

Comprehensive Annual Financial Report

for the fiscal year ended September 30, 2013

CITY OF TEXARKANA, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
September 30, 2013**

Prepared by:

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



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Introductory Section

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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, 2013, 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, 2013. 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 37,000. 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'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 expanded to a 4 year university in 2010, completed Bringle Lake Village, the first student housing on campus, in 2011 and currently serves approximately 2,000 students; the University of Arkansas for Medical Sciences Area Health Education Center provides higher education services in the area; and Southern Arkansas Tech, provides airframe and power plant training for 150 students at the airport; University of Arkansas Community College at Hope-Texarkana is the city's newest institution of higher education, serving approximately 160 students in its new facility.

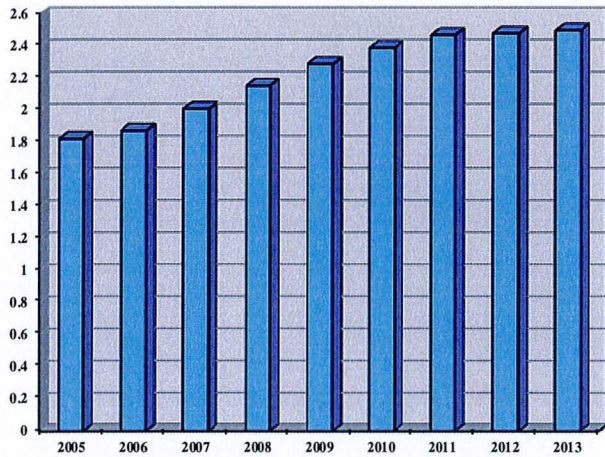
The City has a number of worthwhile attractions, including the only U.S. Post Office located in two states, which provides a unique photo opportunity at Photographer's Island, the Scott Joplin Mural, the historic Perot Theatre, the Regional Arts Center, Ace of Clubs House, Discovery Place Children's 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. The City's Parks department recently opened the new Splash Pad in Spring Lake Park, and is currently constructing a new park at Bringle Lake, and the Kylee Sullivan Pet Safe Dog Park will open soon at Spring Lake Park. 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 increased slightly in the past year, as reflected in reported statistics. Permits for new non-residential construction increased from last year's value of around \$9,555,000 to around \$16,351,000 this year. Permits for non-residential additions, alterations and conversions also increased from \$7,314,632 to \$14,522,803 this year. Residential permits decreased from \$20,890,926 to \$6,782,025. Residential additions, alterations and conversions ended the year at \$3,646,099, an increase from last year's number of \$2,884,309. Commercial projects for the new year include the following:

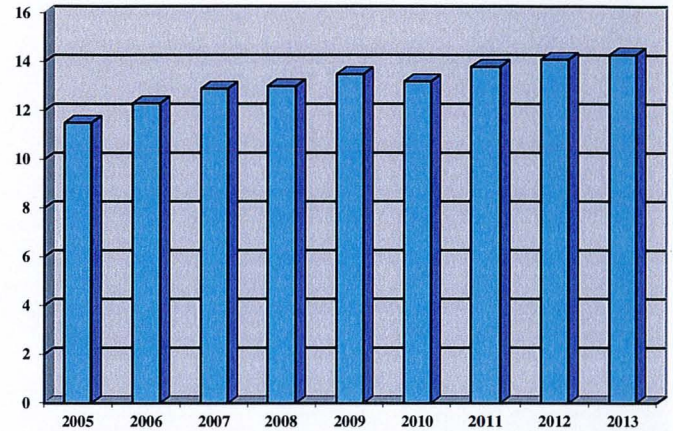
- Residence Inn Hotel
- Big Jakes BBQ
- Crockers Jewelers
- KIA Dealership
- Kirklands
- Marshal Ridge Duplexes
- Elizabeth Street Duplexes
- The Oaks Remodel and Duplexes
- McDonalds Remodel
- Taco Bell Remodel
- Texas Roadhouse Remodel

Sales tax and property tax revenues are responsible for a substantial portion of the City's operating budget. The City's general fund revenues and transfers decreased by \$2,329,222 this year over prior year 2012. Sales tax revenues increased by \$212,500 (1.5%), and property tax revenues were up by 1.2% (\$186,000). These increases were offset by a decrease in transfers from Texarkana Water Utility to general fund in fiscal year 2013 of \$2,200,000, and a decrease in miscellaneous revenues of \$870,000. 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 increased to 6.8%, and the local rate was slightly higher when compared to the state rate of 5.8% and the national rate of 6.6%. Most of the increase is attributed to restriction of the workforce at Red River Army Depot, due to federal sequestration mandates currently in place.

Long-Term Financial Planning

Unassigned fund balance in the general fund (35.6% of general fund expenditures) is well above the reserve goal set by the City Manager of ten percent (10%). The City’s unassigned fund balance at September 30, 2013 of \$10,327,257 represents approximately 130 days of expenditures in fund balance.

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 the 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 around sixty-seven percent (67.4 %) 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 the 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 previously increased the hotel occupancy tax rate with the future goal of constructing a convention center facility for the City. The Texarkana Convention Center and adjacent Hilton Garden Inn are now fully operational, and the future tax revenues dedicated for this purpose will be used to service the debt on this property.

The City has established two (2) Tax Increment Reinvestment Zones (TIRZ) within its boundaries. The first operates 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 runs 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.

Texarkana Water Utilities has received and reviewed an engineering study on future sewer projects. The report was done under contract by 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 more than twenty-five (25) years old. The original estimated costs for the project in 2009 was \$13,900,000. HDR updated the cost estimate in March, 2014 to approximately \$15,740,000. The Utility expects this project will move forward in the near future with the project design beginning in the summer of 2014, the Utility issuing bonds upon completion of the design and construction possibly beginning in late 2014 or early 2015.

The relocation and enlargement of the Wright Patman Water Treatment on New Boston Road, which is over forty (40) years old, is currently under consideration by area cities. 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. No final decision is likely in the current fiscal year.

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 or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on 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 April 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

- 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

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, 2012. This was the twenty-third (23rd) 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 17, 2014



Government Finance Officers Association

**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, 2012

Executive Director/CEO

PRINCIPAL OFFICIALS

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

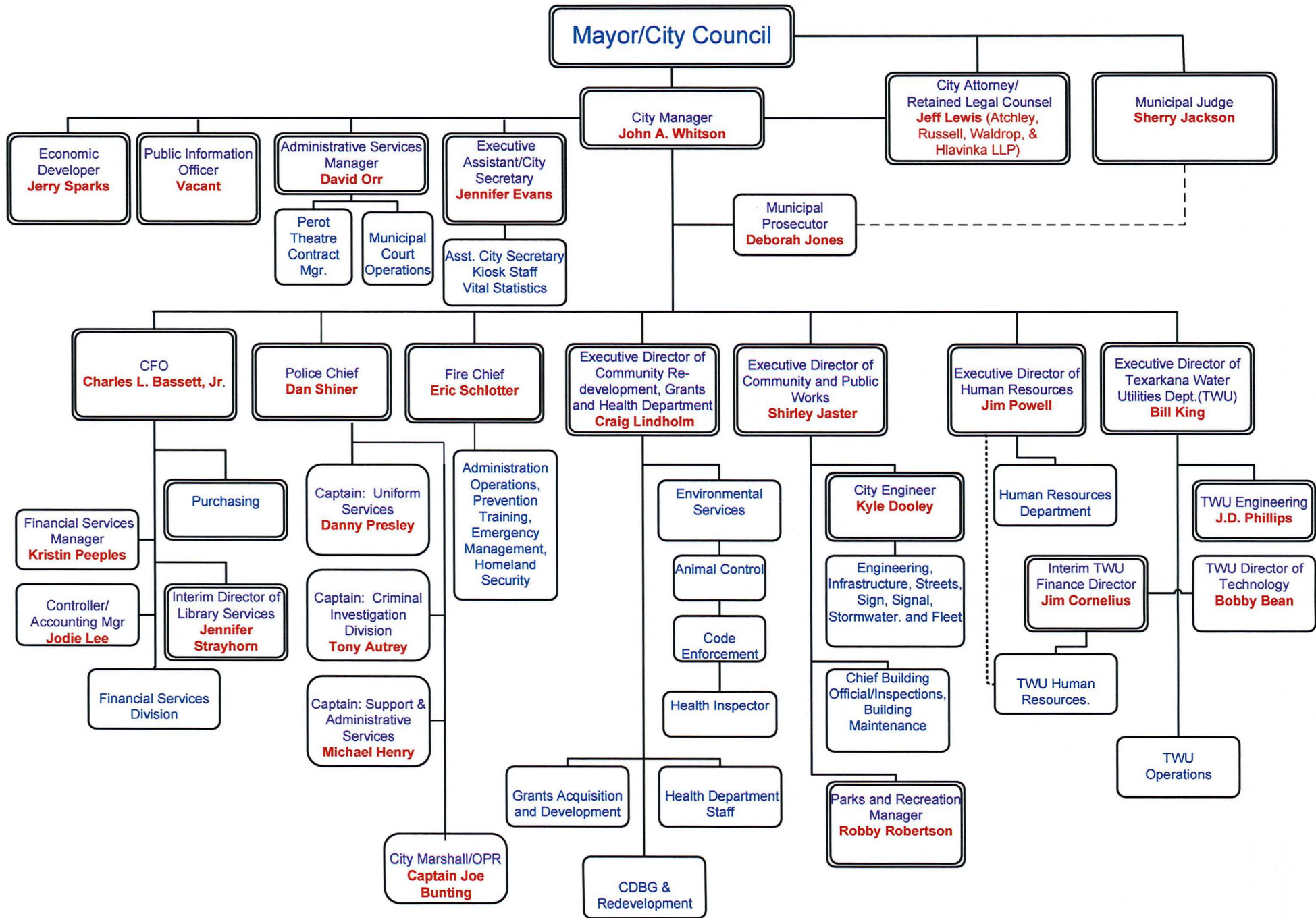
BILL MILLER
Councilmember, Ward 5

JOSH DAVIS
Councilmember, Ward 6

JOHN WHITSON
City Manager

CHARLES L. BASSETT, JR., CPA
Chief Financial Officer

JENNIFER EVANS
City Secretary



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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 Bob Bruggeman, Mayor
City of Texarkana, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Texarkana, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considered internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
DIVISION FOR CPA FIRMS, PCPS/THE AICPA ALLIANCE FOR CPA FIRMS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Texarkana, Texas as of September 30, 2013 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension plan trend information on pages 9 through 22 and pages 102 through 104, 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Texarkana, Texas' basic financial statements. 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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. Such 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, including the budgetary comparison schedules for the nonmajor funds with budgets,

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the capital assets schedules and the schedules of expenditures of federal awards are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2014, on our consideration of the City of Texarkana, Texas' 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* in considering the City of Texarkana, Texas' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Holliday, Lemons & Cox, P.C." The signature is written in a cursive, flowing style.

April 17, 2014

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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, 2013. 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 - xii of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$171,912,332 (net position). Of this amount, \$8,748,111 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$1,739,753 during this fiscal year. This increase was made up of an increase in Governmental Activities of \$1,851,077, offset by a decrease in Business-Type Activities of \$111,324. The increase in Governmental Activities was the result of transfers from Business-Type Activities in the amount of \$1,086,504, and an increase from current operations of \$764,573. The decrease in Business-Type Activities resulted from transfers mentioned above in the amount of \$1,086,504, offset by an increase in current operations in the amount of \$975,180.
- At the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$25,190,957. Approximately 41.00% of this total amount, \$10,327,257, 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 \$10,327,257, or 35.59% of total general fund expenditures.
- The City has approximately 130 days of expenditures in the fund balance of the general fund at year end.
- The City's total long-term liabilities decreased by \$1,651,302 (2.2%) during the current fiscal year, due to increases in pensions and other postemployment obligations, and accrued compensated absences, offset by regularly scheduled bond payments and refunding of debt.

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 Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in 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.

The government-wide financial statements can be found on pages 24 - 27 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-five (25) 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 twenty-two (22) 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 29 - 33 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 34 - 39 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 40 - 41 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 42 - 99 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 102 - 104 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 105 - 134 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position 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 \$171,912,332 as of September 30, 2013. The largest portion of the City's net assets (\$141,223,077 or 82.15%), 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 services 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</i> | | <i>Business-type</i> | | <i>Total</i> | |
|----------------------------|-----------------------|--------------------|----------------------|-------------------|--------------------|--------------------|
| | <i>Activities</i> | | <i>Activities</i> | | | |
| | <i>2013</i> | <i>2012</i> | <i>2013</i> | <i>2012</i> | <i>2013</i> | <i>2012</i> |
| Current and other assets | \$ 44,165,704 | 44,945,854 | 17,412,384 | 17,002,453 | 61,578,088 | 61,948,307 |
| Capital assets | 123,160,592 | 123,140,853 | 68,731,596 | 68,383,154 | 191,892,188 | 191,524,007 |
| Total assets | <u>167,326,296</u> | <u>168,086,707</u> | <u>86,143,980</u> | <u>85,385,607</u> | <u>253,470,276</u> | <u>253,472,314</u> |
| Long-term liabilities | 61,582,577 | 64,881,789 | 10,772,058 | 9,124,148 | 72,354,635 | 74,005,937 |
| Other liabilities | 4,012,046 | 3,324,322 | 5,191,263 | 5,969,476 | 9,203,309 | 9,293,798 |
| Total liabilities | <u>65,594,623</u> | <u>68,206,111</u> | <u>15,963,321</u> | <u>15,093,624</u> | <u>81,557,944</u> | <u>83,299,735</u> |
| Net position: | | | | | | |
| Invested in capital assets | 82,719,452 | 77,541,533 | 58,503,625 | 59,671,961 | 141,223,077 | 137,213,494 |
| Restricted | 13,196,487 | 16,346,523 | 8,744,657 | 6,302,773 | 21,941,144 | 22,649,296 |
| Unrestricted | 5,815,734 | 5,992,540 | 2,932,377 | 4,317,249 | 8,748,111 | 10,309,789 |
| Total net position | <u>\$ 101,731,673</u> | <u>99,880,596</u> | <u>70,180,659</u> | <u>70,291,983</u> | <u>171,912,332</u> | <u>170,172,579</u> |

An additional portion of the City's net position (12.76%) 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 position in the amount of \$8,748,111 (5.09%) 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 position, 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 decreased by \$760,411 due to a decrease in cash and investments mainly related to ongoing bond projects, offset by an increase in receivables from other governmental agencies related to outstanding payroll and insurance billing at year end. Total liabilities decreased by \$2,611,488 due mainly to a decrease in debt for governmental activities due to regular debt

service payments, offset by increases in the City's net pension liabilities, operational accounts payable balances and an increase in contracts payable related to the addition of new bond projects.

Business Type Activities:

The business type activities total assets and total liabilities increased by \$758,373 and \$869,697, respectively. The proprietary funds total assets and total liabilities increased \$750,120 and \$908,846, respectively.

CITY OF TEXARKANA, TEXAS' CHANGES IN NET POSITION

| | <i>Governmental Activities</i> | | <i>Business-type Activities</i> | | <i>Total</i> | |
|--|------------------------------------|-------------------|-------------------------------------|--------------------|--------------------|--------------------|
| | <i>2013</i> | <i>2012</i> | <i>2013</i> | <i>2012</i> | <i>2013</i> | <i>2012</i> |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 3,428,304 | 2,891,540 | 15,642,192 | 16,136,042 | 19,070,496 | 19,027,582 |
| Operating grants and contributions | 1,851,104 | 2,467,647 | | | 1,851,104 | 2,467,647 |
| Capital grants and contributions | 566,142 | - | 39,387 | - | 605,529 | - |
| General revenues: | | | | | | |
| Property taxes | 15,763,817 | 15,577,638 | | | 15,763,817 | 15,577,638 |
| Other taxes | 17,684,043 | 17,380,992 | | | 17,684,043 | 17,380,992 |
| Other revenue | 536,437 | 1,422,493 | 1,107,600 | 1,016,565 | 1,644,037 | 2,439,058 |
| Total revenue | <u>39,829,847</u> | <u>39,740,310</u> | <u>16,789,179</u> | <u>17,152,607</u> | <u>56,619,026</u> | <u>56,892,917</u> |
| Expenditures: | | | | | | |
| General government | 6,797,714 | 5,984,631 | | | 6,797,714 | 5,984,631 |
| Public safety | 16,886,838 | 17,624,401 | | | 16,886,838 | 17,624,401 |
| Public works | 7,498,517 | 7,461,167 | | | 7,498,517 | 7,461,167 |
| Parks and recreation | 3,379,678 | 2,918,560 | | | 3,379,678 | 2,918,560 |
| Health and welfare | 2,335,011 | 2,451,906 | | | 2,335,011 | 2,451,906 |
| Interest on long-term debt | 2,167,516 | 2,593,982 | | | 2,167,516 | 2,593,982 |
| Water and sewer | | | 15,813,999 | 15,840,902 | 15,813,999 | 15,840,902 |
| Total expenses | <u>39,065,274</u> | <u>39,034,647</u> | <u>15,813,999</u> | <u>15,840,902</u> | <u>54,879,273</u> | <u>54,875,549</u> |
| Change in net position before transfers | 764,573 | 705,663 | 975,180 | 1,311,705 | 1,739,753 | 2,017,368 |
| Transfers | <u>1,086,504</u> | <u>3,318,900</u> | <u>(1,086,504)</u> | <u>(3,318,900)</u> | <u>-</u> | <u>-</u> |
| Change in net position | 1,851,077 | 4,024,563 | (111,324) | (2,007,195) | 1,739,753 | 2,017,368 |
| Beginning net position | <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> |
| Ending net position | <u>\$ 101,731,673</u> | <u>99,880,596</u> | <u>70,180,659</u> | <u>70,291,983</u> | <u>171,912,332</u> | <u>170,172,579</u> |

Total Statement of Activities

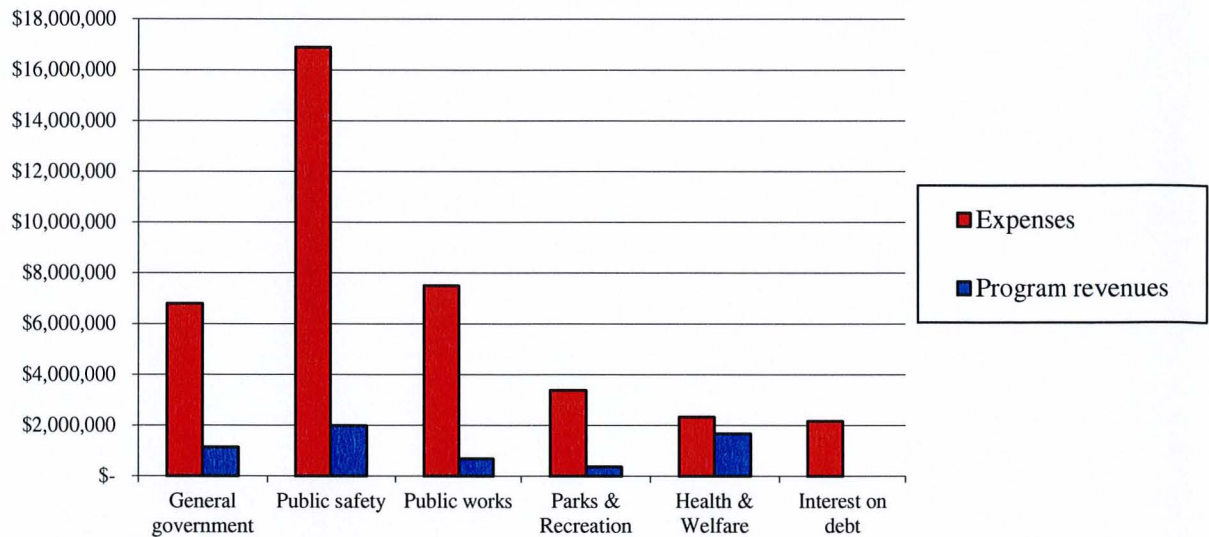
The total result of the City’s activity is an increase in total net position of \$1,739,753 during the current fiscal year. Net position related to business-type activities decreased by \$111,324, while net position from governmental activities increased by \$1,851,077. Additional related information may be found in the governmental activities section on pages 26 – 27 of this report.

