
Alcoa				5	66,498	0.73%
Woodlands Apts.				6	78,768	0.86%
I. P. Sawmill				7	40,685	0.45%
Sunset Apts.				8	60,494	0.66%
Bi State Justice Building				9	55,137	0.60%
Summer Meadow Apts.				10	47,989	0.53%
Totals		<u>\$ 1,929,679</u>	15.98%		<u>\$ 1,736,171</u>	19.01%

Unaudited - see accompanying auditors' report

# CITY OF TEXARKANA, TEXAS

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**STATISTICAL SECTION**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**Schedule 15**

<i>Fiscal Year</i>	<i>Governmental Activities</i>				
	<i>General Obligation Bonds</i>	<i>Certificates of Obligation</i>	<i>Tax Notes</i>	<i>Installment loans</i>	<i>Capital Leases</i>
2003	\$ 21,859,718	\$ 8,405,000		\$ 114,586	
2004	21,335,055	7,825,000		71,978	495,409
2005	20,394,344	25,230,000		39,457	799,326
2006 (1)	22,016,817	21,865,680		22,893	628,627
2007	20,625,223	21,281,360		5,818	437,852
2008 (3)	19,301,168	20,617,040	1,200,000		208,852
2009	17,867,429	19,857,720	1,200,000		82,959
2010 (4)	16,509,387	43,564,165	1,160,000		254,195
2011	15,108,573	42,021,874	1,040,000		148,537
2012	15,808,814	42,125,475	860,000		86,295

- (1) The City issued \$3,060,000 in General Obligation Refunding Bonds in 2006.  
(2) See Demographic and Economic Statistics Schedule for personal income and population data.  
(3) The City issued \$1,200,000 in Tax Notes in 2009.  
(4) The City issued \$24,420,000 in Certificates of Obligation in 2010.

*Unaudited -see accompanying auditors' report*

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***Business-type Activities***

<b><i>Water Revenue Bonds</i></b>	<b><i>Capital Leases</i></b>	<b><i>Total Primary Government</i></b>	<b><i>Percentage of Personal Income(2)</i></b>	<b><i>Per Capita(2)</i></b>
\$ 16,556,187	\$ 7,538,730	\$ 54,474,221	8.50%	\$ 1,530
17,279,820	7,120,442	54,127,704	8.53%	1,520
9,328,909	6,771,951	62,563,987	9.86%	1,757
7,882,549	6,470,001	58,886,567	9.01%	1,647
6,930,380	6,129,990	55,410,623	7.21%	1,529
5,963,213	5,900,544	53,190,817	6.56%	1,463
4,961,046	5,674,537	49,643,691	6.23%	1,391
4,478,878	5,685,765	71,652,390	7.77%	1,968
3,971,711	5,497,784	67,788,479	8.09%	1,862
2,689,544	5,229,477	66,799,605	7.88%	1,835

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Ratios of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita Last Ten Fiscal Years

#### Schedule 16

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt (2)</u>
2003	35,600	\$ 1,589,221,500	\$ 40,746,876
2004	35,600	1,589,221,500	40,702,543
2005	35,600	1,823,566,702	55,497,057
2006	35,750	1,873,533,903	51,765,046
2007	36,250	2,009,559,164	48,836,963
2008	36,350	2,153,718,898	47,081,421
2009	35,682	2,289,231,865	43,886,195
2010	36,411	2,386,866,367	65,712,430
2011	36,411	2,170,196,575	62,142,158
2012	36,411	2,484,070,082	61,483,833

Notes:

(1) Estimate of City Planning Department except for 2000 which is from U.S. Census.

(2) Excluding International Paper Company revenue bonds and including certificates of obligations issued for water and sewer programs.

*Unaudited - see accompanying auditors' report*

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<i>Less Debt Service Funds</i>	<i>Less Debt Payable From Enterprise Funds (2)</i>	<i>Net Bonded Debt</i>	<i>Ratio of Net Bonded Debt to Assessed Value</i>	<i>Net Bonded Debt per Capita</i>
\$ 1,516,217	\$ 9,845,001	\$ 29,385,658	1.85	\$ 825
1,572,527	10,956,818	28,173,198	1.77	791
1,410,722	9,428,532	44,657,803	2.45	1,254
1,588,486	7,882,549	42,294,011	2.26	1,183
1,779,458	6,930,380	40,127,125	2.00	1,107
1,748,284	5,963,213	39,369,924	1.83	1,083
1,707,982	4,961,046	37,217,167	1.63	1,043
1,538,656	4,478,878	59,694,896	2.50	1,639
670,992	3,971,711	57,499,455	2.65	1,579
318,397	2,689,544	58,475,892	2.35	1,606

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# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Direct and Overlapping Governmental Activities Debt

September 30, 2012

#### Schedule 17

<i>Jurisdiction</i>	<i>Outstanding Debt</i>	<i>Percentage of Debt Applicable to City of Texarkana</i>	<i>Amount Applicable to City of Texarkana</i>
Direct:			
City of Texarkana, Texas	\$ 58,880,584	100.00%	<u>\$ 58,880,584</u>
Overlapping:			
Texarkana Independent School District	39,724,462	60.01%	23,838,650
Bowie County	2,775,000	38.95%	1,080,863
Liberty-Eylau Independent School District	3,110,000	37.93%	1,179,623
	3,220,000	37.93%	1,221,346
Pleasant Grove School District	35,930,000	71.19%	25,578,567
Red Lick Independent School District	5,510,000	8.03%	<u>442,453</u>
Subtotal - Overlapping debt			<u>53,341,502</u>
Total direct and overlapping			<u><u>\$ 112,222,086</u></u>
Per capita overlapping debt			<u><u>\$ 3,082</u></u>

Source - Outstanding debt and applicable percentages provided by each governmental unit.

Note - Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Texarkana, Texas. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

*Unaudited - see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION Legal Debt Margin Last Eight Fiscal Years Schedule 18

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assessed value of real property	<u>\$ 1,608,640,595</u>	<u>1,521,332,143</u>	<u>1,640,707,284</u>
Debt limit - 25% of assessed value of real property	<u>402,160,149</u>	<u>380,333,036</u>	<u>410,176,821</u>
Total general obligation bonded debt	20,394,344	22,016,817	20,625,223
Less amount available in Debt Service Fund	<u>(1,410,722)</u>	<u>(1,588,486)</u>	<u>-</u>
Total amount of debt applicable to debt limit	<u>18,983,622</u>	<u>20,428,331</u>	<u>20,625,223</u>
Legal debt margin	<u>\$ 383,176,527</u>	<u>359,904,705</u>	<u>389,551,598</u>

Notes:

There is a rate limitation of \$2.50 per \$100 of assessed value imposed by the Texas Constitution and City Charter.

Article 3, Section 53 of the Texas Constitution limits the legal debt to 25% of the assessed valuation of the real property.

*Unaudited - see accompanying auditors' report*

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<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>1,771,117,978</u>	<u>1,997,924,581</u>	<u>1,998,210,887</u>	<u>2,104,527,844</u>	<u>2,127,490,741</u>
<u>442,779,495</u>	<u>499,481,145</u>	<u>499,552,722</u>	<u>526,131,961</u>	<u>531,872,685</u>
-	(4)	16,509,387	15,108,573	15,808,814
-	-	(1,538,656)	(670,992)	(318,397)
-	(4)	14,970,731	14,437,581	15,490,417
<u>442,779,495</u>	<u>499,481,149</u>	<u>484,581,991</u>	<u>511,694,380</u>	<u>516,382,268</u>

# CITY OF TEXARKANA, TEXAS

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**STATISTICAL SECTION**  
**Pledged Revenue Coverage (1)**  
**Last Ten Fiscal Years**  
**Schedule 19**

<i>Fiscal Year</i>	<i>Gross Revenue(2)</i>	<i>Operating Expenses (3)</i>	<i>Net Revenue Available For Debt Service</i>	<i>Debt Service Requirements (4)</i>	<i>Coverage</i>
2003	\$ 12,409,060	7,545,712	4,863,348	1,862,535	2.61
2004	12,959,889	8,060,324	4,899,565	1,845,023	2.66
2005	13,949,693	8,271,195	5,678,498	2,015,991	2.82
2006	15,042,070	9,025,324	6,016,746	1,625,741	3.70
2007	14,126,104	9,512,745	4,613,359	1,271,608	3.63
2008	14,472,792	10,321,585	4,151,207	1,250,470	3.32
2009	15,412,539	11,522,666	3,889,873	1,246,946	3.12
2010	15,983,461	11,459,098	4,524,363	697,624	6.49
2011	16,204,481	11,025,853	5,178,628	698,252	7.42
2012	16,311,709	11,314,900	4,996,809	1,457,656	3.43

Notes:

- (1) Exclusive of Lake Texarkana Water Supply Corporation and International Paper Company utility operations and obligations.
- (2) Total revenue includes interest income on investments and payments received from Texarkana, Arkansas Utilities for debt service on revenue bonds issued for construction on direct financing lease facilities.
- (3) Operating expenses exclude depreciation and amortization.
- (4) Principal and interest on revenue bonds only. Amounts do not include payments on obligations under capital leases.

*Unaudited -see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

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**STATISTICAL SECTION  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
Schedule 20**

<i>Fiscal Year</i>	<i>Population</i>	<i>Median Age</i>	<i>Per Capita Income</i>	<i>Unemployment Rate</i>	<i>Personal Income (6)</i>
2003	35,600 (1)	36.3 (1)	17,993 (1)	7.0 (3)	\$ 640,550,800
2004	35,600 (1)	35.7 (2)	17,815 (2)	6.0 (3)	634,214,000
2005	35,600 (1)	35.7 (2)	17,815 (2)	5.8 (3)	634,214,000
2006	35,750 (1)	36.1 (5)	18,286 (5)	5.8 (3)	653,724,500
2007	36,250 (1)	36.4 (5)	21,220 (5)	5.3 (3)	769,225,000
2008	36,350 (1)	35.7 (5)	22,291 (2)	5.1 (5)	810,277,850
2009	35,682 (1)	37.1 (1)	22,326 (5)	7.2 (7)	796,636,332
2010	36,411 (8)	36.4 (7)	25,336 (7)	7.2 (7)	922,509,096
2011	36,411 (7)	38 (7)	23,007 (7)	7.9 (7)	837,707,877
2012	36,411 (7)	36.5 (7)	23,297 (7)	5.7(7)	848,267,067

Notes:

- (1) Estimate of City of Texarkana, Texas.
- (2) 2000 U.S. Census. (ATCOG)
- (3) Texas Workforce Commission LMI Tracer
- (4) Texarkana Chamber of Commerce: Source - Sales Marketing and Management
- (5) Sites on Texas.com
- (6) Personal income calculated by multiplying estimated population by per capita income.
- (7) Economic Development Director, City of Texarkana, Texas
- (8) 2010 U. S. Census. (City of Texarkana, Texas)