Governmental Activities:

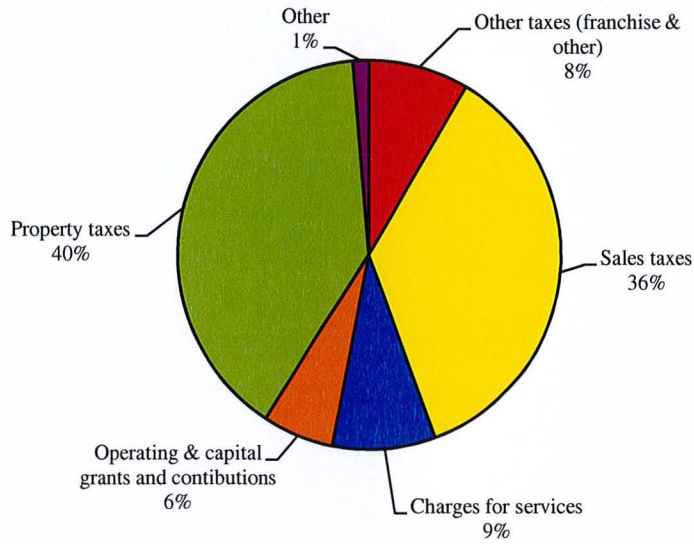
Governmental activities showed an increase in net position of \$1,851,077. Key elements of this change are summarized as follows:

- Net revenue from governmental activities increased by \$89,537, due mostly to an increase in property tax revenues of \$186,179, sales tax collections of \$212,499, charges for services of \$536,764, offset by decreases in operating grants of \$616,543.
- Expenditures from governmental activities increased by \$30,627. General Government expenditures increased by \$813,083, due mostly to an increase in OPEB contributions. Public Safety decreased by \$737,563, mostly the result of elimination of positions and other vacancies throughout the year. Parks and Recreation operating expenditures increased by \$461,118, due mostly to the depreciation expense on the Convention Center facility. Health and Welfare decreased by \$116,895, due in part to a decrease in healthcare claims. Interest on long-term debt decreased by \$426,466, due to regularly scheduled bond payments.
- Transfers decreased by \$2,232,396, due mostly to a decrease in transfers from the Water Utilities Fund to the General Fund.

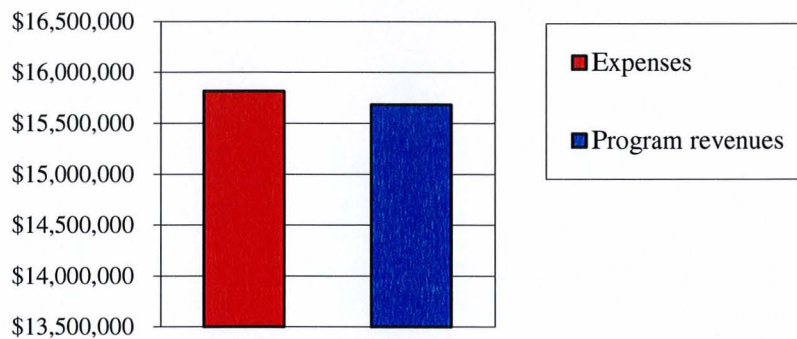
EXPENSES AND PROGRAM REVENUES –GOVERNMENTAL ACTIVITIES



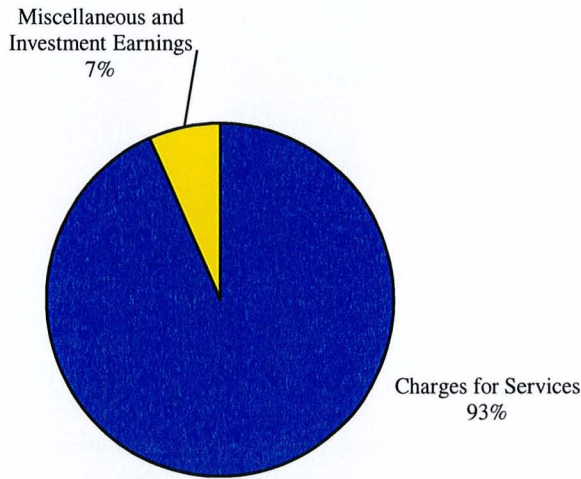
REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



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 \$111,324. For the year, Texarkana Water Utilities (TWU) had a net decrease of \$158,726, while the other business type activities had a combined net increase of \$47,402. Total charges for services decreased by \$493,850, while capital contributions increased by \$39,387 and other income increased by \$91,035, yielding a net decrease in revenues of \$363,428. The 3.1% decrease in total charges for services resulted primarily from current year decreases in water sales, wholesale water sales, and sewer charges. The increase in other income of \$91,035 or 9.0% from last year is primarily attributable to an increase of \$147,725 in insurance proceeds from property loss claims. Total expenses decreased by \$26,903, while operating expenses excluding depreciation decreased \$191,464 or slightly under 1.5%. TWU depreciation expense was up \$164,561 or 5.7%. The change in net position before transfers was \$975,180 which was a decrease of \$336,525 from 2012. As a percentage of revenues, 2013 net position before transfers was 5.8%, compared to 7.6% for fiscal year 2012.

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 \$25,190,957, a decrease of \$1,574,026, in comparison with the prior year. This decrease is due mostly to the following:

- Capital project funds decreased by \$1,576,771, due mostly to expenditures on several capital projects around the City, including University Drive at Texas A&M, the Texarkana Convention Center, Bringle North Park, and Linear Park.
- Non-major special revenue funds decreased by \$1,515,603, due mainly to transfers between funds to cover costs associated with completion of the new convention center.
- The City's Debt Service Fund decreased by a net of \$423,000, as a result of normal debt service expenditures for the year (\$6,090,205), offset by property tax and investment revenue deposited into the Fund (\$4,913,546), funds transferred from the Hotel/Motel Tax fund for convention center debt service (\$721,309), and net proceeds from the issuance of refunding bonds (\$32,350).
- General Fund increased by \$1,941,348 for the year, due to net revenue over expenditures from current year operations of \$1,523,870, and net transfers in from other funds of \$417,478.

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 \$10,327,257, while the total fund balance was \$10,792,257. 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 35.6% of the total General Fund expenditures, while total fund balance represents 37.2% of that same amount.

The fund balance of the City's General Fund increased by \$1,941,348 during the current fiscal year compared to an increase of \$3,299,451 in 2012. Key factors in this growth are as follows;

- Net revenue and expenditures increased by \$1,523,870, due in large part to additional property tax revenues and other tax collections by the City, and increased refuse collection fees and lot cleaning fees, offset by increased contributions for other postemployment benefits, and increased workers compensation premiums.
- Total other sources and uses of funds increased by \$417,478 due to net transfers between various City 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 \$7,603,341. The fund expended \$1,759,433 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 \$(104,606). 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 \$6,090,205 in debt payments during this fiscal year, an increase of \$51,514 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 2013 fiscal year, the City had combined ending fund balances in its special revenue funds of \$2,433,139, a decrease from last year of \$1,515,603. The majority of this decrease was due to the following:

- General government expenditures decreased by \$146,500, due to less activity in the Housing and Community Development fund.
- Parks and Recreation expenditures increased by \$222,500, due to full implementation of the convention center management agreement.
- Public Works decreased by \$447,000, due to absorption of the stormwater management expenditure into the general fund.
- Health and Welfare expenditures decreased by \$229,200, due to reduced activity in the Housing and Community Development, Brownfield, and Home fund offset by additional activity in the Supportive Housing and EPA Job Training programs.
- Capital Outlay expenditures decreased by \$700,000, due to completion of the following construction projects in 2012: Splash Pad, Walton Pavilion Drainage Improvement, and TexAmericas water line purchase, offset by air conditioner replacement and new monitoring system at the Perot Theatre.

At the end of fiscal year 2013 the City had a total of five (5) capital project funds included in other governmental funds, with total fund balances of \$4,466,766, a decrease of \$240,875 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 \$1,468,321 for the fiscal year, and involved several different projects, including construction of the Texarkana Convention Center (\$461,900), Bringle North Park (\$800,000), Linear Park (\$105,000), and various other smaller street and drainage projects (\$92,000).

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 2013 amounted to \$2,932,377 for a decrease of \$1,384,872 from 2012. The TWU portion of this balance was \$2,482,265, which was a decrease of \$1,432,274 from fiscal year 2012. This decrease consisted of a net loss of \$158,726 and a \$1,273,547 increase in restricted funds for the year. The change in restricted funds for fiscal year 2013 consisted of an increase of \$2,441,883 in TWU restricted accounts and a decrease of \$1,168,336 in the amount invested in capital assets. The increase in investments in capital assets for the year of \$3,308,130 was funded by several funds including the Capital Improvement Fund, Infrastructure Fund, Depreciation Fund, Technology Fund, and the 2013 Bond Construction Fund. The net decrease of \$1,168,336 results from applying the current year depreciation, debt retirement, and net increase in debt incurred in the current year to the increase in capital assets for the year.

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 \$1,807,344, an increase from last year of \$129,312 (7.7%). 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 increased by \$179,557, due mostly to increased contributions by the City. The Fleet Services Fund accounts for repair and maintenance on all City vehicles, excluding TWU. Net assets in the fund decreased by \$50,245, due to excess operating costs over revenue 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 position increased by \$2,681,002 during this fiscal year, and net assets totaled \$30,822,690 at the end of the year. Despite an increase in fund deductions, favorable investment results contributed to an overall increase in net assets of the fund. 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 \$35,708 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 \$1,042,240. The increase can be summarized as follows:

- Revenue from Grants and Entitlements declined (\$2,400,000), to account for movement of these funds out of general fund and into special revenue funds.
- Intergovernmental revenue declined (\$700,000), due to the delay of the Downtown Enhancement grant project, which was originally budgeted for completion in this fiscal year, and the reclassification of grant revenue into special revenue funds.
- Combined other revenues of the City increased by \$292,000.
- General Government expenditures increased by approximately \$275,000.
- Public Safety expenditures decreased by approximately (\$680,000).
- Public Works decreased by approximately (\$87,000).
- Health and Welfare expenditures declined by (\$3,160,000), due to the movement of grant expenses into special revenue funds.
- Capital Outlay expenditures declined (\$440,000).
- Debt Services expenditures increased by (\$68,000).
- Net transfers declined (\$175,000).

The difference between the final amended budget fund balance and the actual fund balance was \$1,964,922. The revenue increase from final budget to actual receipts was minor (\$226,841). Actual expenditures compared to final budget decreased by \$1,764,313. This decrease was due mostly to the following:

- Vacant positions and related benefit costs decreased (\$327,000)
- Budgeted expenditures to outside vendors decreased (\$358,000)
 - Council Priority Demolition expenses (\$84,000)
 - Postponed due to review of program policies
 - Animal Shelter Fees (\$66,700)
 - Two payments applicable to fiscal year 2013 not paid at year end
 - Streets, Alleys, & Bridges (\$66,600)
 - State Comptroller Fees (\$37,500)
 - Fees vary from year to year

- TUTD Contributions (\$33,000)
 - Local shares less than predicted due to higher than anticipated grant coverage
- Contributions to OPEB trust decreased (\$306,000)
 - Pending set up of an outside trust. Amount is being retained in the fund until a trust is established.
- Actual revenue in excess of budgeted revenue (\$221,000)
 - Food Permit revenue increased (\$105,000) significantly over the prior year

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, 2013, amounts to \$191,892,188 (net of accumulated depreciation), compared to \$191,524,007 in 2012, an increase of \$368,181. Investment in capital assets related to governmental activities (\$123,160,592) increased by \$19,739, and includes land, buildings, improvements, machinery and equipment, licensed vehicles, infrastructure and construction in progress. Investment in capital assets related to business-type activities ended the year at \$68,731,596, an increase of \$348,442, 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 - \$335,000
- University Avenue/Texas A&M - \$1,050,000
- Convention Center Construction - \$320,000
- Ghio-Fish Drainage - \$28,000
- Bringle North Park - \$1,300,000
- Robin Lane - \$93,000
- Park Improvements - \$55,000
- Linear Park - \$105,000

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

| | <i>Governmental</i> | | <i>Business-type</i> | | <i>Total</i> | |
|-----------------------------------|-----------------------|--------------------|----------------------|-------------------|--------------------|--------------------|
| | <i>Activities</i> | | <i>Activities</i> | | | |
| | <i>2013</i> | <i>2012</i> | <i>2013</i> | <i>2012</i> | <i>2013</i> | <i>2012</i> |
| Land | \$ 45,755,321 | 45,492,821 | 1,341,363 | 1,333,965 | 47,096,684 | 46,826,786 |
| Buildings | 15,942,195 | 11,265,400 | 1,149,267 | 1,168,794 | 17,091,462 | 12,434,194 |
| Improvements other than buildings | 3,062,447 | 2,028,460 | 52,281,205 | 52,797,090 | 55,343,652 | 54,825,550 |
| Machinery and equipment | 2,741,168 | 2,008,719 | 1,701,191 | 1,467,406 | 4,442,359 | 3,476,125 |
| Licensed vehicles | 2,402,808 | 2,286,868 | | | 2,402,808 | 2,286,868 |
| Infrastructure | 46,302,782 | 45,406,701 | | | 46,302,782 | 45,406,701 |
| Construction in progress | 6,953,871 | 14,651,884 | 3,101,750 | 2,083,687 | 10,055,621 | 16,735,571 |
| Property under capital lease | | | 9,156,820 | 9,532,212 | 9,156,820 | 9,532,212 |
| Total capital assets | \$ 123,160,592 | 123,140,853 | 68,731,596 | 68,383,154 | 191,892,188 | 191,524,007 |

Additional information on the City’s capital assets can be found in Note 6 in this report on pages 63 – 66.

Debt Administration

At the end of the current fiscal year the City of Texarkana, Texas had total debt outstanding of \$72,354,635. Of this amount, \$61,582,577 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 2013, this amount was \$10,772,058.

OUTSTANDING DEBT AT YEAR END

| | <i>Governmental</i> | | <i>Business-type</i> | | <i>Total</i> | |
|--|----------------------|-------------------|----------------------|------------------|-------------------|-------------------|
| | <i>Activities</i> | | <i>Activities</i> | | | |
| | <i>2013</i> | <i>2012</i> | <i>2013</i> | <i>2012</i> | <i>2013</i> | <i>2012</i> |
| General obligation bonds | \$ 27,636,147 | 15,808,814 | | | 27,636,147 | 15,808,814 |
| Revenue bonds | | | 4,489,191 | 2,689,544 | 4,489,191 | 2,689,544 |
| Certificates of obligation | 27,263,094 | 42,125,475 | | | 27,263,094 | 42,125,475 |
| Capital leases | 46,935 | 86,295 | 4,985,995 | 5,229,477 | 5,032,930 | 5,315,772 |
| Tax notes | - | 860,000 | | | - | 860,000 |
| Accrued compensated absences | 3,792,986 | 3,477,800 | 390,078 | 407,310 | 4,183,064 | 3,885,110 |
| Net pension and other post employment obligations | 2,843,415 | 2,523,405 | 906,794 | 797,817 | 3,750,209 | 3,321,222 |
| Total | \$ 61,582,577 | 64,881,789 | 10,772,058 | 9,124,148 | 72,354,635 | 74,005,937 |

The City's total debt decreased by \$1,651,302 (2.28%) 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 increases in net pension and postemployment obligations and accrued compensated absences.

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

| | <i>Moody's Investor Service</i> | <i>Standard & 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 \$.243678 per \$100 was for annual debt service.

Additional information on the City's long-term debt can be found in Notes 16-18 on pages 77 – 82 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 6.8, compared to 5.7 last year. This rate is slightly higher than the State rate (5.8), and National rate (6.6).

Sales tax collections are projected to comprise about forty percent (40%) of the City's proposed budget for the 2014 fiscal year. Collections are budgeted to increase one percent (1%) over the final budgeted revenue for 2013.

Total assessed value of property within the City for the 2014 budget year (based on the 2013 certified valuation) increased by \$34,912,219 (1.45%) from last year. Tax revenues allocated to the Debt Service Fund next year will decrease slightly from the prior year to just under thirty-two percent (31.95%) of collections. The City Council has elected to maintain the property tax rate at .669293 per \$100 valuation for the 2014 fiscal year. Total property tax collections are expected to increase by approximately \$74,000 for 2014.

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

- Reduction to Police salaries and other line items (\$506,780).
- Reduction to Parks salaries (\$61,300).
- Reduction to Streets salaries (\$80,557).
- One Battalion Chief position frozen and Fire overtime reduction (\$202,534).
- Reduction in OPEB contribution (\$282,000).
- Reduction to Street maintenance (\$60,000).
- Closing of Collins Center (\$54,904).
- Reduction for insurance costs attributable to IPS study (\$175,925)

All of the above factors were considered in preparing the City's budget for the 2013-2014 fiscal year. The adopted 2014 budget is a balanced budget. The ending General Fund balance is projected to be approximately twenty-five percent (25.22%) of budgeted expenditures.

The Texas Revenue Fund of TWU is projected to end the 2013-2014 budget year with a balance of \$2,466,100, or approximately 13.8% of total 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.

Basic Financial Statements

CITY OF TEXARKANA, TEXAS

STATEMENT OF NET POSITION September 30, 2013

| | <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> |
| ASSETS | | | | | |
| Cash | \$ 20,953,575 | 2,242,785 | 23,196,360 | 201,994 | 658,819 |
| Investments: | | | | | |
| Certificates of deposit | 3,780,276 | | 3,780,276 | | 193,271 |
| Corporate stocks | 1,000 | | 1,000 | | |
| Mutual funds | | | - | | 308,968 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Property taxes | 938,456 | | 938,456 | | |
| Other taxes | 414,291 | | 414,291 | | |
| Accounts | 872,773 | 2,369,360 | 3,242,133 | | |
| Other government agencies | 4,281,067 | 255,455 | 4,536,522 | 132,902 | 11,156 |
| Accrued interest | 1,660 | | 1,660 | | |
| Loans | 935,788 | | 935,788 | | |
| Internal balances | (450,112) | 450,112 | - | | |
| Inventory | 11,764 | 632,924 | 644,688 | | |
| Houses held for resale | 83,649 | | 83,649 | | |
| Prepaid items | | 9,920 | 9,920 | | 6,123 |
| Restricted assets: | | | | | |
| Cash | | 9,898,904 | 9,898,904 | | |
| Accounts receivable | | 384,383 | 384,383 | | |
| Deferred charges | | 1,168,541 | 1,168,541 | | |
| Investments in joint venture | 12,341,517 | | 12,341,517 | | |
| Capital assets (net of accumulated depreciation): | | | | | |
| Land | 45,755,321 | 1,341,363 | 47,096,684 | | |
| Buildings | 15,942,195 | 1,149,267 | 17,091,462 | 362,311 | |
| Improvements other than buildings | 3,062,447 | 52,281,205 | 55,343,652 | | |
| Infrastructure | 46,302,782 | | 46,302,782 | | |
| Machinery and equipment | 2,741,168 | 1,701,191 | 4,442,359 | | 143,192 |
| Licensed vehicles | 2,402,808 | | 2,402,808 | | |
| Property under capital leases | | 9,156,820 | 9,156,820 | | |
| Construction in progress | 6,953,871 | 3,101,750 | 10,055,621 | | |
| TOTAL ASSETS | \$ 167,326,296 | 86,143,980 | 253,470,276 | 697,207 | 1,321,529 |

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> | | | |
| LIABILITIES | | | | | |
| Bank overdraft | 270,705 | | 270,705 | | |
| Accounts payable | 1,811,461 | 1,257,939 | 3,069,400 | 30,320 | 8,085 |
| Contracts payable | 1,313,137 | 47,148 | 1,360,285 | | |
| Accrued liabilities | 430,382 | 161,586 | 591,968 | 14,884 | 8,923 |
| Due to other governments | 285 | 61,311 | 61,596 | | |
| Due to fiduciary fund | 24,135 | | 24,135 | | |
| Unearned revenue | 152,738 | | 152,738 | | |
| Accrued interest payable from restricted assets | | 29,662 | 29,662 | | |
| Customer deposits | | 610,635 | 610,635 | | |
| Capital improvement deposits | | 2,111,167 | 2,111,167 | | |
| Noncurrent contracts payable | | 724,984 | 724,984 | | |
| Other liabilities and escrow deposits | 9,203 | 186,831 | 196,034 | | |
| Long-term liabilities | | | | | |
| Due within one year: | | | | | |
| Bonds payable | 2,020,000 | 385,000 | 2,405,000 | | |
| Certificates of obligation | 1,690,000 | | 1,690,000 | | |
| Obligations under capital leases | 25,663 | 370,312 | 395,975 | | |
| Accrued compensated absences | 226,925 | 41,961 | 268,886 | | 16,085 |
| Due in more than one year: | | | | | |
| Net pension and other postemployment obligation | 2,843,415 | 906,794 | 3,750,209 | | 37,893 |
| Bonds payable | 25,616,147 | 4,104,191 | 29,720,338 | | |
| Certificates of obligation | 25,573,094 | | 25,573,094 | | |
| Obligations under capital leases | 21,272 | 4,615,683 | 4,636,955 | | |
| Accrued compensated absences | 3,566,061 | 348,117 | 3,914,178 | | |
| TOTAL LIABILITIES | 65,594,623 | 15,963,321 | 81,557,944 | 45,204 | 70,986 |
| NET POSITION | | | | | |
| Invested in capital assets | 82,719,452 | 58,503,625 | 141,223,077 | 362,311 | 143,192 |
| Restricted for: | | | | | |
| Court security and technology | 29,105 | | 29,105 | | |
| Police | 309,954 | | 309,954 | | |
| Health and welfare | 277,275 | | 277,275 | | |
| Tourism | 239,785 | | 239,785 | | |
| Construction | | 5,758,697 | 5,758,697 | | |
| Capital maintenance | | 2,236,787 | 2,236,787 | | |
| Debt service | 270,261 | 749,173 | 1,019,434 | | |
| Capital improvements | 12,070,107 | | 12,070,107 | | 133,076 |
| Permanent principal - nonexpendable | | | | | 10,000 |
| Unrestricted | 5,815,734 | 2,932,377 | 8,748,111 | 289,692 | 964,275 |
| TOTAL NET POSITION | \$ 101,731,673 | 70,180,659 | 171,912,332 | 652,003 | 1,250,543 |