*Unaudited -see accompanying auditors' report*

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# CITY OF TEXARKANA, TEXAS

## STATISTICAL SECTION

### Principal Employers, Metropolitan Statistical Area (MSA) - Texarkana, Texas and Texarkana, Arkansas

#### Current Year and Nine Years Ago

#### Schedule 21

<i>Employer</i>	<i>2012</i>			<i>2003</i>		
	<i>Employees</i>	<i>Rank</i>	<i>Percentage of Total MSA Employ- ment (1)</i>	<i>Employees</i>	<i>Rank</i>	<i>Percentage of Total MSA Employ- ment (2)</i>
Red River Army Depot & Tenants	6,000	1	9.97%	2,470	1	4.54%
Christus St. Michael Health Care	1,900	2	3.16%	1,200	5	2.21%
Cooper Tire & Rubber	1,860	3	3.09%	1,550	2	2.85%
Domtar (fr. Georgia Pacific)	1,150	4	1.91%	1,400	3	2.57%
Wal-Mart/Sam's	1,100	5	1.83%			
International Paper	925	6	1.54%	1,250	4	2.30%
Wadley Regional Medical Ctr	850	7	1.41%	980	6	1.80%
Texarkana Texas ISD	795	8	1.32%	800	7	1.47%
Texarkana AR ISD	785	9	1.30%	800	8	1.47%
Southern Refrigerated Transport	750	10	1.25%			
City of Texarkana, Texas				466	9	0.86%
Collom & Carney Clinic				365	10	0.67%
<b>Total</b>	<b>16,115</b>		<b>26.78%</b>	<b>11,281</b>		<b>20.74%</b>

Source:

Chamber of Commerce, Texas Workforce Commission LMI Tracer

Notes:

(1) MSA employment for 2012 is 60,200

(2) MSA employment for 2003 is 54,400

*Unaudited - see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Full-time-Equivalent City Government Employees by Function/Program, Last Ten Fiscal Years Schedule 22

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>General government</b>				
Purchasing- General Services	4	4	4	4
Finance / Accounting	8	8	7	7
Building Maintenance	3	2	3	3
City Manager	3	3	3	3
City Secretary	3	3	3	3
Research and Vital Statistics				
Human Resources	3	3	3	3
City Attorney	3.5	3.5	3.5	3.5
Municipal Court	8	7	7	7
Quality Assurance	0	0	0	0
Marketing	0	0	0	0
<b>Public safety</b>				
Police Administration	3	3	4	7
Uniform Services- Patrol	62	61	69	67
Support Services	15	15	14	6
Criminal Investigation	17.5	19.5	19.5	20.5
CMV Enforcement Unit	0	0	0	0
Narcotics	4	4	4	6
Fire Administration	3	3	3	3
Fire Operations	72	69	72	72
Fire Prevention	3	3	5	4
Fire Training	2	2	2	2
Emergency Management	1	1	2	2
<b>Public works</b>				
Public Works Administration	3	3	3	3
Engineering	6	6	6	6
Engineering & Infrastructure Administration				
Street Maintenance	42.5	38	38	38
Building Inspection	7	6	6	6
Sign and Signal	6	6	6	6
P&Z/Comm & PW Administration	0	0	2	2
Code Enforcement	0	0	0	0
Stormwater Management	0	0	0	0
<b>Health and welfare</b>				
Community Development	6	6	4	4
Environmental Services				
Environmental Health Services	2	2	2	2
Demolition	4	4	4	4
Animal Control	2	2	2	2

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
4	4	3	3	3	3
7	6	5	6	6	6
3	3	3	3	3	3
3	1	1	1	1	1
3	1	1	2	2	2
	2	2	2	2	2
3	5	4	5	4	4
3.5	2.0	0	0	0	0
7	7.5	8.5	8	9	8
0	0	0	1	1	1
0	0	0	1	2	2
3	3	7	7	5	11
66	74	65	69	72	66
12	11	9	10	31.5	31.5
18.5	17.5	18.5	18.5	0	0
0	0	0	2	2	2
4	2	3	4	3	0
3	3	3	3	3	2
72	72	72	72	72	73
4	4	4	4	4	0
2	2	2	2	2	0
2	2	2	2	2	2
3	2	0	0	0	0
7	7	7	7	7	7
	2	2	2	2	2
38	38	38	38	38	38
7	7	7	7	7	7
6	6	6	6	6	6
2	0	2	2	2	2
0	0	3	3	3	3
0	0	0	0	0	2
4	3	3	3	3	3.5
	3	2	2	2	2
2	2	1	1	1	1
4	4	1	1	1	0
2	2	2	2	2	2

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Full-time-Equivalent City Government Employees by Function/Program, Last Ten Fiscal Years Schedule 22 (Continued)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Parks and recreation</b>				
Parks Administration	4	4	3	3
Parks Maintenance	24.5	26.5	26.5	23
Recreational Programs	5.5	7.5	7.5	8
Senior Citizen Programs	4	1.5	2.5	2
Community Center / Weed & Seed	2	2	2	2
Library	14	12.5	12.5	12.5
Teen Court	1.5	1.5	1.5	1.5
Veterans Affairs	0.5	0.5	0.5	0.5
<b>Family Health Center</b>				
Administration	4	4	4	4
Community	6	6	6	6
WIC	7	7	7	7
Reproductive	9	8	8	7
TB	2	1	1	1
Public Health Response	3	4	4	5
Tobacco	1	0	0	0
Diabetes	0	0	0	0
Central Records - Dispatch	52	53	53	53
MPO	2.5	2.5	2.5	2.5
Fleet	10	10	10	10
<b>Total</b>	<u>449</u>	<u>438.5</u>	<u>452.5</u>	<u>444</u>

**Source:** Various City Departments

**Notes:** Full-time equivalent of non-civil service employees and civil service police is 2,080 hours per year and 2,912 hours per year for civil service firefighters.

*Unaudited -see accompanying auditors' report*

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
3	2	2	2	2	2
23	24	24	19	19	19
5.5	5.5	5.5	3.5	3.5	3.5
2.5	2.5	2.5	1	1	1
3	3	3	1	1	1
12.5	12.5	12.5	16	16	16
1.5	1	1	1	0	0
0.5	0.5	0.5	1	1	1
3	5	4	4	3.15	3
4	6	5	6	1.5	2
7	7	5	7	7	7
7	7	6	7	10.95	8
1	0	0	0	0	0
5	2	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	1
53	54	54	53	53	54
2.5	2.5	2.5	3	3	3
10	11	9	8	6	6
<u>439</u>	<u>443.5</u>	<u>423.5</u>	<u>432</u>	<u>431.6</u>	<u>422.5</u>

# CITY OF TEXARKANA, TEXAS

## STATISTICAL SECTION Operating Indicators by Function/Program Last Ten Fiscal Years Schedule 23

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b><u>Function/Program</u></b>				
General government				
Birth certificate requests	5,041	5,404	5,713	5,333
Public safety				
Police				
Commissioned officers	90	87	93	93
Calls for service	40,249	40,024	42,392	43,814
Total citations issued	8,837	6,807	9,656	13,440
Custody arrests	2,728	2,768	2,898	3,106
Fire				
Firefighters	75	76	76	79
Responses- Fire	277	303	279	362
Responses- EMS/Rescue	478	420	951	999
Responses- Other	875	847	1,005	973
Inspections	3,756	3,812	4,197	4,083
Public works				
Street resurfacing (miles)	(1)	(1)	(1)	(1)
Building permits issued	688	652	611	938
Building permits (\$)	63,046,707	65,590,653	61,734,325	61,978,494
Water				
Average daily consumption (millions of gallons)	9.958	8.924	8.429	8.881
Raw water production (millions of gallons)	11.275	11.291	11.204	10.840
Wastewater				
Average daily sewage treatment (millions of gallons)				
South Regional Plant	9.987	8.597	8.782	8.065
Wagner Creek Plant	1.433	1.460	1.443	1.204

Source: Various City Departments

Notes:

(1) No information available

Unaudited -see accompanying auditors' report

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
5,740	5,695	5,278	6,138	5,937	5,832
94	94	94	100	99	99
44,456	43,554	45,673	43,518	42,407	42,625
13,922	8,879	11,606	10,536	11,003	12,993
3,739	4,032	5,085	4,010	4,105	4,125
79	79	79	78	78	78
250	281	250	256	306	258
1,295	1,357	1,494	1,479	1,478	1,770
963	1,139	978	1,098	1,062	1,088
4,217	3,983	3,988	2,837	2,867	3,910
(1)	(1)	(1)	(1)	1.5	
663	484	1,188	768	591	559
48,621,881	76,804,888	44,937,572	49,115,042	63,049,176	43,348,566
10.29	10.938	10.255	11.207	9.518	11.201
11.849	11.882	11.978	13.949	10.61	11.74
10.348	10.762	10.524	10.778	8.328	7.514
1.088	1.190	1.257	1.253	0.747	1.116

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION Capital Asset Statistics by Function/ Program Last Ten Fiscal Years Schedule 24

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Government				
Buildings	2	2	2	2
Public safety				
Police Stations	1	1	1	1
Number of vehicles	66	66	66	68
Fire Stations	5	5	5	5
Fire Apparatus	8	8	8	9
Other motorized vehicles	5	5	5	6
Public works				
Buildings	3	3	3	3
Streets (miles)	254	254	254	(1)
Paved alleys	5	5	5	(1)
Unpaved alleys	15	15	15	(1)
Storm sewers	29.5	29.5	29.5	(1)
Streetlights	(1)	(1)	(1)	(1)
Parks and recreation				
Parks	11	12	12	12
Park acreage developed	533	533	533	533
Park acreage partially developed	1,454	1,454	1,454	1,454
Playgrounds	19	20	20	20
Swimming pools	1	1	1	1
Tennis courts	6	6	6	6
Baseball diamonds	8	8	8	8
Softball diamonds	11	11	11	11
Recreation centers	1	1	1	1
Senior citizens centers	1	1	1	1
Cemetery acreage	19	19	19	19
Landscaped island/ historical markers	8	8	8	8
Landscaped medians	4	5	5	5
Soccer fields	9	9	9	9
Restroom facilities	8	8	13	13
Boat ramp	1	1	1	1
Splash pad	0	0	0	0
Perot Theatre	1	1	1	1