CITY OF TEXARKANA, TEXAS

STATEMENT OF ACTIVITIES For the Year Ended September 30, 2013

| 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> |
| Primary government | | | | |
| Governmental activities: | | | | |
| General government | \$ 6,797,714 | 981,567 | 163,652 | |
| Public safety | 16,886,838 | 1,698,464 | 289,926 | |
| Public works | 7,498,517 | 179,155 | 80,088 | 421,277 |
| Parks and recreation | 3,379,678 | 266,958 | 98,293 | |
| Health and welfare | 2,335,011 | 302,160 | 1,219,145 | 144,865 |
| Interest on long-term debt | 2,167,516 | | | |
| Total governmental activities | <u>39,065,274</u> | <u>3,428,304</u> | <u>1,851,104</u> | <u>566,142</u> |
| Business-type activities: | | | | |
| Water and sewer | 15,813,999 | 15,642,192 | | 39,387 |
| Total business-type activities | <u>15,813,999</u> | <u>15,642,192</u> | <u>-</u> | <u>39,387</u> |
| Total primary government | <u>54,879,273</u> | <u>19,070,496</u> | <u>1,851,104</u> | <u>605,529</u> |
| Component units | | | | |
| Component unit - Health | 1,099,772 | 249,191 | 858,186 | |
| Component unit - Library | 896,089 | 36,244 | 569,700 | 12,239 |
| Total component units | <u>\$ 1,995,861</u> | <u>285,435</u> | <u>1,427,886</u> | <u>12,239</u> |

General Revenues

Property taxes
 Sales taxes
 Franchise taxes
 Hotel occupancy taxes
 Other taxes
 Unrestricted investment earnings
 Miscellaneous
 Transfers
 Total general revenues and transfers
 Change in net position

Net position, beginning of year

Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position

| Primary Government | | | Component Units | |
|------------------------------------|-------------------------------------|---------------------|------------------------|------------------|
| Governmental Activities | Business-Type Activities | Total | Health | Library |
| (5,652,495) | | (5,652,495) | | |
| (14,898,448) | | (14,898,448) | | |
| (6,817,997) | | (6,817,997) | | |
| (3,014,427) | | (3,014,427) | | |
| (668,841) | | (668,841) | | |
| (2,167,516) | | (2,167,516) | | |
| <u>(33,219,724)</u> | <u>-</u> | <u>(33,219,724)</u> | <u>-</u> | <u>-</u> |
| | (132,420) | (132,420) | | |
| <u>-</u> | <u>(132,420)</u> | <u>(132,420)</u> | <u>-</u> | <u>-</u> |
| <u>(33,219,724)</u> | <u>(132,420)</u> | <u>(33,352,144)</u> | <u>-</u> | <u>-</u> |
| | | | 7,605 | |
| | | | <u>7,605</u> | <u>(277,906)</u> |
| | | | | <u>(277,906)</u> |
| 15,763,817 | | 15,763,817 | | 285,649 |
| 14,326,770 | | 14,326,770 | | |
| 2,005,690 | | 2,005,690 | | |
| 1,218,522 | | 1,218,522 | | |
| 133,061 | | 133,061 | | |
| 170,967 | 38,346 | 209,313 | | 12,126 |
| 365,470 | 1,069,254 | 1,434,724 | | |
| 1,086,504 | (1,086,504) | - | | |
| <u>35,070,801</u> | <u>21,096</u> | <u>35,091,897</u> | <u>-</u> | <u>297,775</u> |
| 1,851,077 | (111,324) | 1,739,753 | 7,605 | 19,869 |
| <u>99,880,596</u> | <u>70,291,983</u> | <u>170,172,579</u> | <u>644,398</u> | <u>1,230,674</u> |
| <u>\$ 101,731,673</u> | <u>70,180,659</u> | <u>171,912,332</u> | <u>652,003</u> | <u>1,250,543</u> |

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CITY OF TEXARKANA, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2013

| | <u>General</u> | <u>2009 Bond Capital Projects</u> | <u>Debt Service</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|---|-------------------------|---|---|
| ASSETS | | | | | |
| Cash | \$ 4,678,776 | 8,159,808 | | 6,326,526 | 19,165,110 |
| Investments: | | | | | |
| Certificates of deposit | 2,500,499 | 250,249 | | 1,029,528 | 3,780,276 |
| Corporate stocks | 1,000 | | | | 1,000 |
| Receivables (net of allowance for uncollectible): | | | | | |
| Property taxes | 60,392 | | 29,576 | 2,601 | 92,569 |
| Other taxes | 268,430 | | | 145,861 | 414,291 |
| Accounts | 358,924 | | | 52,121 | 411,045 |
| Other government agencies | 3,505,397 | 25,497 | | 240,237 | 3,771,131 |
| Accrued interest | 943 | 184 | | 533 | 1,660 |
| Loans | | | | 935,788 | 935,788 |
| Due from other funds | 867,635 | 3,853 | | 315,409 | 1,186,897 |
| Houses held for resale | | | | 83,649 | 83,649 |
| Investment in joint venture | 98,990 | | | | 98,990 |
| TOTAL ASSETS | <u>12,340,986</u> | <u>8,439,591</u> | <u>29,576</u> | <u>9,132,253</u> | <u>29,942,406</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Bank overdraft | | | | 270,705 | 270,705 |
| Accounts payable | 996,482 | | 431 | 114,039 | 1,110,952 |
| Contracts payable | | 835,128 | | 478,009 | 1,313,137 |
| Accrued payroll | 423,233 | | | | 423,233 |
| Due to other governments | 285 | | | | 285 |
| Due to other funds | 30,072 | 1,122 | 133,751 | 1,044,375 | 1,209,320 |
| Deferred revenue | 90,854 | | | 266,394 | 357,248 |
| Unearned revenue | | | | 57,366 | 57,366 |
| Other liabilities and escrow deposits | 7,743 | | | 1,460 | 9,203 |
| TOTAL LIABILITIES | <u>1,548,669</u> | <u>836,250</u> | <u>134,182</u> | <u>2,232,348</u> | <u>4,751,449</u> |
| Fund Balances: | | | | | |
| Nonspendable for: | | | | | |
| Noncurrent loans | | | | 261,448 | 261,448 |
| Investment in joint venture | 98,990 | | | | 98,990 |
| Restricted | 330,049 | 7,603,341 | | 4,966,679 | 12,900,069 |
| Committed | | | | 1,149,318 | 1,149,318 |
| Assigned | 36,021 | | | 862,925 | 898,946 |
| Unassigned | | | | | |
| General fund | 10,327,257 | | | | 10,327,257 |
| Special revenue funds | | | | (340,465) | (340,465) |
| Debt service fund | | | (104,606) | | (104,606) |
| TOTAL FUND BALANCES | <u>10,792,317</u> | <u>7,603,341</u> | <u>(104,606)</u> | <u>6,899,905</u> | <u>25,190,957</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 12,340,986</u> | <u>8,439,591</u> | <u>29,576</u> | <u>9,132,253</u> | <u>29,942,406</u> |

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

CITY OF TEXARKANA, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION September 30, 2013

| | |
|--|------------------------------|
| Total governmental funds balances | \$ 25,190,957 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 122,974,627 |
| Receivables reported in the statement of net position that are not available to provide current financial resources are not reported as receivables in the funds. | 1,287,031 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | 261,876 |
| 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 position. | 1,357,232 |
| Long-term liabilities, including bonds payable, are not due and payable in the current periods and therefore are not reported in the funds. | (61,582,577) |
| Equity interest in joint ventures are not current financial resources and therefore may not be reported in the funds. | <u>12,242,527</u> |
| Net position of governmental activities | <u><u>\$ 101,731,673</u></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, 2013

| | <i>General</i> | <i>2009 Bond Capital Projects</i> | <i>Debt Service</i> | <i>Other Governmental Funds</i> | <i>Total Governmental Funds</i> |
|---|----------------------|---|-------------------------|---|---|
| REVENUES | | | | | |
| Property taxes | \$ 10,699,855 | | 4,877,484 | 185,254 | 15,762,593 |
| Other taxes | 14,445,327 | | | 1,218,522 | 15,663,849 |
| Franchise receipts | 1,639,003 | | | 366,686 | 2,005,689 |
| Fees and permits | 245,003 | | | | 245,003 |
| Charges for services | 1,085,662 | | | 90,205 | 1,175,867 |
| Municipal court | 1,631,182 | | | | 1,631,182 |
| Grants and entitlements | 166,017 | | | 628,449 | 794,466 |
| Interest and dividends | 51,490 | 31,711 | 36,062 | 48,550 | 167,813 |
| Intergovernmental | 208,140 | 391,826 | | 492,386 | 1,092,352 |
| Other | 366,628 | | | 280,922 | 647,550 |
| Total revenues | <u>30,538,307</u> | <u>423,537</u> | <u>4,913,546</u> | <u>3,310,974</u> | <u>39,186,364</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 5,880,520 | | | 215,796 | 6,096,316 |
| Public safety | 15,281,869 | | | 88,541 | 15,370,410 |
| Public works | 3,843,357 | | | | 3,843,357 |
| Parks and recreation | 1,541,862 | | | 851,608 | 2,393,470 |
| Health and welfare | 1,247,683 | | | 897,054 | 2,144,737 |
| Capital outlay | 1,153,566 | 1,759,433 | | 1,738,367 | 4,651,366 |
| Debt service: | | | | | |
| Principal retirement | 60,647 | | 3,720,000 | | 3,780,647 |
| Interest and fiscal charges | 4,933 | | 2,177,205 | | 2,182,138 |
| Bond issuance costs | | | 193,000 | | 193,000 |
| Total expenditures | <u>29,014,437</u> | <u>1,759,433</u> | <u>6,090,205</u> | <u>3,791,366</u> | <u>40,655,441</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,523,870</u> | <u>(1,335,896)</u> | <u>(1,176,659)</u> | <u>(480,392)</u> | <u>(1,469,077)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 2,016,375 | | 721,309 | 1,734,483 | 4,472,167 |
| Transfers out | (1,620,409) | | | (3,010,569) | (4,630,978) |
| Capital leases | 21,512 | | | | 21,512 |
| Refunding bonds issued | | | 14,550,000 | | 14,550,000 |
| Premium on refunding bonds issued | | | 1,270,367 | | 1,270,367 |
| Payment to refunded bond escrow agent | | | (15,788,017) | | (15,788,017) |
| Total other financing sources (uses) | <u>417,478</u> | <u>-</u> | <u>753,659</u> | <u>(1,276,086)</u> | <u>(104,949)</u> |
| Net change in fund balances | 1,941,348 | (1,335,896) | (423,000) | (1,756,478) | (1,574,026) |
| Fund balances at beginning 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> |
| Fund balances at end of year | <u>\$ 10,792,317</u> | <u>7,603,341</u> | <u>(104,606)</u> | <u>6,899,905</u> | <u>25,190,957</u> |

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

CITY OF TEXARKANA, TEXAS

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, 2013

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

| | |
|---|---------------------|
| Net change in fund balances - total governmental funds | \$ (1,574,026) |
| 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. | 45,532 |
| 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. | (5,810) |
| 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. | (83,308) |
| 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. | 188,821 |
| 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 position. 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. | 3,934,408 |
| 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. | (315,186) |
| Net pension and other postemployment obligations reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | (320,010) |
| 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. | 81,910 |
| Increases (decreases) from the equity interest in joint ventures do not provide or use current current financial resources and therefore may not be reported in the funds. | <u>(101,254)</u> |
| Change in net position of governmental activities | <u>\$ 1,851,077</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 - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended September 30, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <i>Variance with</i> |
|--|-------------------------|-------------------|-------------------|--|
| | <u>Original</u> | <u>Final</u> | | <i>Final Budget</i> <i>Over</i> <i>(Under)</i> |
| REVENUES | | | | |
| Property taxes | \$ 10,407,139 | 10,626,100 | 10,699,855 | 73,755 |
| Other taxes | 14,563,535 | 14,464,066 | 14,445,327 | (18,739) |
| Franchise receipts | 1,616,142 | 1,628,850 | 1,639,003 | 10,153 |
| Fees and permits | 191,260 | 222,390 | 245,003 | 22,613 |
| Charges for services | 653,048 | 925,400 | 1,085,662 | 160,262 |
| Municipal court | 1,808,323 | 1,464,135 | 1,631,182 | 167,047 |
| Grants and entitlements | 2,677,479 | 320,709 | 166,017 | (154,692) |
| Investment earnings | | 46,785 | 51,490 | 4,705 |
| Intergovernmental | 953,982 | 243,933 | 208,140 | (35,793) |
| Other | 248,206 | 369,098 | 366,628 | (2,470) |
| Total revenues | <u>33,119,114</u> | <u>30,311,466</u> | <u>30,538,307</u> | <u>226,841</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 6,478,195 | 6,754,606 | 5,880,520 | 874,086 |
| Public safety | 16,345,666 | 15,667,500 | 15,281,869 | 385,631 |
| Public works | 4,159,325 | 4,072,168 | 3,843,357 | 228,811 |
| Parks and recreation | 1,576,354 | 1,575,410 | 1,541,862 | 33,548 |
| Health and welfare | 4,643,763 | 1,480,603 | 1,247,683 | 232,920 |
| Capital outlay | 1,559,229 | 1,119,788 | 1,153,566 | (33,778) |
| Debt service: | | | | |
| Principal | 36,532 | 103,742 | 60,647 | 43,095 |
| Interest | 4,081 | 4,933 | 4,933 | - |
| Total expenditures | <u>34,803,145</u> | <u>30,778,750</u> | <u>29,014,437</u> | <u>1,764,313</u> |
| Excess (deficiency) of revenue over expenditures | <u>(1,684,031)</u> | <u>(467,284)</u> | <u>1,523,870</u> | <u>1,991,154</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 2,123,217 | 2,017,950 | 2,016,375 | (1,575) |
| Transfers out | (1,505,000) | (1,574,240) | (1,620,409) | (46,169) |
| Capital leases | | | 21,512 | 21,512 |
| Total other financing sources (uses) | <u>618,217</u> | <u>443,710</u> | <u>417,478</u> | <u>(26,232)</u> |
| Net change in fund balance | (1,065,814) | (23,574) | 1,941,348 | 1,964,922 |
| Fund balances at beginning of year | <u>8,850,969</u> | <u>8,850,969</u> | <u>8,850,969</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 7,785,155</u> | <u>8,827,395</u> | <u>10,792,317</u> | <u>1,964,922</u> |

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

CITY OF TEXARKANA, TEXAS

STATEMENT OF NET POSITION PROPRIETARY FUNDS September 30, 2013

| | <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> | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash | \$ 2,190,832 | 51,953 | 2,242,785 | 1,788,465 |
| Receivables (net of allowance for uncollectible): | | | | |
| Accounts | 2,297,524 | 71,838 | 2,369,362 | 20,584 |
| Other government agencies | 253,837 | 1,618 | 255,455 | 509,936 |
| Due from other funds | 299,535 | 40,860 | 340,395 | |
| Inventory | 632,924 | | 632,924 | 11,764 |
| Prepaid expenses | 9,918 | | 9,918 | |
| Total current assets | <u>5,684,570</u> | <u>166,269</u> | <u>5,850,839</u> | <u>2,330,749</u> |
| Noncurrent assets: | | | | |
| Restricted assets: | | | | |
| Cash | 8,929,824 | 969,080 | 9,898,904 | |
| Accounts receivable | | 384,383 | 384,383 | |
| Total restricted assets | <u>8,929,824</u> | <u>1,353,463</u> | <u>10,283,287</u> | <u>-</u> |
| Other noncurrent assets: | | | | |
| Deferred charges | 1,168,541 | | 1,168,541 | |
| Total other noncurrent assets | <u>1,168,541</u> | <u>-</u> | <u>1,168,541</u> | <u>-</u> |
| Capital assets (net of accumulated depreciation): | | | | |
| Land | 1,341,363 | | 1,341,363 | |
| Buildings | 1,149,267 | | 1,149,267 | 91,324 |
| Improvements other than buildings | 52,281,205 | | 52,281,205 | 21,320 |
| Machinery and equipment | 1,701,191 | | 1,701,191 | 30,111 |
| Property under capital leases | 9,156,820 | | 9,156,820 | |
| Licensed vehicles | | | - | 43,210 |
| Construction in progress | 3,101,750 | | 3,101,750 | |
| Total capital assets | <u>68,731,596</u> | <u>-</u> | <u>68,731,596</u> | <u>185,965</u> |
| Total noncurrent assets | <u>78,829,961</u> | <u>1,353,463</u> | <u>80,183,424</u> | <u>185,965</u> |
| TOTAL ASSETS | <u>\$ 84,514,531</u> | <u>1,519,732</u> | <u>86,034,263</u> | <u>2,516,714</u> |

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

| | Business Type Activities - Enterprise Funds | | | <i>Governmental Activities - Internal Service Funds</i> |
|--|--|--|-------------------|---|
| | <i>Texarkana, Texas Water Utilities</i> | <i>Other Proprietary Funds</i> | <i>Total</i> | |
| LIABILITIES AND NET POSITION | | | | |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 1,175,658 | 82,281 | 1,257,939 | 700,509 |
| Construction contracts payable | 47,148 | | 47,148 | |
| Accrued liabilities | 160,176 | 1,410 | 161,586 | 7,149 |
| Accrued interest | 29,662 | | 29,662 | |
| Due to other funds | 40,860 | 299,535 | 340,395 | 1,712 |
| Due to other governments | 61,311 | | 61,311 | |
| Other payables | 186,831 | | 186,831 | |
| Accrued compensated absences - current | 41,961 | | 41,961 | |
| Revenue bonds - current | 385,000 | | 385,000 | |
| Obligations under capital leases - current | 370,312 | | 370,312 | |
| Total current liabilities | <u>2,498,919</u> | <u>383,226</u> | <u>2,882,145</u> | <u>709,370</u> |
| Noncurrent liabilities: | | | | |
| Customer deposits | 610,635 | | 610,635 | |
| Capital improvement deposits | 974,661 | 1,136,506 | 2,111,167 | |
| Contracts payable | 724,984 | | 724,984 | |
| Accrued compensated absences | 348,117 | | 348,117 | |
| Net pension and other postemployment obligations | 906,794 | | 906,794 | |
| Revenue bonds | 4,104,191 | | 4,104,191 | |
| Obligations under capital leases | 4,615,683 | | 4,615,683 | |
| Total noncurrent liabilities | <u>12,285,065</u> | <u>1,136,506</u> | <u>13,421,571</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>14,783,984</u> | <u>1,519,732</u> | <u>16,303,716</u> | <u>709,370</u> |
| NET POSITION | | | | |
| Invested in capital assets | 58,503,625 | | 58,503,625 | 185,965 |
| Restricted for construction | 5,758,697 | | 5,758,697 | |
| Restricted for capital maintenance | 2,236,787 | | 2,236,787 | |
| Restricted for debt service | 749,173 | | 749,173 | |
| Unrestricted | 2,482,265 | | 2,482,265 | 1,621,379 |
| TOTAL NET POSITION | <u>\$ 69,730,547</u> | <u>-</u> | <u>69,730,547</u> | <u>1,807,344</u> |

Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities.

450,112

Net position of business-type activities \$ 70,180,659

CITY OF TEXARKANA, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS For the Year Ended September 30, 2013

| | Business Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|--|---|-------------------------------|-------------------|--|
| | Texarkana, Texas Water Utilities | Other Proprietary Funds | Total | |
| OPERATING REVENUES | | | | |
| Water sales | \$ 5,581,753 | 934,012 | 6,515,765 | |
| Wholesale water sales | 1,944,073 | | 1,944,073 | |
| Water connection fees | 4,884 | | 4,884 | |
| Sewer charges | 6,638,720 | | 6,638,720 | |
| Penalties and service charges | 538,750 | | 538,750 | |
| Insurance contributions | | | - | 5,259,750 |
| Fleet services | | | - | 77,552 |
| Other income | 1,069,254 | | 1,069,254 | |
| Total operating revenues | <u>15,777,434</u> | <u>934,012</u> | <u>16,711,446</u> | <u>5,337,302</u> |
| OPERATING EXPENSES | | | | |
| Administrative | 208,942 | | 208,942 | |
| Finance | 918,185 | | 918,185 | |
| Customer service | 488,038 | | 488,038 | |
| Water production | 2,889,735 | | 2,889,735 | |
| Water distribution | 786,492 | | 786,492 | |
| Sewer collection | 807,594 | | 807,594 | |
| Wastewater treatment | 2,463,936 | | 2,463,936 | |
| Environmental service | 192,166 | | 192,166 | |
| Engineering design | 427,253 | | 427,253 | |
| Geographical information systems | 279,862 | | 279,862 | |
| Composting | 180,966 | | 180,966 | |
| Operations administration | 145,649 | | 145,649 | |
| Service center | 223,586 | | 223,586 | |
| Safety | 52,091 | | 52,091 | |
| Field service | 311,828 | | 311,828 | |
| Construction oversight | 508,428 | | 508,428 | |
| Benefit payments | | | - | 5,083,279 |
| Fleet services | | | - | 1,353,201 |
| Depreciation | 3,041,565 | | 3,041,565 | 19,982 |
| Other expenses | 554,064 | | 554,064 | |
| Contract water & sewer expense-International Paper | | 934,828 | 934,828 | |
| Total operating expense | <u>14,480,380</u> | <u>934,828</u> | <u>15,415,208</u> | <u>6,456,462</u> |
| Operating income (loss) | <u>1,297,054</u> | <u>(816)</u> | <u>1,296,238</u> | <u>(1,119,160)</u> |

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

Business Type Activities - Enterprise Funds

| | <i>Texarkana, Texas Water Utilities</i> | <i>Other Proprietary Funds</i> | <i>Total</i> | <i>Governmental Activities - Internal Service Funds</i> |
|---|---|--|--------------------|---|
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest revenue - investments | 38,361 | 816 | 39,177 | 3,157 |
| Interest revenue - capital leases | 743 | | 743 | |
| Interest expense and paying agent fees | (125,209) | | (125,209) | |
| Interest expense - capital leases | (282,194) | | (282,194) | |
| Gain (loss) on disposal of capital assets | 3,067 | | 3,067 | |
| Other revenues (expenses) | (43,431) | | (43,431) | |
| Total nonoperating revenues (expenses) | <u>(408,663)</u> | <u>816</u> | <u>(407,847)</u> | <u>3,157</u> |
| Income before contributions and transfers | 888,391 | - | 888,391 | (1,116,003) |
| Capital contributions | 39,387 | | 39,387 | |
| Transfers in | | | - | 1,246,979 |
| Transfers out | <u>(1,086,504)</u> | | <u>(1,086,504)</u> | <u>(1,664)</u> |
| Change in net position | (158,726) | - | (158,726) | 129,312 |
| Total net position, beginning of year | <u>69,889,273</u> | - | | <u>1,678,032</u> |
| Total net position, end of year | <u><u>69,730,547</u></u> | <u><u>-</u></u> | | <u><u>1,807,344</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.

47,402

Change in net position of business-type activities

\$ (111,324)

CITY OF TEXARKANA, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended September 30, 2013

| | <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> | |
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$15,785,937 | 780,133 | 16,566,070 | 897,692 |
| Cash received from interfund services provided and used | | | - | 5,311,813 |
| Cash paid to suppliers | (7,383,417) | (784,431) | (8,167,848) | (5,927,258) |
| Cash paid to employees | (4,342,581) | (103,044) | (4,445,625) | (268,723) |
| Net cash provided (used) from operating activities | <u>4,059,939</u> | <u>(107,342)</u> | <u>3,952,597</u> | <u>13,524</u> |
| Cash flows from non-capital financing activities: | | | | |
| Nonoperating costs- legal fees | (41,857) | | (41,857) | |
| Transfers to other funds | (1,088,078) | | (1,088,078) | (1,664) |
| Net cash used from non-capital financing activities | <u>(1,129,935)</u> | <u>-</u> | <u>(1,129,935)</u> | <u>(1,664)</u> |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition and construction of capital assets | (3,813,880) | (371,489) | (4,185,369) | |
| Principal paid on bonds | (390,000) | | (390,000) | |
| Interest paid on bonds | (124,077) | | (124,077) | |
| Principal paid on capital leases | (322,503) | | (322,503) | |
| Interest paid on capital leases | (229,574) | | (229,574) | |
| Principal received on direct financing leases | 30,945 | | 30,945 | |
| Interest received on direct financing leases | 744 | | 744 | |
| Capital improvement deposits paid | (137,234) | | (137,234) | |
| Capital improvement deposits received | 650,042 | 83,616 | 733,658 | |
| Interest received on capital improvement deposits | 4,304 | 4,510 | 8,814 | |
| Proceeds from bonds issued | 2,097,379 | | 2,097,379 | |
| Net cash used from capital and related financing activities | <u>(2,233,854)</u> | <u>(283,363)</u> | <u>(2,517,217)</u> | <u>-</u> |
| Cash flows from investing activities: | | | | |
| Proceeds from sale and maturities of investments | 3,075,000 | 750,000 | 3,825,000 | |
| Interest received on investments | 38,286 | 816 | 39,102 | 3,157 |
| Net cash provided from investing activities | <u>3,113,286</u> | <u>750,816</u> | <u>3,864,102</u> | <u>3,157</u> |
| Net increase in cash | 3,809,436 | 360,111 | 4,169,547 | 15,017 |
| Cash, beginning of year | <u>7,311,220</u> | <u>660,922</u> | <u>7,972,142</u> | <u>1,773,448</u> |
| Cash, end of year | <u>\$11,120,656</u> | <u>1,021,033</u> | <u>12,141,689</u> | <u>1,788,465</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, 2013

| | <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> | |
| <u>Reconciliation of operating income (loss) to net cash provided by operating activities</u> | | | | |
| Operating income (loss) | \$ 1,297,054 | (816) | 1,296,238 | (1,119,160) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation expense | 3,041,565 | | 3,041,565 | 19,982 |
| Amortization of bond issuance cost | 20,677 | | 20,677 | |
| Millwood expense | 26,403 | | 26,403 | |
| Transfers from other funds | | | | 1,246,979 |
| (Increase) decrease in assets: | | | | |
| Accounts receivable | 72,803 | (153,879) | (81,076) | (16,988) |
| Allowance for doubtful accounts | 3,349 | | 3,349 | |
| Due from other government agencies | 2,009 | | 2,009 | (509,593) |
| Due from other funds | (13,085) | | (13,085) | 151,803 |
| Inventory | (56,628) | | (56,628) | 8,255 |
| Prepaid expenses | 2,531 | | 2,531 | |
| Increase (decrease) in liabilities: | | | | |
| Accounts payable | 330,615 | 34,244 | 364,859 | |
| Accrued liabilities | 26,245 | 200 | 26,445 | 253,226 |
| Due to other funds | 26,065 | 12,909 | 38,974 | (20,980) |
| Due to other governments | (882,326) | | | |
| Accrued compensated absences | (17,234) | | (17,234) | |
| Customer deposits | (4,654) | | (4,654) | |
| Net pension and other postemployment obligations | 108,978 | | 108,978 | |
| Other payables | 75,572 | | 75,572 | |
| Total adjustments | <u>2,762,885</u> | <u>(106,526)</u> | <u>2,656,359</u> | <u>1,132,684</u> |
| Net cash provided (used) from operating activities | <u>\$ 4,059,939</u> | <u>(107,342)</u> | <u>3,952,597</u> | <u>13,524</u> |
| Noncash investing, capital, and financing activities: | | | | |
| Additions to capital assets and direct financing lease | \$ 26,403 | | | |

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

CITY OF TEXARKANA, TEXAS

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS September 30, 2013

| | <i>Firemen's Relief Pension Trust Fund</i> | <i>Agency Funds</i> |
|--|--|-----------------------------|
| | <u> </u> | <u> </u> |
| ASSETS | | |
| Cash | \$ 689,257 | 59,200 |
| Investments, at fair value | | |
| Common trust funds | 20,391,399 | |
| Treasury and federal agencies | 4,055,252 | |
| Nongovernment obligations | 705,910 | |
| Foreign obligations | 894,198 | |
| Exchange traded funds | 1,019,158 | |
| Small cap growth funds | 1,792,291 | |
| LTD partnerships & LTD liability corporations | 39,334 | |
| Preferred stocks nonconvertible | 25,872 | |
| Common stocks | 1,160,545 | |
| Accrued interest receivable | 42,909 | |
| Due from other funds | 24,135 | |
| TOTAL ASSETS | <u>30,840,260</u> | <u>59,200</u> |
| LIABILITIES | | |
| Accounts payable | 17,570 | |
| Escrow deposits | | 59,200 |
| TOTAL LIABILITIES | <u>17,570</u> | <u>59,200</u> |
| NET POSITION | | |
| Net position - restricted for pension benefits | 30,822,690 | |
| TOTAL NET POSITION | <u>\$ 30,822,690</u> | <u>-</u> |

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

CITY OF TEXARKANA, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND For the Year Ended September 30, 2013

| | <i>Firemen's Relief Pension Trust Fund</i> |
|---|--|
| ADDITIONS | |
| Contributions: | |
| Employer | \$ 826,137 |
| Employee | 571,620 |
| Investment earnings: | |
| Interest | 791,321 |
| Net increase in the fair value of investments | 2,781,835 |
| TOTAL ADDITIONS | <u>4,970,913</u> |
| DEDUCTIONS | |
| Benefit payments | 2,051,224 |
| Administrative expenses | 238,687 |
| TOTAL DEDUCTIONS | <u>2,289,911</u> |
| Change in net position | 2,681,002 |
| Net position at beginning of year | <u>28,141,688</u> |
| Net position at end of year | <u><u>\$ 30,822,690</u></u> |

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

CITY OF TEXARKANA, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2013

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 \$75,000 towards the Health Center's operations during the year ended September 30, 2013. 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 are approximately 55% from Texarkana, Texas and 45% 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 \$453,335 toward the Library's operations during the year ended September 30, 2013. 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 \$987,869 by Texarkana, Texas and \$1,132,299 by Texarkana, Arkansas. During the Airport Authority's fiscal year ended December 31, 2012, the City of Texarkana, Texas contributed \$128,604 and the City of Texarkana, Arkansas contributed \$107,146. 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 \$10,355,571 at December 31, 2012. 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, 2013 was \$265,949 based on the Bi-State Justice Center's audited financial statements at December 31, 2012 (the latest available). As described in Note 18, the City has outstanding debt totaling \$1,760,000 at September 30, 2013, 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, 2013 was \$98,990 based on the Appraisal District's audited financial statements at December 31, 2012 (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, 2013 was \$0 based on the Texarkana Urban Transportation Study Policy Committee's audited financial statements at September 30, 2013. The TUTS does not have separately issued financial statements for the year ended September 30, 2013.

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, 2013 was \$1,621,007 based on the Texarkana Urban Transit District's audited financial statements at September 30, 2012 (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 position 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.

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 NET POSITION 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 90 percent of outstanding property taxes as of September 30, 2013.

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, 2013 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 \$44,183,326 a year from the present assessed valuation of \$2,413,456,988 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 position 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 |

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 224 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 as summarized in the table below.

| Civil/Non-Civil Service | Hire Date | Eligible for retirement | Years of Service | Work Week Hours | Total Maximum Hours Accrued |
|-------------------------|-----------------|-------------------------|------------------|-----------------|-----------------------------|
| Non-Civil | Prior to 1/1/10 | Yes | 10+ | N/A | 1,440 |
| Non-Civil | After 1/1/10 | Yes | 10+ | N/A | 520 |
| Civil – Police | N/A | Yes | 10+ | N/A | 1,440 |
| Civil – Police | N/A | No | 6 mos + | N/A | 720 |
| Civil – Fire | N/A | Yes | N/A | 112 | 2,016 |
| Civil – Fire | N/A | Yes | N/A | 80 | 1,440 |
| Civil – Fire | N/A | No | 6 mos + | 112 | 1,008 |
| Civil – Fire | N/A | No | 6 mos + | 80 | 720 |

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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.

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 position. 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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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.

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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. 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 (\$61,582,577) difference are as follows:

| | |
|---|------------------------|
| General obligation bonds payable | \$ (27,636,147) |
| Certificates of obligation | (27,263,094) |
| Capital leases | (46,935) |
| Compensated absences | (3,792,986) |
| Net pension and other postemployment obligations | <u>(2,843,415)</u> |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities | <u>\$ (61,582,577)</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 position 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 \$45,532 difference are as follows:

| | |
|---|--------------------|
| Amounts in capital outlay below the capitalization threshold | (158,638) |
| Depreciation expense | <u>(4,447,196)</u> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities | <u>\$ 45,532</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 position. 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 \$3,934,408 difference are as follows:

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

| | |
|--|---------------------|
| Issuance of debt: | |
| General obligation bonds | \$ (14,550,000) |
| Capital leases | (21,512) |
| Payments to bond escrow agent | 15,788,018 |
| Issuance costs/loss associated with refunded debt | (114,011) |
| Accretion on capital appreciation bonds | 99,226 |
| Principal repayments: | |
| General obligation bonds | 1,850,000 |
| Certificates of obligation | 1,535,000 |
| Tax notes | 335,000 |
| Capital leases | 60,873 |
| Premiums/discounts on new bonds | (1,270,367) |
| Amortization of bond issuance costs and premiums | 222,181 |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities | <u>\$ 3,934,408</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.

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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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:

| | <i>Revenue</i> | <i>Expenditures</i> | <i>Other Financing Sources (Uses)</i> | <i>Fund Balance at Beginning of Year</i> | <i>Fund Balance at End of Year</i> |
|---|---------------------|---------------------|---------------------------------------|--|------------------------------------|
| Special Revenue Funds with Budgets: | | | | | |
| Theatre | \$ 96,010 | 413,975 | 303,139 | 773,788 | 758,962 |
| Hotel/Motel Tax | 1,219,773 | 497,523 | (1,714,105) | 1,205,483 | 213,628 |
| Economic Development | 370,728 | 212,948 | (710,000) | 1,701,538 | 1,149,318 |
| Law Enforcement Programs | 39 | | | 10,046 | 10,085 |
| Brownfield Grant | 43,557 | 49,323 | | (74,752) | (80,518) |
| TIRZ #1 | 262,847 | 125 | (170,623) | 11,864 | 103,963 |
| Stormwater Management | | | (49,737) | 49,737 | - |
| Total Special Revenue | <u>1,992,954</u> | <u>1,173,894</u> | <u>(2,341,326)</u> | <u>3,677,704</u> | <u>2,155,438</u> |
| Funds with budgets | | | | | |
| Special Revenue Funds without Budgets: | | | | | |
| Housing and Community Development | 412,671 | 412,671 | | - | - |
| Home Program | 176,310 | 120,136 | 3,946 | 57,162 | 117,282 |
| Housing | 29,293 | 14,206 | | 403,902 | 418,989 |
| Law Enforcement Block Grant | 39,471 | 39,218 | | 922 | 1,175 |
| Rotary Splash Park | 73,494 | 6,921 | | (190,948) | (124,375) |
| Supportive Housing Grant | 214,692 | 280,078 | | | (65,386) |
| EPA Petroleum Grant | 7,912 | 11,157 | | | (3,245) |
| EPA Job Training Grant | 180,131 | 250,735 | 5,245 | | (65,359) |
| EPA Revolving Loan Grant | 563 | 2,145 | | | (1,582) |
| EPA Multipurpose Grant | 12,086 | 11,884 | | | 202 |
| Total Special Revenue | <u>1,146,623</u> | <u>1,149,151</u> | <u>9,191</u> | <u>271,038</u> | <u>277,701</u> |
| Funds without budgets | | | | | |
| Total Special Revenue Funds | <u>\$ 3,139,577</u> | <u>2,323,045</u> | <u>(2,332,135)</u> | <u>3,948,742</u> | <u>2,433,139</u> |

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The expenditures in the Hotel/Motel Tax Fund exceeded appropriations by \$33,448.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

C. RESTRICTED BY ENABLING LEGISLATION

The government-wide Statement of Net Position reports restricted net position, of which \$239,785 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 \$80,518. The Rotary Splash Park fund had a deficit fund balance of \$124,375. The Supportive Housing Grant fund had a deficit fund balance of \$65,386. The EPA Petroleum Grant fund had a deficit balance of \$3,245. The EPA Job Training Grant fund had a deficit balance of \$65,359. The EPA Revolving Loan Grant fund had a deficit balance of \$1,582.

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:

| <i>Fund</i> | <i>Amount</i> |
|------------------------|---------------------|
| EPA Petroleum Grant | \$ 144,729 |
| Brownfield Grant | 42,280 |
| EPA Multipurpose Grant | 3,830 |
| 2009 Bond | 3,987,410 |
| Total | <u>\$ 4,178,249</u> |

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% |

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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.

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, 2013, the City's Firemen's Relief and Pension fund had the following debt security investments and maturities:

| <i><u>Investment Type</u></i> | <i><u>Fair Value</u></i> | <i><u>Investment Maturities (in Years)</u></i> | | | |
|------------------------------------|--------------------------|--|-------------------|--------------------|----------------------------|
| | | <i><u>Less Than 1</u></i> | <i><u>1-5</u></i> | <i><u>6-10</u></i> | <i><u>More Than 10</u></i> |
| <i>Fire Pension Fund:</i> | | | | | |
| U.S. treasuries & federal agencies | \$ 4,024,249 | 597,358 | 1,186,453 | 187,757 | 2,052,681 |
| Nongovernment obligations | 705,910 | | 219,379 | 486,531 | |
| Foreign obligations | 925,201 | 74,650 | 366,649 | 109,511 | 374,391 |
| | <u>\$ 5,655,360</u> | <u>672,008</u> | <u>1,772,481</u> | <u>783,799</u> | <u>2,427,072</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:

| <i><u>Portfolio Segment</u></i> | <i><u>Range of Portfolio Assets</u></i> |
|---------------------------------|---|
| 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 \$26,249,709 in categorizable bank deposits, none were uninsured and uncollateralized. Of the component units' \$1,137,566 in bank deposits, \$10,403 of Library's deposits were uninsured and uncollateralized at September 30, 2013. Of the enterprise fund's \$12,255,404, none were uninsured and uncollateralized.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 \$7,904,802, none were uninsured and uncollateralized.

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 Caa1 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 | Wells Fargo Bank | \$ 8,180,567 | 11.70% |
| Cash | Southside Bank | 10,004,233 | 14.31% |
| Cash | Guaranty Bank | 16,353,008 | 23.39% |
| Cash | Commercial National Bank | 3,848,088 | 5.50% |

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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, 2013, the City's Firemen's Relief and Pension fund had fixed income securities of \$26,373 invested in foreign obligations (Germany) with Hillswick Asset Management, LLC, and \$867,826 invested in foreign obligations with Seacrest Investment Management, LLC. The Seacrest investments are comprised of the following investments at September 30, 2013:

| | Fair Value |
|---------------|-------------------|
| Austria | \$ 71,572 |
| Brazil | 49,282 |
| Germany | 100,990 |
| Mexico | 50,820 |
| Netherlands | 35,334 |
| Norway | 48,000 |
| Phillipines | 29,768 |
| South Africa | 84,947 |
| South Korea | 47,791 |
| Sweden | 52,213 |
| Turkey | 81,831 |
| Venezuela | 122,710 |
| Supranational | 92,568 |
| Total | <u>\$ 867,826</u> |

The Firemen's Relief and Pension fund also had common trust funds of \$3,929,655 invested in Westwood Trust International Growth Equity (Global Equity) - EB Fund, \$827,028 invested in Westwood Trust International Value Equity (Emerging Markets) - EB. The Westwood equity funds are comprised of the following investments at December 31, 2012 (latest audit report available):

| | <i>Global Equity</i> | <i>Emerging Markets</i> |
|--|--------------------------|-----------------------------|
| Cash and cash equivalents | 2.69% | 0.96% |
| Cash denominated in foreign currencies | 3.26% | 2.14% |
| Securities: | | |
| Australia | 1.61% | |
| Austria | 3.29% | |
| Belgium | 1.75% | |
| Bermuda | | 5.17% |
| Brazil | 0.85% | 10.54% |
| Canada | 2.35% | 2.77% |
| Cayman Islands | | 6.88% |
| Chile | | 1.17% |
| China | | 3.06% |
| Czech Republic | 0.81% | 1.50% |

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

| | <u>Global Equity</u> | <u>Emerging Markets</u> |
|------------------------|--------------------------|-----------------------------|
| Egypt | | 1.48% |
| France | 5.23% | |
| Germany | 4.93% | |
| Great Britain | 9.26% | 3.31% |
| Hong Kong | 4.58% | 6.64% |
| India | | 6.91% |
| Indonesia | | 6.11% |
| Israel | 0.98% | 1.32% |
| Japan | 9.04% | |
| Jersey Channel Islands | 3.15% | 1.60% |
| Luxembourg | 1.56% | 2.22% |
| Malaysia | | 2.28% |
| Mexico | | 5.41% |
| Netherlands | 0.91% | |
| Peru | | 0.79% |
| Singapore | 1.26% | 1.23% |
| South Africa | | 7.26% |
| South Korea | 3.06% | 5.01% |
| Spain | | |
| Switzerland | 3.99% | |
| Taiwan | | 5.76% |
| Thailand | 1.96% | 5.61% |
| Turkey | 1.24% | 3.29% |
| USA | 32.27% | |
| Total Securities | 94.08% | 97.32% |
| Other | -0.03% | -0.42% |
| Total | <u>100.00%</u> | <u>100.00%</u> |

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.

| | <u>General</u> | <u>2009 Bond</u> | <u>Debt Service</u> | <u>Texarkana, Texas Water Utilities</u> | <u>Nonmajor and Other Funds</u> | <u>Total</u> |
|------------------------------------|---------------------|----------------------|-------------------------|---|---|------------------|
| Receivables: | | | | | | |
| Property taxes | \$ 628,399 | | 307,746 | | | 936,145 |
| Other taxes | 268,430 | | | | | 268,430 |
| Accounts | 1,209,541 | | | 2,613,737 | 71,838 | 3,895,116 |
| Intergovernmental | 3,505,397 | 25,497 | | 21,281 | 1,618 | 3,553,793 |
| Interest | 943 | 184 | | | | 1,127 |
| Gross receivables | <u>5,612,710</u> | <u>25,681</u> | <u>307,746</u> | <u>2,635,018</u> | <u>73,456</u> | <u>8,654,611</u> |
| Less: allowance for uncollectibles | 1,418,624 | | 278,170 | 83,659 | | 1,780,453 |
| Net total receivables | <u>\$ 4,194,086</u> | <u>25,681</u> | <u>29,576</u> | <u>2,551,359</u> | <u>73,456</u> | <u>6,874,158</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 | \$ 90,854 | |
| Grant receivable - HCD fund | 95,372 | |
| Taxes receivable - Hotel/Motel Tax fund) | 26,157 | |
| Grant receivable - Brownfield Grant fund | 5,766 | |
| Grant receivable - Supportive Housing fund | 68,913 | |
| Grant receivable - EPA Petroleum Grant fund | 3,245 | |
| Grant receivable - EPA Job Training fund | 65,359 | |
| Grant receivable - EPA - Revolving Loan fund | 1,582 | |
| Grant drawdowns prior to meeting all eligibility requirements - HCD | | <u>57,366</u> |
| Total deferred/unearned revenue for governmental funds | <u>\$ 357,248</u> | <u>57,366</u> |