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
2	2	2	4	4	4
1	1	1	1	1	1
69	72	63	69	62	80
5	5	5	5	5	5
9	9	9	9	10	10
6	6	6	6	10	16
3	3	3	2	2	2
(1)	(1)	(1)	(1)	(1)	257
(1)	(1)	(1)	(1)	(1)	8
(1)	(1)	(1)	(1)	(1)	15
(1)	(1)	(1)	(1)	(1)	30
(1)	(1)	(1)	(1)	(1)	3,150
15	14	14	12	12	12
500	500	500	500	500	587
1,330	1,330	1,330	1,330	1,330	1,330
19	20	20	26	26	27
0	0	0	0	0	0
6	6	6	4	4	4
8	8	8	8	8	8
10	10	10	10	10	10
2	2	2	2	2	2
1	1	1	1	1	1
19	19	19	19	19	19
8	8	8	8	8	8
4	4	4	4	5	10
8	10	10	12	13	13
14	15	17	17	17	17
1	1	1	1	2	2
0	0	0	0	0	1
1	1	1	1	1	1

# CITY OF TEXARKANA, TEXAS

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**STATISTICAL SECTION**  
**Capital Asset Statistics by Function/ Program**  
**Last Ten Fiscal Years**  
**Schedule 24 (Continued)**

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Library				
Number of libraries	1	1	1	1
Health and Welfare				
Buildings	1	1	1	1
Water				
Water mains (miles)	433	438	451	448
Water connections	13,511	12,890	12,708	12,813
Fire hydrants	1,415	1,761	1,807	1,846
Plant capacity (million gallons per day)	18	18	18	18
Wastewater				
Sanitary sewer mains (miles)	297	303	311	315
Sewer connections	11,724	11,954	12,051	12,166
Sewer plant capacity ( millions gallons per day)	18	18	18	18
Airports				
Number of airports	1	1	1	1
Acres	1,200	1,200	1,200	1,200
Length of main runways	6,601	6,601	6,601	6,601

Source: Various City of Texarkana, Texas departments

Notes:

(1) No information available

*Unaudited -see accompanying auditors' report*

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<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
1	1	1	1	1	1
1	1	1	1	1	1
460	462	473	479	484	504
12,893	13,032	12,951	12,937	12,962	13,119
1,906	1,963	2,013	2,051	2,079	2,172
18	18	18	18	18	18
323	329	330	328	340	343
12,364	12,512	12,418	12,436	12,435	12,518
18	20	20	20	20	20
1	1	1	1	1	1
1,200	1,200	1,200	1,200	1,200	1,200
6,601	6,601	6,601	6,601	6,601	6,601

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**Supplemental Report on  
Federal Awards**

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# CITY OF TEXARKANA, TEXAS

## SUMMARY OF AUDITORS' RESULTS For the Year Ended September 30, 2012

PROGRAM	DESCRIPTION
Type of Report of Financial Statements	Unqualified Opinion
Significant Deficiencies in Internal Control	Schedule of Findings Reference 12-2
Material Weaknesses in Internal Control	Schedule of Findings Reference 12-1
Noncompliance Material to Financial Statements	None
Significant Deficiencies in Internal Controls over Major Programs	Schedule of Findings Reference 12-4
Material Weaknesses Involving Significant Deficiencies over Major Programs	Schedule of Findings Reference 12-3
Type of Report on Compliance with Major Programs	Qualified Opinion
Findings for Federal Awards as Defined in OMB Circular A-133	Schedule of Findings Reference 12-3 and 12-4
Major Federal Programs	14.218 U. S. Department of Housing and Urban Development - Community Development Block Grant  14.239 U. S. Department of Housing and Urban Development – Texas Department of Housing and Community Affairs – HOAP & HOME Programs  20.505 U.S. Department of Transportation – Federal Transit Capital & Operating Assistance Formula Grant  10.557 U. S. Department of Health – Special Supplemental Nutrition Program for Women, Infants and Children
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Auditee Statements	The City of Texarkana, Texas was not classified as a low-risk auditee in the context of OMB Circular A-133

# CITY OF TEXARKANA, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2012

Grant Title	CFDA Number	Grant Program/ Number	Grant Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
<i>Passed Through the Texas Dept of Housing &amp; Comm Affairs</i>			
Community Development Blk Grant-Entitlement(CDBG) Program Year 2011	14.218	B09-MC-48-1000	\$ 623,101
<i>Passed Through the Texas Dept of Housing &amp; Comm Affairs</i>			
HOAP	14.239	1001200	72,000
HOME	14.239	1001198	238,183
			<u>310,183</u>
Supportive Housing Program - SNAP HPAC IHP	14.261	TX-029886TO7100	153,554
<i>Passed Through the Texas Dept of Housing &amp; Comm Affairs</i>			
ARRA-Community Development Blk Grant- (CDBG-R) Program Year 2008	14.218	B09-MY-48-1000	3,000
			<u>1,089,838</u>
<b>TOTAL U.S. DEPT OF HOUSING &amp; URBAN DEVELOPMENT</b>			
<b>U.S. Department of Transportation</b>			
Selective Traffic Enforcement Prog (STEP)	20.600	587XXF6013	13,187
Urban Transit Program	20.507	TX-90-X604	19,573
Federal Transit Capital & Operating Assistance Formula Grant			
<i>Passed Through Texas Department of Transportation</i>	20.205/20.505	50-13XF0017	171,325
<i>Passed Through Arkansas Highway Transportation Department</i>	20.205	50-13XF0017	57,346
			<u>228,671</u>
<b>TOTAL U.S. DEPT OF TRANSPORTATION</b>			
<b>U.S. Department of Justice</b>			
<i>Passed Through the Texas Governor's Office Criminal Justice Division</i>			
Law Enforcement Block Grant J.A.G.	16.738	2010-DJ-BX-0539	57,036
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			
<b>U. S. Department of Homeland Security</b>			
Homeland Security Grant (09CCP)	97.053	09-GA 72368-03	14,689
Homeland Security Grant (09SHSP)	97.073	09-GA 72368-03	115,861
Homeland Security Grant (10SHSP)	97.073	10-SR 72368-01	93,660
Homeland Security Grant (11SHSP)	97.073		6,482
			<u>230,692</u>
Disaster Recovery	97.unknown	GLO Contract No. 10-5310-000-5318	87,173
Promotion for Gulf Coast Shrimp	97.unknown		500