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 was as follows:

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

| | <i>Balance October 1, 2012</i> | <i>Additions</i> | <i>Deletions</i> | <i>Transfers</i> | <i>Balance September 30, 2013</i> |
|--|--|--------------------|------------------|---------------------|---|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 45,492,821 | | | 262,500 | 45,755,321 |
| Construction in progress | 14,651,884 | 3,269,662 | | (10,967,675) | 6,953,871 |
| Total capital assets, not being depreciated | <u>60,144,705</u> | <u>3,269,662</u> | <u>-</u> | <u>(10,705,175)</u> | <u>52,709,192</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings | 25,669,771 | 226,882 | (7,620) | 5,067,933 | 30,956,966 |
| Improvements other than buildings | 6,493,164 | 6,457 | | 1,277,979 | 7,777,600 |
| Infrastructure | 102,886,219 | | | 3,570,556 | 106,456,775 |
| Machinery and equipment | 3,126,065 | 290,089 | | 788,707 | 4,204,861 |
| Licensed vehicles | 8,349,205 | 699,637 | (416,042) | | 8,632,800 |
| Total capital assets, being depreciated | <u>146,524,424</u> | <u>1,223,065</u> | <u>(423,662)</u> | <u>10,705,175</u> | <u>158,029,002</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (14,404,371) | (612,210) | 1,810 | | (15,014,771) |
| Improvements other than buildings | (4,464,704) | (250,449) | | | (4,715,153) |
| Infrastructure | (57,479,518) | (2,674,475) | | | (60,153,993) |
| Machinery and equipment | (1,117,346) | (346,347) | | | (1,463,693) |
| Licensed vehicles | (6,062,337) | (583,697) | 416,042 | | (6,229,992) |
| Total accumulated depreciation | <u>(83,528,276)</u> | <u>(4,467,178)</u> | <u>417,852</u> | <u>-</u> | <u>(87,577,602)</u> |
| Total capital assets, being depreciated, net | <u>62,996,148</u> | <u>(3,244,113)</u> | <u>(5,810)</u> | <u>10,705,175</u> | <u>70,451,400</u> |
| Governmental capital assets, net | <u>\$ 123,140,853</u> | <u>25,549</u> | <u>(5,810)</u> | <u>-</u> | <u>123,160,592</u> |
| Business-type activities | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 1,333,965 | | | 7,398 | 1,341,363 |
| Construction in progress | 2,083,687 | 3,361,247 | | (2,343,085) | 3,101,849 |
| Total capital assets, not being depreciated | <u>3,417,652</u> | <u>3,361,247</u> | <u>-</u> | <u>(2,335,687)</u> | <u>4,443,212</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings | 3,414,242 | | | 43,552 | 3,457,794 |
| Improvements other than buildings | 86,535,547 | | (11,015) | 1,590,020 | 88,114,552 |
| Machinery and equipment | 9,606,437 | 2,357 | (70,240) | 702,115 | 10,240,669 |
| Property under capital lease | 20,560,768 | 26,403 | (624) | | 20,586,547 |
| Water rights | 287,572 | | | | 287,572 |
| Total capital assets, being depreciated | <u>120,404,566</u> | <u>28,760</u> | <u>(81,879)</u> | <u>2,335,687</u> | <u>122,687,134</u> |

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

| | <i>Balance October 1, 2012</i> | <i>Additions</i> | <i>Deletions</i> | <i>Transfers</i> | <i>Balance September 30, 2013</i> |
|--|--|--------------------|------------------|------------------|---|
| Less accumulated depreciation for: | | | | | |
| Buildings | (2,245,448) | (63,079) | | | (2,308,527) |
| Improvements other than buildings | (33,738,457) | (2,105,905) | 11,015 | | (35,833,347) |
| Machinery and equipment | (8,139,031) | (470,686) | 70,240 | | (8,539,477) |
| Property under capital lease | (11,028,556) | (401,895) | 624 | | (11,429,827) |
| Water rights | (287,572) | | | | (287,572) |
| Total accumulated depreciation | <u>(55,439,064)</u> | <u>(3,041,565)</u> | <u>81,879</u> | <u>-</u> | <u>(58,398,750)</u> |
| Total capital assets, being depreciated, net | <u>64,965,502</u> | <u>(3,012,805)</u> | | <u>2,335,687</u> | <u>64,288,384</u> |
| Business-type capital assets, net | <u>\$ 68,383,154</u> | <u>348,442</u> | <u>-</u> | <u>-</u> | <u>68,731,596</u> |

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

| | |
|---|--------------------|
| Governmental activities | |
| General government | \$ 150,031 |
| Public safety | 743,098 |
| Public works | 2,937,637 |
| Parks and recreation | 616,430 |
| Capital assets held by the City's internal service funds charged to the various functions based on their usage of the assets | <u>19,982</u> |
| Total depreciation expense - governmental activities | <u>\$4,467,178</u> |
| Business-type activities: | |
| Water and sewer | <u>\$3,041,565</u> |
| Total depreciation expense - business-type activities | <u>\$3,041,565</u> |

Discretely Presented Component Unit

Activity for the Health Center for the year ended September 30, 2013 was as follows:

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

| | <i>Balance October 1, 2012</i> | <i>Additions</i> | <i>Deletions</i> | <i>Balance Sept. 30, 2013</i> |
|--|--|------------------|------------------|---------------------------------------|
| Capital assets, being depreciated: | | | | |
| Buildings | \$ 1,251,945 | | | 1,251,945 |
| Improvements other than buildings | 42,841 | | | 42,841 |
| Machinery and equipment | 12,827 | | | 12,827 |
| Total capital assets, being depreciated | <u>1,307,613</u> | <u>-</u> | <u>-</u> | <u>1,307,613</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (861,631) | (28,003) | | (889,634) |
| Improvements other than buildings | (42,841) | | | (42,841) |
| Machinery and equipment | (12,827) | | | (12,827) |
| Total accumulated depreciation | <u>(917,299)</u> | <u>(28,003)</u> | <u>-</u> | <u>(945,302)</u> |
| Total capital assets, being depreciated, net | <u>\$ 390,314</u> | <u>(28,003)</u> | <u>-</u> | <u>362,311</u> |

Activity for the Library for the year ended September 30, 2013 was as follows:

| | <i>Balance October 1, 2012</i> | <i>Additions</i> | <i>Deletions</i> | <i>Balance Sept. 30, 2013</i> |
|--|--|------------------|------------------|---------------------------------------|
| Capital assets, being depreciated: | | | | |
| Machinery and equipment | \$ 639,126 | 96,999 | (7,774) | 728,351 |
| Total capital assets, being depreciated | <u>639,126</u> | <u>96,999</u> | <u>(7,774)</u> | <u>728,351</u> |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | (561,876) | (30,077) | 6,794 | (585,159) |
| Total accumulated depreciation | <u>(561,876)</u> | <u>(30,077)</u> | <u>6,794</u> | <u>(585,159)</u> |
| Total capital assets, being depreciated, net | <u>\$ 77,250</u> | <u>66,922</u> | <u>(980)</u> | <u>143,192</u> |

NOTE 7 - CONSTRUCTION PROJECTS

As of September 30, 2013, 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 9/30/2013</i> | <i>Required Future Financing</i> |
|-------------------------------|----------------------------------|---|--|
| Texas A&M East Approach | \$ 2,831,138 | 2,811,139 | 19,999 |
| Lake Drive Overpass | 1,011,054 | 991,055 | 19,999 |
| Morris Lane - Phase 2 | 3,912,687 | 553,891 | 3,358,796 |
| Cowhorn Drain Restudy | 153,008 | 153,008 | - |
| City-wide Master Drain | 546,434 | 546,434 | - |
| Linear Park | 1,000,000 | 105,398 | 894,602 |
| Findley Street Drainage | 152,359 | - | 152,359 |
| Park Improvements | 8,840 | 8,840 | - |
| Spring Lake Park Improvements | 808 | 808 | - |
| Texas A&M Phase 4 | 2,036,331 | 323,208 | 1,713,123 |
| Summer Glenn Acres Drive | 7,000 | 7,000 | - |
| Bringle North Park | 3,853,090 | 1,453,090 | 2,400,000 |
| Total | <u>\$ 15,512,749</u> | <u>6,953,871</u> | <u>8,558,878</u> |

Business-type activities construction projects

Texarkana Water Utilities completed several construction projects during fiscal year 2013, in both Texarkana, Arkansas and Texarkana, Texas. These involved various utility funds such as capital improvement, infrastructure, depreciation, compost, technology, and equipment acquisition and involved utility personnel, materials and equipment.

Texas Capital Improvement Fund expenditures for water and sewer projects were \$341,185. Some of the major expenditures for the year included completion of the East Approach to Texas A&M water and sewer project for \$63,199 for a project total of \$757,042. Additional fire hydrants were installed for \$27,731; a water line extension was completed on Alba Street for \$24,092, and a convention center water project was completed for \$9,323. \$91,113 was spent on the Bringle Lake sewer project that was completed during the year at a total project cost of \$449,404. Some other significant expenditures for the year included the South Wake Village Road sewer extension totaling \$77,742 and current year work on the Wyatt Lane sewer extension in the amount of \$8,464.

The Texas Utility Infrastructure Fund expenditures totaled \$28,002 for the year. \$6,944 was spent on Moores Lane water and sewer projects. A water line relocation project was completed on Pansy Street during the year for \$21,058.

For fiscal year 2013, a total of \$473,224 was spent from the South Regional Wastewater Depreciation Fund with \$289,231 from the Texas Utility and \$183,993 from the Arkansas Utility. Chain and sprocket repairs in the 200 building were \$35,047, and transformer and other electrical repairs totaled \$62,978. A sampler was replaced for \$5,499. An auger in the 400 building was replaced for \$20,593. \$35,417 was spent for repairing the grit collector. Some other significant items were pump and motor repairs totaling \$85,065 and generator repairs of \$228,403.

Expenditures from the Compost Fund for fiscal year 2013 were \$273,231, of which \$167,053 was paid from the Texas Utility and \$106,178 from the Arkansas Utility. Repairs to a front-end loader rear shaft and hydraulics were \$23,756, and dozer repairs totaled \$4,475. The compost trommel screen was replaced during the year for \$245,000.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

In fiscal year 2013, \$347,875 in Technology Fund purchases were incurred, and the Texas and Arkansas utility portions were \$219,433 and 128,442, respectively. Aerial digital imagery expenditures amounted to \$37,342 for Arkansas and \$52,519 for the Texas Utility. Dell, Microsoft, and Cisco lease payments totaling \$72,851 were paid during the year with the Arkansas share of \$28,009 and Texas portion of \$44,842. Current year expenditures included \$23,639 for personal computers, \$32,060 for servers, \$8,426 for SCADA and \$29,912 for GPS handheld units. \$48,997 was expended for the network data center project with the Arkansas Utility portion totaling \$19,040 and the Texas Utility portion totaling \$29,957. \$22,529 was expended for 100% Texas Utility fiber projects. Other expenditures included items such as software and security totaling \$20,600, with the Arkansas Utility share of \$8,005 and Texas Utility share of \$12,595.

Equipment Acquisition Fund expenditures for fiscal year 2013 were \$527,548 of which \$189,980 was from the Arkansas Utility and \$337,568 from the Texas Utility. Utility fleet trucks were purchased totaling \$331,156, with the Arkansas and Texas Utility portions of \$122,064 and \$209,092, respectively. A federal surplus towable air compressor was purchased for \$3,500. A forklift, mini-track hoe, and a hydraulic breaker were purchased for a total of \$79,080, of which \$48,350 was from the Texas Utility and \$30,730 from the Arkansas Utility. \$5,726 in lab equipment purchases were incurred from the Arkansas Utility with the Texas portion amounting to \$15,186 for the year. Fleet Service Center building improvements during the year totaled \$52,298, of which the Arkansas Utility portion was \$20,323, and the Texas Utility share was \$31,975. A fiber optic reel trailer was purchased for \$15,380 that was 100% from the Texas Utility. A sewer inspection camera was purchased with the Arkansas Utility share of \$3,697 and the Texas share of \$5,816. An office scanner and various other furniture and equipment totaling \$15,709 were purchased for which the Texas and Arkansas shares were \$9,629 and \$6,080, respectively.

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2013 is as follows:

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|----------------------------------|-----------------------------------|---------------------|
| General | Nonmajor governmental fund | \$ 733,884 |
| General | Debt Service | 133,751 |
| 2009 Bond | General | 2,141 |
| 2009 Bond | Employee Benefit internal service | 1,712 |
| Nonmajor governmental fund | General | 3,796 |
| Nonmajor governmental fund | 2009 Bond | 1,122 |
| Nonmajor governmental fund | Nonmajor governmental fund | 310,491 |
| Texarkana, Texas Water Utilities | Nonmajor enterprise fund | 299,535 |
| Nonmajor enterprise fund | Texarkana, Texas Water Utilities | 40,860 |
| Fire Pension fiduciary fund | General | 24,135 |
| Total | | <u>\$ 1,551,427</u> |

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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Purpose:

| | |
|-----------|--|
| \$65,385 | To reimburse the General fund for expenditures paid for the Supportive Housing fund (nonmajor governmental fund). |
| \$95,081 | To reimburse the General fund for expenditures paid for the Housing and Community Development fund (nonmajor governmental fund). |
| \$5,251 | To reimburse the General fund for legal fees paid on behalf of the EPA Petroleum Grant fund (nonmajor governmental fund). |
| \$32,772 | To reimburse the General fund for expenditures paid on behalf of the EPA Job Training fund (nonmajor governmental fund). |
| \$1,582 | To reimburse the General fund for expenditures paid for the EPA Revolving Loan fund (nonmajor governmental fund). |
| \$682 | To reimburse the General fund for expenditures paid for the EPA Multipurpose grant fund (nonmajor governmental fund). |
| \$6,046 | To reimburse the General fund for expenditures paid on behalf of HOME fund (nonmajor governmental fund). |
| \$321,392 | To reimburse the General fund for expenditures paid on behalf of Housing fund (nonmajor governmental fund). |
| \$80,518 | To reimburse the General Fund for expenditures paid for the Brownfield grant fund (nonmajor governmental fund). |
| \$124,375 | To reimburse the General Fund for expenditures paid for the Rotary Splash Park fund (nonmajor governmental fund). |
| \$800 | To reimburse the General Fund for expenditures paid for the 2003 Bond fund (nonmajor governmental fund). |
| \$133,751 | To reimburse the General Fund for expenditures paid for the Debt Service fund. |
| \$39,758 | To reclassify expenditures between the Housing fund (nonmajor governmental fund) and the HOME fund (nonmajor governmental fund). |
| \$1,122 | To reclassify expenditures between the Hotel/Motel fund (nonmajor governmental fund) and the 2009 Bond fund. |
| \$3,588 | To reclassify expenditures between the 2003 Bond fund (nonmajor governmental fund) and the General fund. |
| \$2,141 | To reclassify expenditures between the 2009 Bond fund and the General fund. |

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

- \$1,712 To reclassify expenditures between the 2009 Bond fund and the Employee Benefit Trust fund (internal service fund).
- \$208 The balance due to TIRZ #1 fund (nonmajor governmental fund) for property taxes received by the General Fund.
- \$270,733 To reclassify expenditures between the Convention Center Bond fund (nonmajor governmental fund) and the Hotel/Motel fund (nonmajor governmental fund).
- \$299,361 International Paper Company (IP) reimburses Texarkana, Texas Water Utilities Fund for all operating expenses incurred in the IP Water Fund. The balance of \$145,391 represents operating capital advances by the Texas Fund pending receipt of funds from IP. The remaining balance of \$153,970 is owed to the Texas Utility for a water line relocation advanced to IP Fund that is pending reimbursement from the Texas Department of Transportation.
- \$174 Lake Texarkana Water Supply owes the Texas Utility fund \$174 for unpaid inventory transfers.
- \$40,805 The Texas Utility fund owes the Lake Texarkana Water Supply fund for capital contributions for the fiscal year and the member cities capital contributions for amounts received during the year and reimbursement for the Texas portion of construction activity.
- \$55 The Texas Utility fund owes the IP Water fund for overpayment of payroll coverage.
- \$24,135 To reclassify expenditures between the Fire Pension fund (fiduciary fund) and the General fund.

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 | \$ - | 928,208 | 1,664 | 1,086,504 | 2,016,376 |
| Debt service | | 721,309 | | | 721,309 |
| Nonmajor governmental funds | 373,431 | 1,361,052 | | | 1,734,483 |
| Benefit payment (internal service) | - | | | | - |
| Fleet services (internal service) | 1,246,979 | | | | 1,246,979 |
| Total transfers in | <u>\$ 1,620,410</u> | <u>3,010,569</u> | <u>1,664</u> | <u>1,086,504</u> | <u>5,719,147</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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Purpose:

- \$155,250 Transfers to the General Fund from the Hotel/Motel fund (nonmajor governmental fund) were made to cover expenses.
- \$710,000 Funds were transferred to the General Fund from the Economic Development fund (nonmajor governmental fund) to cover part of salary expenses.
- \$1,069,179 A one-time transfer of funds was made from Texarkana, Texas Water Utilities to the General fund for various expenses.
- \$17,325 Transfer of the City's administrative fees due under contracts between the City and International Paper Company water service contracts.
- \$1,861 Funds were also transferred to the General Fund from the Theatre fund (nonmajor governmental fund).
- \$49,737 Funds transferred to General fund from the Stormwater fund (nonmajor governmental fund) to close out the Stormwater fund.
- \$1,664 Funds were transferred to the General Fund from Fleet Services (internal service fund) for various expenses.
- \$562,043 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.
- \$5,245 Funds were transferred from the General fund to the EPA Job Training fund (nonmajor governmental fund) to cover salary expenses.
- \$3,946 Funds were transferred from the General fund to the HOME fund (nonmajor governmental fund) to cover salary expenses.
- \$1,236,979 Funds were transferred from the General fund to the Fleet Services fund (internal service fund) for fuel and maintenance.
- \$10,000 Funds were also transferred from the General fund to the Fleet Services fund (internal service fund) for additions to capital assets.
- \$364,240 Funds were also transferred from the General fund to the Hotel/Motel fund (nonmajor governmental fund) for various expenses.
- \$159,263 Funds were also transferred from the TIRZ fund (nonmajor governmental fund) to the Debt Service fund for principal and interest payment on bonds.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

- \$3 Funds were also transferred from the 1998 Bond fund (nonmajor governmental fund) to the Debt Service fund to close out the 1998 Bond fund.
- \$1,056,052 Funds were also transferred from the Hotel/Motel fund (nonmajor governmental fund) to the Convention Center Bond fund (nonmajor governmental fund) for additions to capital assets.
- \$11,360 Funds were also transferred from the TIRZ fund (nonmajor governmental fund) to the General fund for various expenses.

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, 2013.

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, 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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 \$689,734 and \$622,733 for 2013 and 2012, 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 \$496,219 and \$567,380 for 2013 and 2012, 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 \$ 416,561 and \$440,079 for 2013 and 2012, respectively. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease.

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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 \$31,689 and \$31,447 for 2013 and 2012, 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 2013 and 2012, the Texarkana, Texas Water Utilities made transfers to the Texarkana, Arkansas Water Utilities for debt service in the amounts of \$109,639 and \$109,639, 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.

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

(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.

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 2013 and 2012, 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, 2013 were \$522,651. Amortization of the deferred charges, which began in fiscal year ending September 30, 2012, the year of purchase, was made over 40 years. In FY 2012 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 \$500,000 was transferred to the Millwood Water Rights account during FY 2013.

NOTE 15 - WATER SYSTEM TRANSFER CONTRACT

The City of Texarkana, Texas (the Utility) entered into a contract with TexAmericas Center (TAC) in July, 2012 to transfer to the Utility the water distribution system (TAC–East Water System) located upon the TAC property that serves existing customers. As part of the contract, TAC transferred to the Utility any TAC customer accounts for those customers receiving water from the TAC – East Water System (excluding the U. S. Army/Red River Army Depot), so that such customers become Utility customers and the Utility assumes responsibility for providing potable water under separate water supply contracts to such customers. The parties originally agreed upon a value of approximately \$849,702 for the system. The amount was subsequently reduced to \$792,172 in consideration of meter stations retained by TAC.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

For a period of no more than 20 years or until the dissolution of TAC, or until the value of the TAC-East Water System set forth in the contract has been paid, whichever comes first, the Utility will pay to TAC \$0.03 per 1,000 gallons of water delivered by the Utility to its customers on the TAC- East Water System (excluding the U. S. Army/Red River Army Depot). If during any year, the aggregate amount paid by the Utility exceeds \$39,609 (ceiling aggregate), then the overage is credited to the Utility and applied to the following payment year. If during any year, the aggregate amount paid by the Utility is less than the ceiling aggregate, no further monies are due from the Utility to TAC for that year. In fiscal year 2012, the capital assets and corresponding liability of \$792,172 were recorded in the financial statements. For fiscal year 2013, the Utility owes TAC \$222 for water sales related to this system. The Utility recorded capital contributions of \$39,387 for the amount “forgiven” under the contract terms for the current year. The remaining liability under this contract is \$752,785.

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, 2013:

| <u>Ending September 30:</u> | <i>Governmental Activities</i> | <i>Enterprise Funds</i> |
|---|------------------------------------|-----------------------------|
| 2014 | \$ 28,399 | 613,322 |
| 2015 | 16,974 | 595,617 |
| 2016 | 5,805 | 657,030 |
| 2017 | | 657,482 |
| 2018 | | 657,331 |
| 2019-2023 | | 2,999,241 |
| 2024-2026 | | 1,083,850 |
| Total minimum lease payments | <u>51,178</u> | <u>7,263,873</u> |
| Less: | | |
| Unexpended funds | | (718,637) |
| Amounts representing interest | (4,243) | (1,559,241) |
| Present value of minimum lease payments | <u>\$ 46,935</u> | <u>4,985,995</u> |

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

| <u>Asset Class</u> | <i>Equipment Lease</i> | <i>InterSystem Leases</i> |
|-----------------------------------|----------------------------|-------------------------------|
| Land | | 399,965 |
| Buildings | | 3,400,033 |
| Improvements other than buildings | | 6,884,233 |
| Machinery and equipment | 103,811 | 2,222,248 |
| Total | <u>\$ 103,811</u> | <u>12,906,479</u> |

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 32.99% 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, 2013 are as follows:

| | <u>Rate of interest</u> | <u>Original Issue</u> | <u>Outstanding September 30, 2013</u> |
|--|-----------------------------|---------------------------|---|
| General obligation bonds: | | | |
| 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 | 2,250,000 |
| 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% | 10,730,000 | 10,450,000 |
| General Obligation Refunding Bonds, Series 2013 used to refund certain bonds which were issued to finance certain capital improvements of the City - due serially in varying amounts from February 15, 2014 through February 15, 2027. | 2.00% - 5.00% | 14,550,000 | 14,550,000 |
| Total general obligation bonds | | <u>\$ 28,340,000</u> | <u>27,250,000</u> |

Annual requirements to amortize general obligation bonds outstanding at September 30, 2013 are as follows:

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

| <i>Requirements Year Ending September 30</i> | <i>General Obligation Bonds</i> | | |
|--|---------------------------------|------------------|-------------------|
| | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
| 2014 | \$ 2,020,000 | 943,597 | 2,963,597 |
| 2015 | 1,780,000 | 901,247 | 2,681,247 |
| 2016 | 2,345,000 | 849,847 | 3,194,847 |
| 2017 | 2,250,000 | 783,747 | 3,033,747 |
| 2018 | 2,330,000 | 713,013 | 3,043,013 |
| 2019-2023 | 11,145,000 | 2,265,912 | 13,410,912 |
| 2024-2027 | 5,380,000 | 350,728 | 5,730,728 |
| Total | <u>\$ 27,250,000</u> | <u>6,808,091</u> | <u>34,058,091</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, 2013 are as follows:

| | <i>Rate of interest</i> | <i>Original Issue</i> | <i>Outstanding September 30, 2013</i> |
|--|-----------------------------|---------------------------|---|
| Certificates of obligation: | | | |
| 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 | 1,425,000 |
| 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 | 15,605,000 |
| 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 | 6,295,000 |
| 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% | 4,115,000 | 4,065,000 |
| Total certificates of obligation | | <u>\$ 46,285,000</u> | <u>27,390,000</u> |

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Annual requirements to amortize certificates of obligations outstanding at September 30, 2013 are as follows:

| <i>Requirements Year Ending September 30</i> | <i>Certificates of Obligation</i> | | |
|--|-----------------------------------|------------------|-------------------|
| | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
| 2014 | \$ 1,690,000 | 44,925 | 1,734,925 |
| 2015 | 1,815,000 | 14,700 | 1,829,700 |
| 2016 | 1,125,000 | 977,244 | 2,102,244 |
| 2017 | 1,165,000 | 933,942 | 2,098,942 |
| 2018 | 1,215,000 | 886,181 | 2,101,181 |
| 2019-2023 | 6,845,000 | 3,641,791 | 10,486,791 |
| 2024-2028 | 8,435,000 | 2,065,399 | 10,500,399 |
| 2029-2033 | 4,610,000 | 349,117 | 4,959,117 |
| 2034-2035 | 490,000 | 17,325 | 507,325 |
| Total | <u>\$ 27,390,000</u> | <u>8,930,624</u> | <u>36,320,624</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, 2013 are as follows:

| | <i>Rate of interest</i> | <i>Original Issue</i> | <i>Outstanding September 30, 2013</i> |
|---|-----------------------------|---------------------------|---|
| Revenue bonds: | | | |
| Waterworks and Sanitary Sewer System Revenue Bonds Series 2004 net of bond premium of \$7,680 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 | 1,587,680 |
| Waterworks and Sanitary Sewer System Revenue Bonds, Series 2005 net of bond discount and premium of \$28,064 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% | 1,805,000 | 721,936 |
| Waterworks and Sanitary Sewer System Revenue Bonds, Series 2013 net of bond discount of \$20,425 used to finance the costs of making improvements and extensions to the water and sewer system. Due serially in varying amounts from August 1, 2014 through August 1, 2033 | 2.00% - 4.875% | 2,200,000 | 2,179,575 |
| Total Texarkana, Texas Water Utilities | | <u>\$ 6,505,000</u> | <u>4,489,191</u> |

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Annual requirements to amortize revenue bonds outstanding at September 30, 2013 are as follows:

| <i>Requirements</i> | <i>Revenue Bonds</i> | | |
|---------------------|----------------------|------------------|------------------|
| | <i>Year Ending</i> | | |
| | <i>September 30</i> | <i>Principal</i> | <i>Interest</i> |
| 2014 | \$ 377,777 | 174,088 | 551,865 |
| 2015 | 397,777 | 159,478 | 557,255 |
| 2016 | 407,777 | 145,647 | 553,424 |
| 2017 | 427,777 | 131,159 | 558,936 |
| 2018 | 244,793 | 115,819 | 360,612 |
| 2019-2023 | 1,353,417 | 434,970 | 1,788,387 |
| 2024-2028 | 569,851 | 244,534 | 814,385 |
| 2029-2033 | 710,022 | 105,486 | 815,508 |
| Total | <u>\$ 4,489,191</u> | <u>1,511,181</u> | <u>6,000,372</u> |

Changes in long-term liabilities

The following is a summary of changes in long-term liabilities for the year ended September 30, 2013:

| | <i>Balance</i> | | <i>Retirements/</i> | <i>Balance</i> | <i>Long-term</i> | <i>Due</i> |
|---|----------------------|-------------------|---------------------|----------------------|-------------------|------------------|
| | <i>October 1,</i> | <i>Additions</i> | <i>Deductions</i> | <i>September 30,</i> | <i>Balance</i> | <i>Within</i> |
| | <i>2012</i> | | | <i>2013</i> | | <i>One Year</i> |
| Governmental activities: | | | | | | |
| General obligation bonds | \$ 15,306,073 | 14,568,927 | (2,625,000) | 27,250,000 | 25,230,000 | 2,020,000 |
| Less deferred charges: | | | | | | |
| For issuance premiums | 1,130,670 | 1,270,367 | (128,705) | 2,272,332 | 2,272,332 | |
| On refunding | (627,929) | (1,519,171) | 260,915 | (1,886,185) | (1,886,185) | |
| Total general obligation bonds | <u>15,808,814</u> | <u>14,320,123</u> | <u>(2,492,790)</u> | <u>27,636,147</u> | <u>25,616,147</u> | <u>2,020,000</u> |
| Certificates of obligation | 42,205,000 | | (14,815,000) | 27,390,000 | 25,700,000 | 1,690,000 |
| Less deferred charges: | | | | | | |
| For issuance premiums | 514,158 | | (230,874) | 283,284 | 283,284 | |
| On refunding | (593,683) | | 183,493 | (410,190) | (410,190) | |
| Total certificates of obligation | <u>42,125,475</u> | <u>-</u> | <u>(14,862,381)</u> | <u>27,263,094</u> | <u>25,573,094</u> | <u>1,690,000</u> |
| Tax Notes | 860,000 | | (860,000) | - | - | |
| Capital leases | 86,295 | 21,512 | (60,872) | 46,935 | 21,272 | 25,663 |
| Net pension and other postemploy- ment obligations | 2,523,405 | 3,118,089 | (2,798,079) | 2,843,415 | 2,843,415 | |
| Accrued compensated absences | <u>3,477,800</u> | <u>1,565,998</u> | <u>(1,250,812)</u> | <u>3,792,986</u> | <u>3,566,061</u> | <u>226,925</u> |
| Governmental activity Long-term liabilities | <u>\$ 64,881,789</u> | <u>19,025,722</u> | <u>(22,324,934)</u> | <u>61,582,577</u> | <u>57,619,989</u> | <u>3,962,588</u> |

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

| | <i>Balance</i> <i>October 1,</i> <i>2012</i> | <i>Additions</i> | <i>Retirements/ Deductions</i> | <i>Total Balance September 30, 2013</i> | <i>Long-term Balance</i> | <i>Due Within One Year</i> |
|---|--|------------------|------------------------------------|---|------------------------------|------------------------------------|
| Business-type activities: | | | | | | |
| Revenue bonds | \$ 2,720,000 | 2,200,000 | (390,000) | 4,530,000 | 4,145,000 | 385,000 |
| Less deferred charges: | | | | | | |
| For issuance premiums/discount | 8,587 | (20,597) | (734) | (12,744) | (12,744) | |
| On refunding | (39,043) | | 10,978 | (28,065) | (28,065) | |
| Total revenue bonds | 2,689,544 | 2,179,403 | (379,756) | 4,489,191 | 4,104,191 | 385,000 |
| Capital leases | 5,229,476 | 26,403 | (269,884) | 4,985,995 | 4,615,683 | 370,312 |
| Net pension and other post-employment obligations | 797,817 | 108,977 | | 906,794 | 906,794 | |
| Accrued compensated absences | 407,310 | 338,240 | (355,472) | 390,078 | 348,117 | 41,961 |
| Business-type activity | | | | | | |
| Long-term liabilities | <u>\$ 9,124,147</u> | <u>2,653,023</u> | <u>(1,005,112)</u> | <u>10,772,058</u> | <u>9,974,785</u> | <u>797,273</u> |

The addition to the general obligation bond includes \$18,927 of accretion on capital appreciation bonds during the fiscal year ended September 30, 2013.

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, \$63,322 of internal service funds compensated absences is included in the above amounts.

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 \$14,550,000 in General Obligation Refunding Bonds, Series 2013 with interest rates ranging from 2.0% to 5.0%. The proceeds were used to advance refund \$775,000 of outstanding General Obligation Refunding Bonds, Series 2003, \$13,280,000 of outstanding Combination Tax and Revenue Certificates of Obligation, Series 2005 and \$525,000 of outstanding Tax Notes, Series 2008. These refunded bonds, certificates, and tax notes had interest rates ranging from 2.6% to 5.0%, 3.0% to 5.0% and 3.395%, respectively. The net proceeds of \$15,788,017 (including a \$1,270,367 premium and after payment of \$193,000 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 2003 bonds, a portion of the 2005 certificates of obligation and 2008 tax notes are considered defeased and the liability for the refunded obligations has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$84,010. This amount is being netted against the new debt and amortized over the remaining life of the 2008 tax notes. The City advance refunded the 2003, 2005 and 2008 debt to reduce its total debt service payments by \$1,350,690 and to obtain an economic gain (difference between the present values of the debt service payment on the old and new debt) of \$1,262,051. The refunded issues were scheduled to mature in 2016, 2027 and 2015, respectively. The new debt matures in 2027.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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, 2013 is \$1,760,000.

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 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, 2013, the City contributed \$315,526 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 \$8,825,900 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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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:

| | <u>Year Ended</u> <u>September 30, 2013</u> | <u>Year Ended</u> <u>September 30, 2012</u> |
|-----------------------------|--|--|
| Unpaid claims, October 1 | \$ 362,250 | 284,104 |
| Incurred claims | 2,360,623 | 2,168,970 |
| Claim payments | <u>(2,384,773)</u> | <u>(2,090,824)</u> |
| Unpaid claims, September 30 | <u>\$ 338,100</u> | <u>362,250</u> |

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

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.

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:

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

| | <u>Plan Year 2012</u> | <u>Plan Year 2013</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 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 valuation 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:

| | <u>Plan No. 1</u> | <u>Plan No. 2</u> | | <u>Plan No. 3</u> |
|--|-------------------|-------------------|----------------|-------------------|
| | <u>City</u> | <u>City</u> | <u>Library</u> | <u>Utility</u> |
| Calculation of Net Pension Obligation: | | | | |
| Annual required contribution (ARC) | \$ 1,112,031 | 1,174,373 | 60,769 | 1,240,487 |
| Interest on NPO | 48,702 | 50,850 | 2,631 | 53,461 |
| Adjustment to the NPO | (42,789) | (44,675) | (2,312) | (46,970) |
| Annual pension cost (APC) | 1,117,944 | 1,180,548 | 61,088 | 1,246,978 |
| Contributions made | (1,107,165) | (1,178,209) | (56,932) | (1,222,555) |
| Increase (decrease) in NPO | 10,779 | 2,339 | 4,156 | 24,423 |
| NPO at the beginning of period | 698,427 | 730,278 | 33,737 | 763,724 |
| NPO at the end of period | <u>\$ 709,206</u> | <u>732,617</u> | <u>37,893</u> | <u>788,147</u> |

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

THREE YEAR TREND INFORMATION

| | <u>Fiscal Year Ending</u> | <u>Annual Pension Cost</u> | <u>Actual Contributions Made</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|------------|-----------------------------------|------------------------------------|--|--|---------------------------------------|
| Plan No. 1 | 9/30/2011 | \$ 1,277,041 | \$ 1,066,095 | 83% | \$ 641,614 |
| | 9/30/2012 | 1,181,946 | 1,125,133 | 95% | 698,427 |
| | 9/30/2013 | 1,117,944 | 1,107,165 | 99% | 709,206 |
| Plan No. 2 | 9/30/2011 | 1,410,817 | 1,167,264 | 83% | 697,584 |
| | 9/30/2012 | 1,292,298 | 1,225,867 | 95% | 764,015 |
| | 9/30/2013 | 1,241,636 | 1,235,141 | 99% | 770,510 |
| Plan No. 3 | 9/30/2011 | 798,851 | 654,806 | 82% | 664,064 |
| | 9/30/2012 | 812,514 | 748,122 | 92% | 763,724 |
| | 9/30/2013 | 1,246,978 | 1,222,555 | 98% | 788,147 |

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

| Valuation date | 12/31/2010 | 12/31/2011 | 12/31/2012 |
|---|---------------------------|---------------------------|---------------------------|
| 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 | 27.2 years; closed period | 26.3 years; closed period | 25.4 years; closed period |
| Plan No. 2 | 27.2 years; closed period | 26.2 years; closed period | 25.2 years; closed period |
| Plan No. 3 | 27.2 years; closed period | 26.2 years; closed period | 25.2 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 |

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

| Valuation date | 12/31/2010 | 12/31/2011 | 12/31/2012 |
|-----------------------------|---------------------------|---------------------------|---------------------------|
| Actuarial assumptions: | | | |
| Investment rate of return* | 7.00% | 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, 2012, 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 | 12/31/2012 | \$ 30,284,144 | \$ 36,144,060 | 83.8% | \$ 5,859,916 | \$ 5,653,652 | 103.6% |
| Plan No. 2 | 12/31/2012 | 35,670,864 | 42,488,464 | 84.0% | 6,817,600 | 8,028,619 | 84.9% |
| Plan No. 3 | 12/31/2012 | 24,765,063 | 31,621,762 | 78.3% | 6,856,699 | 6,460,314 | 106.1% |

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.

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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 | <u>56</u> |
| Total | <u><u>132</u></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. The plan provides a monthly normal service retirement benefit, payable in a joint and two-thirds to spouse form of annuity, equal to 3.06% of highest 36-month average salary for each 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.

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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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, 2013, the City of Texarkana's annual pension cost (APC) was equal to the annual required contributions and was \$826,138. 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.

The annual required contributions (ARC) by the City for the fiscal year ending September 30, 2013 were based on the results of the actuarial valuation 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:

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

| | | |
|--------------------------------|--------------------------------|--------------------------------|
| 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.

| <u>Year</u> <u>Ending</u> | <u>Pension</u> <u>Cost (APC)</u> | <u>of APC</u> <u>Contributed</u> | <u>a Percentage</u> <u>of Payroll</u> | <u>Pension</u> <u>Obligation</u> |
|------------------------------|-------------------------------------|-------------------------------------|--|-------------------------------------|
| 9/30/2011 | \$786,256 | 100% | 19.50% | \$0 |
| 9/30/2012 | 804,883 | 100% | 19.50% | 0 |
| 9/30/2013 | 826,138 | 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 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 | \$ 375,160 | 66,365 |
| Amortization of unfunded actuarial accrued liability | 305,639 | 61,014 |
| Annual required contribution | <u>680,799</u> | <u>127,379</u> |
| Interest on BOY net OPEB obligation | 43,788 | 11,314 |
| Adjustment | <u>(42,660)</u> | <u>(16,357)</u> |
| Annual OPEB cost | 681,927 | 122,336 |
| Contributions made | <u>(375,035)</u> | <u>(29,381)</u> |
| Increase (decrease) in OPEB obligation | 306,892 | 92,955 |
| OPEB at the beginning of period | 1,094,700 | 288,607 |
| OPEB at the end of period | <u><u>\$ 1,401,592</u></u> | <u><u>381,562</u></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, 2013 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 | 9/30/2011 | \$ 530,058 | 35.82% | 791,129 |
| | 9/30/2012 | 549,598 | 44.76% | 1,094,700 |
| | 9/30/2013 | 681,927 | 55.00% | 1,401,592 |
| TWU | 9/30/2011 | \$ 84,858 | 6.92% | 187,202 |
| | 9/30/2012 | 117,079 | 13.39% | 288,607 |
| | 9/30/2013 | 122,336 | 24.02% | 381,562 |

Funding Status and Funding Progress

The funded status of the plans as of September 30, 2013 was as follows:

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 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> |
|-------------|--------------------------|----------------------------------|----------------------------------|----------------------------|---------------------|------------------------|--|
| 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 | |
| TWU | 9/30/2011 | \$ - | \$ 780,083 | \$ 780,083 | 0% | 6,101,086 | 13% |
| | 9/30/2012 | | 970,479 | 970,479 | 0% | 6,239,126 | 16% |
| | 9/30/2013 | | 1,055,055 | 1,055,055 | 0% | 6,460,314 | 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 | 10/1/2012 |
| 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% (1.00% real rate of return plus 3.00% inflation) |
| Actuarial cost methods | Projected unit credit. The initial UAAL and subsequent gains and losses |
| Actuarial value of assets | The plan is not prefunded. |

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

| | |
|-----------------------------|--|
| Payroll growth rate | 3.00% |
| Inflation rate | 3.00% |
| Coverage | 100% of all retirees who currently have healthcare coverage will continue with the same coverage. 90% of City employees, Police and Firefighters employed prior to January 1, 2010, who currently have healthcare coverage will continue with coverage upon retirement. 25% of City employees and Police with family coverage will continue with spouse coverage. 60% of Firefighters with family coverage will continue with spouse coverage. 50% of those hired on or after January 1, 2010, will continue with coverage with the same dependent coverage election |
| Age Difference/% Married | Males are assumed to be 3 years older than females, 50% married |
| Termination rates | Rates varying by years of service/gender/class. Sample rates for City employees (non-firefighter): Male, 5 years of service - 14.20%, Male, 10 years of service - 8.00%; Male, 20+ years |
| Disability rate | None |
| Retirement rates | Rates vary by age, with an average retirement age of 55. |
| Mortality Rates | RP-2000 combined table M/F projection AA 2015 |
| Healthcare cost trend rates | 8.00% for FY2013 grading to 4.00% in FY2021 and later. |
| Retiree contributions | subject to payments by the City based on the value of the sick leave buyout account. |

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:

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Discount Rate for Valuing Liabilities With prefunding: 4.0% per annum, compounded annually

Payroll Increase N/A

Mortality rates Pre-retirement: Sex distinct RP-2000 Combined Healthy Mortality
Post-retirement: Sex distinct RP-2000 Combined Healthy

Disability rates None assumed

Withdrawal rates Sample rates are as follows:

| <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

Participation Assumption 100% of all employees who are eligible for retiree medical

Marriage Assumption For actives it is assumed that husbands are two years older than

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% |

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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, 2013.