(continued)

# CITY OF TEXARKANA, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2012

Grant Title	CFDA Number	Grant Program/ Number	Grant Expenditures
<i>Passed Through Office of the Governor's</i> Emergency Management Performance Grant	97.042	10TX-EMPG-0208	64,954
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<b><u>383,319</u></b>
<b>U.S. Department of Health</b>			
<i>Passed Through Texas Department of State Health Services</i> DIAB/CDP Community Diabetes Project	93.283	2012-039692	80,127
RLSS/LPHS	93.unknown	2012-039511	140,415
Preventive Health and Health Serv Blk Grant	93.991	2011-036494	138,455
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	2011-037230-001	369,646
<b>TOTAL U.S. DEPARTMENT OF HEALTH</b>			<b><u>728,643</u></b>
<b>Corporation for National Security and Community Service</b>			
Retired Senior Volunteer Program Greater Texarkana RSVP - Action	94.002	U-05SRWTX010	43,821
<b>TOTAL CORPORATION FOR NATIONAL SECURITY AND COMMUNITY SERVICE</b>			<b><u>43,821</u></b>
<b>U.S. Department of Energy</b>			
Energy Efficiency Energy Efficiency and Conservation Block Grant (EECBG)	81.128	EE001832	40,314
<b>TOTAL U.S DEPARTMENT OF ENERGY</b>			<b><u>40,314</u></b>
<b>Environmental Protection Agency</b>			
Brownfield Hazard & Petroleum	66.818	BF-00F19501 - Hazardous	28,577
Brownfield Hazard & Petroleum	66.818	BF-00F19501 - Hazardous	16,081
EPA Job Training Grant	66.unknown	TX-029886TO7100	3,810
<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY</b>			<b><u>48,468</u></b>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b><u>\$ 2,652,870</u></b>

(concluded)

# CITY OF TEXARKANA, TEXAS

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## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2012

### NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards is a summary of the activity of all federal award programs of the City of Texarkana, Texas for the year ended September 30, 2012. The grant programs are administered by the various departments of the City. The activities of these departments are monitored by City staff to ensure compliance with the requirements of the underlying grants.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Accounting* - The grant accounts in the various funds where grants are recorded are maintained on the modified accrual basis. Grant revenues are recognized when eligible grant expenditures are incurred.

### NOTE 3 - RELATIONSHIP TO GRANT FINANCIAL REPORTS

The amounts reported in the accompanying schedule may not agree with the amounts reported in the related grant financial reports filed with grantor agencies due to the fact that the accompanying schedule represents the activity for the twelve months ended September 30, 2012, while some grant reports are prepared monthly, quarterly, or annually on a grant fiscal year end that is different.

### NOTE 4 - STATUS OF PRIOR YEAR FINDINGS

The current status of findings related to federal grant awards that were reported with the September 30, 2011 audit of the City of Texarkana, Texas financial statements is provided in the Summary Schedule of Prior Audit Findings.



# HOLLIDAY, LEMONS, & COX, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

## 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*

Honorable Mayor and  
Members of the City Council  
Texarkana, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Texarkana, Texas as of and for the year ended September 30, 2012, which collectively comprise the City of Texarkana, Texas' basic financial statements and have issued our report thereon dated April 3, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

Management of the City of Texarkana, Texas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Texarkana, Texas' internal control over financial reporting as a basis for designing our auditing procedures 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 of Texarkana, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Texarkana, Texas' internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 controls 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. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses: Reference # 12-1.

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

DIVISION FOR CPA FIRMS, PRIVATE COMPANIES PRACTICE SECTION

TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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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. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies: Reference 12-2.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Texarkana, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Texarkana, Texas, in a separate letter dated April 3, 2013.

City of Texarkana, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit City of Texarkana, Texas' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



April 3, 2013

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# HOLLIDAY, LEMONS, & COX, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and  
Members of the City Council  
Texarkana, Texas

### Compliance

We have audited the City of Texarkana, Texas' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Texarkana Texas' major federal programs for the year ended September 30, 2012. The City of Texarkana, Texas' major federal programs are identified in the summary of auditor's results included in this section. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Texarkana, Texas' management. Our responsibility is to express an opinion on the City of Texarkana, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Texarkana, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Texarkana, Texas' compliance with those requirements.

As described in Reference 12-3 in the accompanying schedule of findings, the City of Texarkana, Texas did not comply with requirements regarding Reporting that are applicable to its Community Development Block Grant and Community Development Block Grant - American Recovery and Reinvestment Act (ARRA). As described in Reference 12-4 in the accompanying schedule of findings, the City of Texarkana, Texas did not comply with requirements regarding Cash Management that are applicable to its Texas Department of Housing and Community Affairs HOME Program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Texarkana, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended September 30, 2012.