NOTE 23 – CLASSIFICATION OF GOVERNMENTAL FUND BALANCES

The table below presents a summary of the September 30, 2013, governmental fund balances by fund type and specific purpose. With the exception of nonspendable fund balances, fund balance is presented based on specific purpose. 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.

| | <u>General</u> | <u>2009 Bond Capital Projects</u> | <u>Debt Service</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-------------------------------|----------------------|---|-------------------------|---|---|
| Fund Balances: | | | | | |
| Nonspendable for: | | | | | |
| Noncurrent loans | \$ - | | | 261,448 | 261,448 |
| Investment in joint venture | 98,990 | | | | 98,990 |
| Restricted | | | | | |
| Court security and technology | 29,105 | | | | 29,105 |
| Police | 298,694 | | | 11,260 | 309,954 |
| Health and welfare | 2,250 | | | 275,025 | 277,275 |
| Tourism | | | | 213,628 | 213,628 |
| Capital improvements | | 7,603,341 | | 4,466,766 | 12,070,107 |
| Committed | | | | | |
| Economic development | | | | 1,149,318 | 1,149,318 |
| Assigned | | | | | |
| Police | 2,915 | | | | 2,915 |
| Theatre | | | | 758,962 | 758,962 |
| Insurance | 9,011 | | | | 9,011 |
| Energy conservation | 24,095 | | | | 24,095 |
| Capital improvements | | | | 103,963 | 103,963 |
| Unassigned | | | | | |
| General fund | 10,327,257 | | | | 10,327,257 |
| Debt service fund | | | (104,606) | | (104,606) |
| Special revenue funds | | | | (340,465) | (340,465) |
| Total Fund Balances | <u>\$ 10,792,317</u> | <u>7,603,341</u> | <u>(104,606)</u> | <u>6,899,905</u> | <u>25,190,957</u> |

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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. The specific relief requested in the application filed of Texarkana, Arkansas was denied by court order dated July 6, 2012. Other matters requested by Texarkana, Arkansas, but not contained in its application, were ordered to arbitration (but those matters do not involve affirmative claims for money damages). Also ordered to arbitration were all matters requested by the City of Texarkana, Texas, which include claims for money damages. The City of Texarkana, Texas, continues to contest the issues raised by Texarkana, Arkansas. In compliance with the federal court order, the City of Texarkana, Texas appointed an arbitrator, and notice was given to Texarkana, Arkansas, of that appointment. The arbitrator appointed by Texarkana, Arkansas, has not yet contacted the arbitrator appointed by the City of Texarkana, Texas, to select a third arbitrator as required by the contract between the two cities. There appear to be no allegations or claims for damages asserted by 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.

An employee of the fire department has filed an appeal of the Civil Service Commission's ruling. The Texarkana Civil Service Commission had previously upheld the person's temporary suspension for conduct unbecoming a member of the fire department and violations of departmental rules. The Commission's answer is due in April, 2014. The City believes its position in the case is sound; however at this time the City attorney is unable to assess the likelihood of an unfavorable outcome or to estimate the amount or range of any possible loss to the City.

A case has been filed by a citizen against the Texas Department of Family and Protective Services, and others, including a City of Texarkana, Texas police officer. The City attorney has filed a motion to dismiss on behalf of the police department employee and the City based on sovereign immunity, lack of standing, lack of personal jurisdiction, as well as other defenses. The attorney evaluates the likelihood of an unfavorable outcome as negligible or less than five percent and asserts the matter will ultimately be dismissed against the City defendants.

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, 2013, 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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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. 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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 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.

Statement No. 69, *Government Combinations and Disposals of Government Operations* – issued January 2013 will be effective for the City for the fiscal year ending September 30, 2015. This Statement establishes accounting and financial reporting standards related to governmental combinations and disposals of government operations, including a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The Statement also provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* – issued in April 2013 will be effective for the City for the year ending September 30, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. The Statement also will enhance the information disclosed about a government’s obligations and risk exposure from extending nonexchange financial guarantees. This Statement will also augment the ability of financial statement users to assess the probability that governments will repay obligation holders.

Statement No. 71, *Pension Transition for Contributions Made Subsequently to the Measurement Date – An Amendment of GASB Statement No. 68*, issued in November 2013 will be effective for the City for the year ending September 30, 2015, simultaneously applied with the provisions of Statement 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

NOTE 26 – SUBSEQUENT EVENTS

Texarkana Water Utilities anticipates the engineering and design phase of the upgrade to the South Regional Wastewater Treatment Plant will begin in late 2014 with estimated completion of this phase some time in fiscal

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

year 2015. This is a joint project of both the Texas and the Arkansas Utilities, and the current total cost of the engineering and design phase is estimated at \$1,032,520, while the total construction cost for the complete upgrade is currently estimated at \$15,740,000.

The Texas Utility also anticipates the design and build phase of improvement and renovation to the Waggoner Creek Wastewater Treatment Plant beginning in the last quarter of fiscal year 2014. The first phase is estimated at approximately \$2,518,756.

The City of Texarkana, Texas and the City of Texarkana, Arkansas each approved the application of different allocation ratios than those used in the fiscal year 2013 audit for shared costs of the Texarkana Water Utilities (business-type activities and enterprise fund) in the fiscal year 2014. The new funding ratio adopted will be 62.19% Texas and 37.81% Arkansas.

NOTE 27 – MANAGEMENT REVIEW

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through April 17, 2014, 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, 2013

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> |
|---------------------------------|----------------------------------|--|---------------------|----------------------------|------------------------|--|
| 12/31/2010 | \$ 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% |
| 12/31/2012 | 30,284,144 | 36,144,060 | 83.8% | 5,859,916 | 5,653,652 | 103.6% |

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> |
|---------------------------------|----------------------------------|--|---------------------|----------------------------|------------------------|--|
| 12/31/2010 | \$ 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 | 92.3% |
| 12/31/2012 | 35,670,864 | 42,488,464 | 84.0% | 6,817,600 | 8,028,619 | 84.9% |

CITY OF TEXARKANA, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION - *Three Year Historical Trend* September 30, 2013

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> |
|---|--|--|-------------------------|------------------------------------|----------------------------|--|
| 12/31/2010 | \$ 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% |
| 12/31/2012 | 24,765,063 | 31,621,762 | 78.3% | 6,856,699 | 6,460,314 | 106.1% |

CITY OF TEXARKANA, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION - Six Year Historical Trend September 30, 2013

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) (4) | \$ 23,463,936 | \$ 26,506,378 | \$ 3,042,442 | 88.5% | \$ 3,867,848 | 78.7% |
| 12/31/09 (3) (4) | 24,692,627 | 28,818,073 | 4,125,446 | 85.7% | 3,920,128 | 105.2% |
| 12/31/11 (3) (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> |
|--|---|---|-----------------------------------|
| 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% | 763,604 | 100% |
| 2012 | 19.50% | 838,123 | 100% |
| 2013 | 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.

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.

Supportive Housing Fund - This fund was established to account for the activity related to the U. S. Department of Housing and Urban Development grant funding which focuses on providing transitional housing for domestic violence victims and for individuals who meet the HUD definition of homeless.

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EPA Petroleum Grant Fund – The fund was established to account for funds related to the EPA Hazardous and Petroleum Assessment grant which focuses on identifying contaminated sites in the downtown and 7th street corridor. The program assists property owners in determining the type and level of contamination so that an appropriate clean-up plan may be developed if needed.

EPA Job Training Fund – This fund was established to account for funds related to the IPA Environmental Workforce Development Job Training grant. The City works in conjunction with Texas A&M University – Texarkana to provide training leading to certification in 13 areas of environmental training.

EPA Revolving Loan Fund – This fund was established to account for funds related to the EPA Revolving Loan grant. This program enables the City to make sub grants and loans to developers seeking to redevelop contaminated properties in targeted areas of the community. Loan and grant funds may be used for clean-up activities at approved redevelopment sites.

EPA Multi-Purpose Grant Fund – This fund was established to account for funds related to the EPA Multipurpose Assessment and Clean-Up grant funds. This program provides funds to be used in the assessment and cleanup of 203 and 205 West Broad Street as part of the City’s on-going downtown redevelopment initiative.

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, 2013

| | <i>Special Revenue Funds</i> | | | | |
|---|--|----------------|----------------|---------------------------------|----------------|
| | <i>Housing and Community Development</i> | <i>HOME</i> | <i>Theatre</i> | <i>Hotel/ Motel Tax</i> | <i>Housing</i> |
| ASSETS | | | | | |
| Cash | \$ 771 | | 262,801 | 413,332 | |
| Investments - certificates of deposit | | | 500,499 | | |
| Receivables (net of allowance for uncollectible): | | | | | |
| Property taxes | | | | | |
| Other taxes | | | | 145,861 | |
| Accounts | | | | 8,137 | |
| Other government agencies | 95,372 | | | | |
| Accrued interest | | | 367 | | |
| Loans | 70,619 | 85,030 | | | 780,139 |
| Due from other funds | | 39,758 | | 1,122 | |
| Houses held for resale | 83,649 | | | | |
| TOTAL ASSETS | <u>250,411</u> | <u>124,788</u> | <u>763,667</u> | <u>568,452</u> | <u>780,139</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Bank overdraft | | | | | |
| Accounts payable | 2,592 | | 4,705 | 57,934 | |
| Contracts payable | | | | | |
| Due to other funds | 95,081 | 6,046 | | 270,733 | 361,150 |
| Deferred revenue | 95,372 | | | 26,157 | |
| Unearned revenue | 57,366 | | | | |
| Other liabilities and escrow deposits | | 1,460 | | | |
| TOTAL LIABILITIES | <u>250,411</u> | <u>7,506</u> | <u>4,705</u> | <u>354,824</u> | <u>361,150</u> |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Noncurrent loans | | 82,460 | | | 178,988 |
| Restricted | | 34,822 | | 213,628 | 240,001 |
| Committed | | | | | |
| Assigned | | | 758,962 | | |
| Unassigned | | | | | |
| TOTAL FUND BALANCE | <u>-</u> | <u>117,282</u> | <u>758,962</u> | <u>213,628</u> | <u>418,989</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>250,411</u> | <u>124,788</u> | <u>763,667</u> | <u>568,452</u> | <u>780,139</u> |

Special Revenue Funds

| <i>Economic Development</i> | <i>Law Enforcement Block Grant</i> | <i>Law Enforcement Programs</i> | <i>Brownfield Grant</i> | <i>TIRZ #1</i> | <i>Rotary Splash Park</i> | <i>Stormwater Management</i> | <i>Supportive Housing Grant</i> |
|-----------------------------|------------------------------------|---------------------------------|-------------------------|----------------|---------------------------|------------------------------|---------------------------------|
| 613,705 500,000 | 1,175 | 10,085 | | 101,154 | | | |
| | | | | 2,601 | | | |
| 41,204 | | | 5,766 | | | | 68,913 |
| 145 | | | | 208 | | | |
| <u>1,155,054</u> | <u>1,175</u> | <u>10,085</u> | <u>5,766</u> | <u>103,963</u> | <u>-</u> | <u>-</u> | <u>68,913</u> |
| 5,736 | | | 80,518 5,766 | | 124,375 | | 65,386 68,913 |
| <u>5,736</u> | <u>-</u> | <u>-</u> | <u>86,284</u> | <u>-</u> | <u>124,375</u> | <u>-</u> | <u>134,299</u> |
| 1,149,318 | 1,175 | 10,085 | | 103,963 | | | |
| | | | (80,518) | | (124,375) | | (65,386) |
| <u>1,149,318</u> | <u>1,175</u> | <u>10,085</u> | <u>(80,518)</u> | <u>103,963</u> | <u>(124,375)</u> | <u>-</u> | <u>(65,386)</u> |
| <u>1,155,054</u> | <u>1,175</u> | <u>10,085</u> | <u>5,766</u> | <u>103,963</u> | <u>-</u> | <u>-</u> | <u>68,913</u> |

(Continued)

CITY OF TEXARKANA, TEXAS

BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS September 30, 2013

| | <i>Special Revenue Funds</i> | | | | <i>Total Special Revenue</i> |
|---|------------------------------------|---------------------------------------|---|---------------------------------------|--------------------------------------|
| | <i>EPA Petroleum Grant</i> | <i>EPA Job Training Grant</i> | <i>EPA Revolving Loan Grant</i> | <i>EPA Multipurpose Grant</i> | |
| ASSETS | | | | | |
| Cash | 2,005 | | | 11,369 | 1,416,397 |
| Investments - certificates of deposit | | | | | 1,000,499 |
| Receivables (net of allowance for uncollectible): | | | | | |
| Property taxes | | | | | 2,601 |
| Other taxes | | | | | 145,861 |
| Accounts | | | | | 49,341 |
| Other government agencies | 3,245 | 65,359 | 1,582 | | 240,237 |
| Accrued interest | | | | | 512 |
| Loans | | | | | 935,788 |
| Due from other funds | | | | | 41,088 |
| House held for resale | | | | | 83,649 |
| TOTAL ASSETS | <u>5,250</u> | <u>65,359</u> | <u>1,582</u> | <u>11,369</u> | <u>3,915,973</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Bank overdraft | | | | | - |
| Accounts payable | | 32,587 | | 10,485 | 114,039 |
| Contracts payable | | | | | - |
| Due to other funds | 5,250 | 32,772 | 1,582 | 682 | 1,043,575 |
| Deferred revenue | 3,245 | 65,359 | 1,582 | | 266,394 |
| Unearned revenue | | | | | 57,366 |
| Other liabilities and escrow deposits | | | | | 1,460 |
| TOTAL LIABILITIES | <u>8,495</u> | <u>130,718</u> | <u>3,164</u> | <u>11,167</u> | <u>1,482,834</u> |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Noncurrent loans | | | | | 261,448 |
| Restricted | | | | 202 | 499,913 |
| Committed | | | | | 1,149,318 |
| Assigned | | | | | 862,925 |
| Unassigned | (3,245) | (65,359) | (1,582) | | (340,465) |
| TOTAL FUND BALANCE | <u>(3,245)</u> | <u>(65,359)</u> | <u>(1,582)</u> | <u>202</u> | <u>2,433,139</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>5,250</u> | <u>65,359</u> | <u>1,582</u> | <u>11,369</u> | <u>3,915,973</u> |

Capital Projects Funds

| <u>1998 Bond</u> | <u>2003 Bond</u> | <u>2005 Bond</u> | <u>2010 Bond</u> | <u>TIRZ Bond</u> | <u>Total Capital Project</u> | <u>Total Nonmajor Governmental Fund</u> |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---|--|
| | 624,623 | 711,514 29,029 | | 3,573,992 | 4,910,129 29,029 | 6,326,526 1,029,528 |
| | | | | | - | 2,601 |
| | | | | | - | 145,861 |
| | 2,780 | | | | 2,780 | 52,121 |
| | | | | | - | 240,237 |
| | | 21 | | | 21 | 533 |
| | | | | | - | 935,788 |
| | 3,588 | | 270,733 | | 274,321 | 315,409 |
| | | | | | - | 83,649 |
| <u> </u> | <u>630,991</u> | <u>740,564</u> | <u>270,733</u> | <u>3,573,992</u> | <u>5,216,280</u> | <u>9,132,253</u> |
| | | | | | | |
| | | | 270,705 | | 270,705 | 270,705 |
| | | | | | - | 114,039 |
| | 3,318 | | | 474,691 | 478,009 | 478,009 |
| | 800 | | | | 800 | 1,044,375 |
| | | | | | - | 266,394 |
| | | | | | - | 57,366 |
| | | | | | - | 1,460 |
| <u> </u> | <u>4,118</u> | <u>-</u> | <u>270,705</u> | <u>474,691</u> | <u>749,514</u> | <u>2,232,348</u> |
| | | | | | | |
| | | | | | - | 261,448 |
| | 626,873 | 740,564 | 28 | 3,099,301 | 4,466,766 | 4,966,679 |
| | | | | | - | 1,149,318 |
| | | | | | - | 862,925 |
| | | | | | - | (340,465) |
| <u> </u> | <u>626,873</u> | <u>740,564</u> | <u>28</u> | <u>3,099,301</u> | <u>4,466,766</u> | <u>6,899,905</u> |
| | | | | | | |
| <u> </u> | <u>630,991</u> | <u>740,564</u> | <u>270,733</u> | <u>3,573,992</u> | <u>5,216,280</u> | <u>9,132,253</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, 2013

| | <i>Special Revenue Funds</i> | | | | |
|---|--|----------------|------------------|---------------------------------|----------------|
| | <i>Housing and Community Development</i> | <i>HOME</i> | <i>Theatre</i> | <i>Hotel/ Motel Tax</i> | <i>Housing</i> |
| REVENUES: | | | | | |
| Property taxes | \$ - | | | | |
| Taxes-other | | | | 1,218,522 | |
| Franchise receipts | | | | | |
| Charges for services | | | 90,205 | | |
| Grants and entitlements | 359,921 | 176,310 | | | |
| Investment earnings: | | | | | |
| Interest and dividends | | | 2,194 | 1,251 | 29,293 |
| Intergovernmental | | | | | |
| Other | 52,750 | | 3,611 | | |
| Total revenues | <u>412,671</u> | <u>176,310</u> | <u>96,010</u> | <u>1,219,773</u> | <u>29,293</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 2,260 | | | | |
| Public safety | | | | | |
| Parks and recreation | | | 354,085 | 497,523 | |
| Health and welfare | 206,713 | 120,136 | | | 14,206 |
| Capital outlay | 203,698 | | 59,890 | | |
| Total expenditures | <u>412,671</u> | <u>120,136</u> | <u>413,975</u> | <u>497,523</u> | <u>14,206</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>56,174</u> | <u>(317,965)</u> | <u>722,250</u> | <u>15,087</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | | 3,946 | 305,000 | 364,240 | |
| Transfers out | | | (1,861) | (2,078,345) | |
| Total other financing sources (uses) | <u>-</u> | <u>3,946</u> | <u>303,139</u> | <u>(1,714,105)</u> | <u>-</u> |
| Net change in fund balances | - | 60,120 | (14,826) | (991,855) | 15,087 |
| Fund balances at beginning of year | | 57,162 | 773,788 | 1,205,483 | 403,902 |
| Fund balances at end of year | <u>-</u> | <u>117,282</u> | <u>758,962</u> | <u>213,628</u> | <u>418,989</u> |

Special Revenue Funds

| <i>Economic Development</i> | <i>Law Enforcement Block Grant</i> | <i>Law Enforcement Programs</i> | <i>Brownfield Grant</i> | <i>TIRZ #1</i> | <i>Rotary Splash Park</i> | <i>Storm-water Management</i> | <i>Supportive Housing Grant</i> |
|-----------------------------|------------------------------------|---------------------------------|-------------------------|------------------|---------------------------|-------------------------------|---------------------------------|
| | | | | 185,254 | | | |
| 366,686 | | | | | | | |
| | 39,446 | | 43,557 | | | | |
| 4,042 | 25 | 39 | | 423 | | | 168 |
| | | | | 77,170 | | | 214,524 |
| <u>370,728</u> | <u>39,471</u> | <u>39</u> | <u>43,557</u> | <u>262,847</u> | <u>73,494</u> | <u>-</u> | <u>214,692</u> |
| | | | | | | | |
| 212,948 | | | | 125 | 463 | | |
| | 39,218 | | 49,323 | | | | |
| | | | | | | | 280,078 |
| <u>212,948</u> | <u>39,218</u> | <u>-</u> | <u>49,323</u> | <u>125</u> | <u>6,458</u> | <u>-</u> | <u>280,078</u> |
| | | | | | | | |
| <u>157,780</u> | <u>253</u> | <u>39</u> | <u>(5,766)</u> | <u>262,722</u> | <u>66,573</u> | <u>-</u> | <u>(65,386)</u> |
| | | | | | | | |
| <u>(710,000)</u> | | | | <u>(170,623)</u> | | <u>(49,737)</u> | |
| <u>(710,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(170,623)</u> | <u>-</u> | <u>(49,737)</u> | <u>-</u> |
| | | | | | | | |
| <u>(552,220)</u> | <u>253</u> | <u>39</u> | <u>(5,766)</u> | <u>92,099</u> | <u>66,573</u> | <u>(49,737)</u> | <u>(65,386)</u> |
| | | | | | | | |
| <u>1,701,538</u> | <u>922</u> | <u>10,046</u> | <u>(74,752)</u> | <u>11,864</u> | <u>(190,948)</u> | <u>49,737</u> | |
| | | | | | | | |
| <u>1,149,318</u> | <u>1,175</u> | <u>10,085</u> | <u>(80,518)</u> | <u>103,963</u> | <u>(124,375)</u> | <u>-</u> | <u>(65,386)</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, 2013

| | <i>Special Revenue Funds</i> | | | | |
|---|------------------------------------|---------------------------------------|---|---------------------------------------|--------------------------------------|
| | <i>EPA Petroleum Grant</i> | <i>EPA Job Training Grant</i> | <i>EPA Revolving Loan Grant</i> | <i>EPA Multipurpose Grant</i> | <i>Total Special Revenue</i> |
| REVENUES: | | | | | |
| Property taxes | | | | | 185,254 |
| Taxes-other | | | | | 1,218,522 |
| Franchise receipts | | | | | 366,686 |
| Charges for services | | | | | 90,205 |
| Grants and entitlements | | | | | 619,234 |
| Investment earnings: | | | | | |
| Interest and dividends | | | | | 37,435 |
| Intergovernmental | 7,912 | 180,131 | 563 | 12,086 | 492,386 |
| Other | | | | | 129,855 |
| Total revenues | <u>7,912</u> | <u>180,131</u> | <u>563</u> | <u>12,086</u> | <u>3,139,577</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | | | | | 215,796 |
| Public safety | | | | | 88,541 |
| Parks and recreation | | | | | 851,608 |
| Health and welfare | 11,157 | 250,735 | 2,145 | 11,884 | 897,054 |
| Capital outlay | | | | | 270,046 |
| Total expenditures | <u>11,157</u> | <u>250,735</u> | <u>2,145</u> | <u>11,884</u> | <u>2,323,045</u> |
| Excess (deficiency) of revenues over expenditures | <u>(3,245)</u> | <u>(70,604)</u> | <u>(1,582)</u> | <u>202</u> | <u>816,532</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | | 5,245 | | | 678,431 |
| Transfers out | | | | | (3,010,566) |
| Total other financing sources (uses) | <u>-</u> | <u>5,245</u> | <u>-</u> | <u>-</u> | <u>(2,332,135)</u> |
| Net change in fund balances | (3,245) | (65,359) | (1,582) | 202 | (1,515,603) |
| Fund balances at beginning of year | | | | | <u>3,948,742</u> |
| Fund balances at end of year | <u>(3,245)</u> | <u>(65,359)</u> | <u>(1,582)</u> | <u>202</u> | <u>2,433,139</u> |