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## Internal Control Over Compliance

Management of the City of Texarkana, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Texarkana, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedure for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Texarkana, Texas' internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies that we consider to be material weaknesses.

*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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as Reference 12-3 to be a material weakness.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as Reference 12-4 to be a significant deficiency.

The City of Texarkana, Texas' responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City of Texarkana, Texas' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



April 3, 2013

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# CITY OF TEXARKANA, TEXAS

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended September 30, 2012

***Reference 11-1 Financial Policies, Procedures, and Application of Accounting Principles***

Current Status: Sections of the finding were corrected in the current year. Other sections remain uncorrected and are included in the current schedule of findings as part of Reference 12-1.

***Reference 11-2 Community Development Block Grant – American Reinvestment and Recovery Act - Reporting***

Current Status: This is an uncorrected finding.

***Reference 11-3 Community Development Block Grant – Entitlement Grant -Period of Availability – Timeliness Test***

Current Status: This finding was corrected in the current year.

***Reference 11-4 Community Development Block Grant – Entitlement Grant - Real Property Acquisition***

Current Status: This finding was corrected in the current year.

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# CITY OF TEXARKANA, TEXAS

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## SCHEDULE OF FINDINGS - *FINANCIAL STATEMENT AUDIT* For the Year Ended September 30, 2012

### *Financial Policies, Procedures, and Application of Accounting Principles* *Reference 12-1*

#### ***Condition***

The following account balances required adjusting entries on the City's financial statements:

- (1) A payable to another governmental entity for \$78,424 for overpayment to the TIRZ special revenue fund was not recorded prior to audit adjustments;
- (2) Fund equity in the hotel/motel tax fund (a special revenue fund) restricted for the convention center was overstated by \$410,956 prior to audit adjustments; and
- (3) The Net Invested in Capital Assets equity for the Fleet internal service fund was understated by \$21,555.

#### ***Criteria***

All financial statement accounts should be properly stated prior to close of the year end books and issuance of interim financial statements by the City Finance Department staff. City management is responsible for establishing and maintaining effective internal controls over financial policies.

#### ***Cause***

Some ending balances may not have been assessed for completeness and accuracy by the City's Finance department.

#### ***Effect***

Potentially material misstatements in the financial statements or material misstatements of assets due to error or fraud could occur and not be prevented or detected in a timely manner.

#### ***Recommendation***

Finance Department should review all balance sheet accounts of the financial statements to determine if any adjusting entries are necessary as part of the year end closing process. Generally accepted accounting principles should be applied in order to produce fairly stated financial statements.

#### ***Views of Responsible Officials and Planned Corrective Actions***

Finance personnel will continue to develop end of fiscal year procedures to review and document each balance sheet account for accuracy and completeness.

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# CITY OF TEXARKANA, TEXAS

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## SCHEDULE OF FINDINGS – *FINANCIAL STATEMENT AUDIT* For the Year Ended September 30, 2012

### *Close out of City's TUTD Fund and Refund of Excess Contributions to Participating Entities* *Reference 12-2*

#### *Condition*

The City participates with three other local cities in the Texarkana Urban Transit District (TUTD), the public transportation system. The financial activities of the TUTD had been recorded by the City's finance department since its inception. During fiscal year 2011, Ark-Tex Council of Governments (ATCOG) entered into an interlocal agreement with TUTD to provide professional management services for the public transit system. The grant funding and financial authorization was changed from the City of Texarkana, Texas to ATCOG effective April 4, 2011.

At September 30, 2012, the TUTD fund on the City's unadjusted books had assets of \$172,000 not yet distributed back to the participating entities. After recording the adjusting journal entry to distribute the remaining funds to the participating cities, the ending fund balance is zeroed out. Payables to the participating governments distributing the remaining amounts were recorded to the City of Texarkana, Texas, City of Texarkana, Arkansas, City of Nash, Texas and City of Wake Village, Texas. The City of Texarkana, Texas General Fund's receivable share was \$102,916. The remaining cities' shares were \$58,042, \$3,419 and \$4,891, respectively.

#### *Criteria*

All financial activity related to the TUTD public transit system should be recorded in a timely manner to permit the proper presentation in the year end financials. The City had not yet recorded the close out of the financial activities on their books after the activities of the management function was transferred to ATCOG. Since the City does not anticipate any additional financial activities to be recorded on its books, the remaining balances should be distributed to the participants.

#### *Cause*

Some financial transactions had occurred during the fiscal year ended September, 2012 so the City had not closed out the final activities.

#### *Effect*

Without the proposed adjusting entry, the City's General fund had an unrecorded receivable and revenue of approximately \$103,000, as did the other participants for their respective amounts.

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# CITY OF TEXARKANA, TEXAS

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## **SCHEDULE OF FINDINGS – FINANCIAL STATEMENT AUDIT For the Year Ended September 30, 2012**

*Close out of City's TUTD Fund and Refund of Excess Contributions to Participating Entities  
Reference 12-2  
Continued*

### ***Recommendation***

We recommend necessary adjusting entries be recorded on a timely basis to match the revenues and expenses related to financial activities. Closing entries for an activity in which the City no longer participates should be recorded as soon as possible to record any refund of contributions or additional amounts due. The distributions should be paid to the respective cities in the near future.

### ***Views of Responsible Officials and Planned Corrective Actions***

Although the City's responsibilities as fiscal agent for TUTD have ended, Finance personnel will review that fund to insure that all accounts have been properly closed out.

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# CITY OF TEXARKANA, TEXAS

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## **SCHEDULE OF FINDINGS - MAJOR FEDERAL AWARDS PROGRAM AUDIT For the Year Ended September 30, 2012**

### ***Community Development Block Grant and Community Development Block Grant (ARRA) - Reporting Reference 12-3***

#### ***Condition***

The Community Redevelopment and Grants Department did not file the following grant reports accurately and/or timely:

- Community Development Block Grant (American Reinvestment and Recovery Act-ARRA) quarterly reports for the fourth quarter 2011 and the first quarter 2012 were not filed.
- The Community Development Block Grant (CDBG) quarterly report for the quarter ended March 31, 2012 was filed on May 3, 2012. It was due on April 30, 2012.
- CDBG quarterly reports, as originally filed, reported total federal program expenditures of \$870,372, overstating expenditures in the amount of \$238,185 for fiscal year 2012. The reports were amended and corrected by the City after the error was discovered by the auditor. Likewise, program income was overstated by \$1,320.
- The cash balance for CDBG reported on the quarterly report at year end was (\$1,239) while the CDBG financial statement from the Finance Department and bank statement indicated a balance of \$56.
- Expenditures in the amount of \$28,232 and program income in the amount of \$30,898 were not reported on the IDIS system (federal grant reporting software), which resulted in the CAPER (annual federal report) not agreeing with the quarterly reports.

#### ***Criteria***

U. S. Department of HUD requires accurate and complete grant reports of CDBG activity be filed within thirty days after quarter end. Quarterly and annual financial reports filed with federal agencies should agree with, or be reconcilable to, financial activity as recorded by the Finance Department.

#### ***Cause***

Internal controls were not in place or were not followed to ensure that the City was filing accurate and complete financial reports on a timely basis.

#### ***Effect***

With the lack of filing accurate reports on a timely basis, the City is not in compliance with federal grant reporting requirements.

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# CITY OF TEXARKANA, TEXAS

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## **SCHEDULE OF FINDINGS - MAJOR FEDERAL AWARDS PROGRAM AUDIT For the Year Ended September 30, 2012**

### ***Community Development Block Grant and Community Development Block Grant (ARRA) - Reporting Reference 12-3 Continued***

#### ***Recommendation***

Management should implement and monitor internal controls to help ensure compliance with reporting requirements. All grant reports should be accurate and complete and filed in a timely manner. We recommend grant reports be reconciled to the financial activity as prepared by the Finance Department prior to submission.

#### ***Views of Responsible Officials and Planned Corrective Actions***

Reorganization of several City departments has recently been completed to insure compliance with grant reporting rules. City staff will continue to review existing policies related to grant compliance and reporting and staff will review policies as necessary and establish new policies when needed to insure complete and accurate grant compliance activities.

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# CITY OF TEXARKANA, TEXAS

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## SCHEDULE OF FINDINGS - MAJOR FEDERAL AWARDS PROGRAM AUDIT For the Year Ended September 30, 2012

### *Texas Department of Housing and Community Affairs HOME Program – Cash Management Reference 12-4*

#### *Condition*

Discrepancies noted related to the HOME program were as follows:

- Matching contributions for the HOME grant were incorrectly paid out of Housing and Community Development grant fund.
- Drawdowns of grant funds were not requested and disbursed in a timely manner. On several occasions, the City paid the contractor several months before requesting reimbursement. In two instances, the City requested and received federal funds approximately one month before paying the contractor.

#### *Criteria*

Governmental generally accepted accounting principles (GAAP) require expenses be recorded in the proper fund. Financial activity reports for grant programs should agree with, or be reconcilable to, financial activity as recorded by the Finance Department.

When federal funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement to vendors. Federal reimbursements for expenditures should be requested in a timely manner.

#### *Cause*

The financial activity reports for the HOME grant program were not reconciled to the financial activity as recorded by the Finance Department.

Internal controls were not in place or were not followed to ensure that the City was requesting and expending federal funds on a timely basis to minimize the time between when the draw is requested and the funds are expended.

#### *Effect*

Without recording activity in the proper funds as required by the use of fund accounting, governmental accounting requirements are not met.

The City may not be in compliance with federal grant requirements by not disbursing grant funds timely. Additionally, when reimbursements are not processed in a timely manner, City funds are obligated for a longer time than may be necessary.

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# CITY OF TEXARKANA, TEXAS

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## **SCHEDULE OF FINDINGS - MAJOR FEDERAL AWARDS PROGRAM AUDIT For the Year Ended September 30, 2012**

*Texas Department of Housing and Community Affairs HOME Program – Cash Management  
Reference 12-4  
Continued*

### ***Recommendation***

Management should implement and monitor internal controls to help ensure compliance with grant requirements. All financial activity should be recorded in the proper fund as required by governmental GAAP. Financial activity reports for grant programs should agree with, or be reconcilable to, financial activity as recorded by the Finance Department prior to submission of the monthly, quarterly and/or annual grant reports.

Further, management should implement and monitor procedures to ensure federal program drawdowns, as well as related disbursements, are processed timely.

### ***Views of Responsible Officials and Planned Corrective Actions***

Procedures have been put in place to ensure timeliness and accuracy of grant reporting. New software has been implemented to manage reporting of matching funds separate from grant reimbursable funds.

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