Capital Projects Funds

| <u>1998 Bond</u> | <u>2003 Bond</u> | <u>2005 Bond</u> | <u>2010 Bond</u> | <u>TIRZ Bond</u> | <u>Total Capital Projects</u> | <u>Total Nonmajor Governmental Fund</u> |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|--|--|
| | | | | | - | 185,254 |
| | | | | | - | 1,218,522 |
| | | | | | - | 366,686 |
| | | | | | - | 90,205 |
| | | 9,215 | | | 9,215 | 628,449 |
| | 2,484 | 3,922 | 7 | 4,702 | 11,115 | 48,550 |
| | | | | | - | 492,386 |
| | 3,800 | | 147,267 | | 151,067 | 280,922 |
| - | 6,284 | 13,137 | 147,274 | 4,702 | 171,397 | 3,310,974 |
| | | | | | - | 215,796 |
| | | | | | - | 88,541 |
| | | | | | - | 851,608 |
| | | | | | - | 897,054 |
| | 81,384 | 19,634 | 461,905 | 905,398 | 1,468,321 | 1,738,367 |
| - | 81,384 | 19,634 | 461,905 | 905,398 | 1,468,321 | 3,791,366 |
| - | (75,100) | (6,497) | (314,631) | (900,696) | (1,296,924) | (480,392) |
| | | | 1,056,052 | | 1,056,052 | 1,734,483 |
| (3) | | | | | (3) | (3,010,569) |
| (3) | - | - | 1,056,052 | - | 1,056,049 | (1,276,086) |
| (3) | (75,100) | (6,497) | 741,421 | (900,696) | (240,875) | (1,756,478) |
| 3 | 701,973 | 747,061 | (741,393) | 3,999,997 | 4,707,641 | 8,656,383 |
| - | 626,873 | 740,564 | 28 | 3,099,301 | 4,466,766 | 6,899,905 |
| | | | | | | (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, 2013

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variances with Final Budget Over (Under)</i> |
|--|-------------------------|------------------|------------------|---|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES: | | | | |
| Charges for services | \$ 117,914 | 83,310 | 90,205 | 6,895 |
| Investment earnings: | | | | |
| Interest and dividends | 3,700 | 2,500 | 2,194 | (306) |
| Other | 4,735 | 4,735 | 3,611 | (1,124) |
| Total revenues | <u>126,349</u> | <u>90,545</u> | <u>96,010</u> | <u>5,465</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Parks and recreation | 480,243 | 362,273 | 354,085 | 8,188 |
| Capital outlay | | 59,890 | 59,890 | - |
| Total expenditures | <u>480,243</u> | <u>422,163</u> | <u>413,975</u> | <u>8,188</u> |
| Excess (deficiency) of revenues over expenditures | <u>(353,894)</u> | <u>(331,618)</u> | <u>(317,965)</u> | <u>13,653</u> |
| OTHER FINANCING SOURCES/USES | | | | |
| Transfers in | 305,000 | 305,000 | 305,000 | - |
| Transfers out | (1,861) | (1,861) | (1,861) | - |
| Total other financing sources/uses | <u>303,139</u> | <u>303,139</u> | <u>303,139</u> | <u>-</u> |
| Net change in fund balances | (50,755) | (28,479) | (14,826) | 13,653 |
| Fund balances at beginning of year | <u>773,788</u> | <u>773,788</u> | <u>773,788</u> | <u>-</u> |
| Fund balances at end of year | <u>\$ 723,033</u> | <u>745,309</u> | <u>758,962</u> | <u>13,653</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, 2013**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variances with Final Budget Over (Under)</i> |
|--|-------------------------|--------------------|--------------------|---|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES: | | | | |
| Taxes-other | \$ 1,197,000 | 1,150,980 | 1,218,522 | 67,542 |
| Investment earnings: | | | | |
| Interest and dividends | 5,500 | 2,400 | 1,251 | (1,149) |
| Total revenues | <u>1,202,500</u> | <u>1,153,380</u> | <u>1,219,773</u> | <u>66,393</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Parks and recreation | 566,079 | 464,075 | 497,523 | (33,448) |
| Total expenditures | <u>566,079</u> | <u>464,075</u> | <u>497,523</u> | <u>(33,448)</u> |
| Excess (deficiency) of revenues over expenditures | <u>636,421</u> | <u>689,305</u> | <u>722,250</u> | <u>32,945</u> |
| OTHER FINANCING USES: | | | | |
| Transfers in | 53,135 | 364,240 | 364,240 | - |
| Transfers out | 1,000,428 | (2,088,404) | (2,078,345) | 10,059 |
| Total other financing uses | <u>1,053,563</u> | <u>(1,724,164)</u> | <u>(1,714,105)</u> | <u>10,059</u> |
| Net change in fund balances | 1,689,984 | (1,034,859) | (991,855) | 43,004 |
| Fund balances at beginning of year | <u>1,205,483</u> | <u>1,205,483</u> | <u>1,205,483</u> | <u>-</u> |
| Fund balances at end of year | <u>\$ 2,895,467</u> | <u>170,624</u> | <u>213,628</u> | <u>43,004</u> |

CITY OF TEXARKANA, TEXAS

**ECONOMIC DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2013**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variances with Final Budget Over (Under)</i> |
|---|-------------------------|------------------|------------------|---|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES: | | | | |
| Franchise receipts | \$ 371,000 | 351,500 | 366,686 | 15,186 |
| Investment earnings: | | | | |
| Interest and dividends | 6,500 | 8,200 | 4,042 | (4,158) |
| Other | 500 | 500 | | (500) |
| Total revenues | <u>378,000</u> | <u>360,200</u> | <u>370,728</u> | <u>10,528</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | <u>300,045</u> | <u>280,555</u> | <u>212,948</u> | <u>67,607</u> |
| Total expenditures | <u>300,045</u> | <u>280,555</u> | <u>212,948</u> | <u>67,607</u> |
| Excess of revenues over expenditures | <u>77,955</u> | <u>79,645</u> | <u>157,780</u> | <u>78,135</u> |
| OTHER FINANCING USES: | | | | |
| Transfers out | <u>(721,340)</u> | <u>(710,000)</u> | <u>(710,000)</u> | <u>-</u> |
| Total other financing uses | <u>(721,340)</u> | <u>(710,000)</u> | <u>(710,000)</u> | <u>-</u> |
| Net change in fund balances | (643,385) | (630,355) | (552,220) | 78,135 |
| Fund balances at beginning of year | <u>1,701,538</u> | <u>1,701,538</u> | <u>1,701,538</u> | <u>-</u> |
| Fund balances at end of year | <u>\$ 1,058,153</u> | <u>1,071,183</u> | <u>1,149,318</u> | <u>78,135</u> |

CITY OF TEXARKANA, TEXAS

**LAW ENFORCEMENT PROGRAMS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended September 30, 2013**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variances with Final Budget Over (Under)</i> |
|------------------------------------|-------------------------|---------------|---------------|---|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES: | | | | |
| Investment earnings: | | | | |
| Interest and dividends | \$ 55 | 28 | 39 | 11 |
| Intergovernmental | 5,325 | | | - |
| Total revenues | <u>5,380</u> | <u>28</u> | <u>39</u> | <u>11</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | 18,119 | | | - |
| Total expenditures | <u>18,119</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (12,739) | 28 | 39 | 11 |
| Fund balances at beginning of year | <u>10,046</u> | <u>10,046</u> | <u>10,046</u> | <u>-</u> |
| Fund balances at end of year | <u>\$ (2,693)</u> | <u>10,074</u> | <u>10,085</u> | <u>11</u> |

CITY OF TEXARKANA, TEXAS

BROWNFIELD GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2013

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variances with Final Budget Over (Under)</i> |
|------------------------------------|-------------------------|-----------------|-----------------|---|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES: | | | | |
| Grants and entitlements | \$ - | 57,500 | 43,557 | (13,943) |
| Total revenues | <u>-</u> | <u>57,500</u> | <u>43,557</u> | <u>(13,943)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Health and welfare | | 57,500 | 49,323 | 8,177 |
| Total expenditures | <u>-</u> | <u>57,500</u> | <u>49,323</u> | <u>8,177</u> |
| Net change in fund balances | - | - | (5,766) | (5,766) |
| Fund balances at beginning of year | <u>(74,752)</u> | <u>(74,752)</u> | <u>(74,752)</u> | <u>-</u> |
| Fund balances at end of year | <u>\$ (74,752)</u> | <u>(74,752)</u> | <u>(80,518)</u> | <u>(5,766)</u> |

CITY OF TEXARKANA, TEXAS

TIRZ #1 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2013

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variances with Final Budget Over (Under)</i> |
|--|-------------------------|------------------|------------------|---|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES: | | | | |
| Property taxes | \$ 171,847 | 180,846 | 185,254 | 4,408 |
| Investment earnings: | | | | |
| Interest and dividends | 550 | 450 | 423 | (27) |
| Intergovernmental | 110,250 | 77,170 | 77,170 | - |
| Total revenues | <u>282,647</u> | <u>258,466</u> | <u>262,847</u> | <u>4,381</u> |
| EXPENDITURES: | | | | |
| General government | | 400 | 125 | 275 |
| Total expenditures | <u>-</u> | <u>400</u> | <u>125</u> | <u>275</u> |
| Excess (deficiency) of revenues over expenditures | <u>282,647</u> | <u>258,066</u> | <u>262,722</u> | <u>4,106</u> |
| OTHER FINANCING SOURCES/USES | | | | |
| Transfers out | (218,629) | (170,623) | (170,623) | - |
| Total other financing sources/uses | <u>(218,629)</u> | <u>(170,623)</u> | <u>(170,623)</u> | <u>-</u> |
| Net change in fund balances | 64,018 | 87,443 | 92,099 | 4,106 |
| Fund balances at beginning of year | <u>11,864</u> | <u>11,864</u> | <u>11,864</u> | <u>-</u> |
| Fund balances at end of year | <u>\$ 75,882</u> | <u>99,307</u> | <u>103,963</u> | <u>4,106</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, 2013**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variances with Final Budget Over (Under)</i> |
|--|----------------------------|-----------------|-----------------|---|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES: | | | | |
| Fees and permits | \$ - | | | - |
| Investment earnings: | | | | |
| Interest and dividends | | | | - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXPENDITURES: | | | | |
| Public works | 548,876 | | | - |
| Total expenditures | <u>548,876</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>(548,876)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| OTHER FINANCING SOURCES/USES | | | | |
| Transfers in | | | | - |
| Transfers out | (1,124) | (49,737) | (49,737) | - |
| Total other financing sources/uses | <u>(1,124)</u> | <u>(49,737)</u> | <u>(49,737)</u> | <u>-</u> |
| Net change in fund balances | (550,000) | (49,737) | (49,737) | - |
| Fund balances at beginning of year | <u>49,737</u> | <u>49,737</u> | <u>49,737</u> | <u>-</u> |
| Fund balances at end of year | <u><u>\$ (500,263)</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> |

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 POSITION NONMAJOR ENTERPRISE FUNDS September 30, 2013

| | <i>Lake Texarkana Water Supply Corporation</i> | <i>International Paper Company Water System Contract Fund</i> | <i>Total</i> |
|---|--|---|------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ - | 51,953 | 51,953 |
| Receivables (net of allowance for uncollectible): | | | |
| Accounts | | 71,838 | 71,838 |
| Due from other funds | 40,805 | 55 | 40,860 |
| Due from other governments | 1,618 | | 1,618 |
| Total current assets | <u>42,423</u> | <u>123,846</u> | <u>166,269</u> |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Cash | 848,077 | 121,003 | 969,080 |
| Accounts receivable | | 384,383 | 384,383 |
| Total noncurrent assets | <u>848,077</u> | <u>505,386</u> | <u>1,353,463</u> |
| TOTAL ASSETS | <u>890,500</u> | <u>629,232</u> | <u>1,519,732</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | | 82,281 | 82,281 |
| Accrued liabilities | | 1,410 | 1,410 |
| Due to other funds | 174 | 299,361 | 299,535 |
| Total current liabilities | <u>174</u> | <u>383,052</u> | <u>383,226</u> |
| Noncurrent liabilities: | | | |
| Capital improvement deposits | 890,326 | 246,180 | 1,136,506 |
| Total noncurrent liabilities | <u>890,326</u> | <u>246,180</u> | <u>1,136,506</u> |
| TOTAL LIABILITIES | <u>890,500</u> | <u>629,232</u> | <u>1,519,732</u> |
| NET POSITION | | | |
| Unrestricted | | | - |
| TOTAL NET POSITION | <u>\$ -</u> | <u>-</u> | <u>-</u> |

CITY OF TEXARKANA, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended September 30, 2013**

| | <i>Lake Texarkana Water Supply Corporation</i> | <i>International Paper Company Water System Contract Fund</i> | <i>Total</i> |
|--|--|---|----------------|
| OPERATING REVENUES | | | |
| Water sales | \$ - | 934,012 | 934,012 |
| Total operating revenues | <u>-</u> | <u>934,012</u> | <u>934,012</u> |
| OPERATING EXPENSES | | | |
| Contract water & sewer expense-International Paper | <u>-</u> | 934,828 | 934,828 |
| Total operating expense | <u>-</u> | <u>934,828</u> | <u>934,828</u> |
| Operating income (loss) | <u>-</u> | <u>(816)</u> | <u>(816)</u> |
| NONOPERATING REVENUES | | | |
| Interest revenue - investments | <u>-</u> | 816 | 816 |
| Total nonoperating revenues | <u>-</u> | <u>816</u> | <u>816</u> |
| Change in net position | - | - | - |
| Total net position, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| Total net position, 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, 2013

| | <i>Lake Texarkana Water Supply Corporation</i> | <i>International Paper Company Water System Contract Fund</i> | <i>Total</i> |
|--|--|---|------------------|
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ - | 780,133 | 780,133 |
| Cash paid to suppliers | | (784,431) | (784,431) |
| Cash paid to employees | | (103,044) | (103,044) |
| Net cash provided (used) from operating activities | <u>-</u> | <u>(107,342)</u> | <u>(107,342)</u> |
| Cash flows from capital and related financing activities: | | | |
| Acquisition and construction of capital assets | (371,489) | | (371,489) |
| Capital improvement deposits received | 83,616 | | 83,616 |
| Interest received on capital improvement deposits | 4,510 | | 4,510 |
| Net cash used from capital and related financing activities | <u>(283,363)</u> | <u>-</u> | <u>(283,363)</u> |
| Cash flows from investing activities: | | | |
| Proceeds from sale and maturities of investments | 750,000 | | 750,000 |
| Interest received on investments | | 816 | 816 |
| Net cash provided from investing activities | <u>750,000</u> | <u>816</u> | <u>750,816</u> |
| Net increase in cash | 466,637 | (106,526) | 360,111 |
| Cash, beginning of year | <u>381,440</u> | <u>279,482</u> | <u>660,922</u> |
| Cash, end of year | <u>\$ 848,077</u> | <u>172,956</u> | <u>1,021,033</u> |

CITY OF TEXARKANA, TEXAS

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended September 30, 2013

| | <i>Lake Texarkana Water Supply Corporation</i> | <i>International Paper Company Water System Contract Fund</i> | <i>Total</i> |
|--|--|---|------------------|
| <u>Reconciliation of operating income to net cash provided by operating activities</u> | | | |
| Operating income (loss) | \$ - | (816) | (816) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| (Increase) decrease in assets: | | | |
| Accounts receivable | | (153,879) | (153,879) |
| Increase (decrease) in liabilities: | | | |
| Accounts payable | | 34,244 | 34,244 |
| Accrued liabilities | | 200 | 200 |
| Due to other funds | | 12,909 | 12,909 |
| Total adjustments | <u>-</u> | <u>(106,526)</u> | <u>(106,526)</u> |
| Net cash provided from operating activities | <u>\$ -</u> | <u>(107,342)</u> | <u>(107,342)</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 POSITION INTERNAL SERVICE FUNDS September 30, 2013

| | <i>Employee Benefit</i> | <i>Fleet Services</i> | <i>Total</i> |
|---|-----------------------------|---------------------------|------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ 1,683,135 | 105,330 | 1,788,465 |
| Receivables (net of allowance for uncollectible): | | | |
| Accounts | 20,250 | 334 | 20,584 |
| Other government agencies | 509,936 | | 509,936 |
| Inventory | | 11,764 | 11,764 |
| Total current assets | <u>2,213,321</u> | <u>117,428</u> | <u>2,330,749</u> |
| Noncurrent assets: | | | |
| Capital assets (net of accumulated depreciation) | | | |
| Buildings | | 91,324 | 91,324 |
| Improvements other than buildings | | 21,320 | 21,320 |
| Machinery and equipment | | 30,111 | 30,111 |
| Licensed vehicles | | 43,210 | 43,210 |
| Total capital assets (net of accumulated depreciation) | <u>-</u> | <u>185,965</u> | <u>185,965</u> |
| TOTAL ASSETS | <u>2,213,321</u> | <u>303,393</u> | <u>2,516,714</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 672,714 | 27,795 | 700,509 |
| Accrued payroll | | 7,149 | 7,149 |
| Due to other funds | 1,712 | | 1,712 |
| TOTAL LIABILITIES | <u>674,426</u> | <u>34,944</u> | <u>709,370</u> |
| NET POSITION | | | |
| Invested in capital assets | | 185,965 | 185,965 |
| Unrestricted | 1,538,895 | 82,484 | 1,621,379 |
| TOTAL NET POSITION | <u>\$ 1,538,895</u> | <u>268,449</u> | <u>1,807,344</u> |

CITY OF TEXARKANA, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2013

| | <i>Employee Benefit</i> | <i>Fleet Services</i> | <i>Total</i> |
|---|-----------------------------|---------------------------|--------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| OPERATING REVENUES | | | |
| Charges for services | \$ 5,259,750 | 71,902 | 5,331,652 |
| Other | | 5,650 | 5,650 |
| Total revenues | <u>5,259,750</u> | <u>77,552</u> | <u>5,337,302</u> |
| OPERATING EXPENSES | | | |
| Benefit payments | 5,083,279 | | 5,083,279 |
| Cost of sales and service | | 1,353,201 | 1,353,201 |
| Depreciation | | 19,982 | 19,982 |
| Total expenditures | <u>5,083,279</u> | <u>1,373,183</u> | <u>6,456,462</u> |
| Operating income (loss) | <u>176,471</u> | <u>(1,295,631)</u> | <u>(1,119,160)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest revenue | 3,086 | 71 | 3,157 |
| Total nonoperating revenues (expenses) | <u>3,086</u> | <u>71</u> | <u>3,157</u> |
| Income (loss) before transfers | 179,557 | (1,295,560) | (1,116,003) |
| Transfers in | | 1,246,979 | 1,246,979 |
| Transfers out | | (1,664) | (1,664) |
| Change in net position | 179,557 | (50,245) | 129,312 |
| Total net position - beginning | <u>1,359,338</u> | <u>318,694</u> | <u>1,678,032</u> |
| Total net position - ending | <u>\$ 1,538,895</u> | <u>268,449</u> | <u>1,807,344</u> |

CITY OF TEXARKANA, TEXAS

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended September 30, 2013

| | <i>Employee Benefit</i> | <i>Fleet Services</i> | <i>Total</i> |
|---|-----------------------------|---------------------------|------------------|
| Cash flows from operating activities: | | | |
| Cash received from users | \$ 897,692 | | 897,692 |
| Cash received from interfund services provided and used | 3,838,296 | 1,473,517 | 5,311,813 |
| Cash paid to suppliers | (4,829,083) | (1,098,175) | (5,927,258) |
| Cash paid to employees | | (268,723) | (268,723) |
| Net cash used from operating activities | <u>(93,095)</u> | <u>106,619</u> | <u>13,524</u> |
| Cash flows from noncapital financing activities: | | | |
| Transfers to other funds | | (1,664) | (1,664) |
| Net cash provided (used) from noncapital financing activities | <u>-</u> | <u>(1,664)</u> | <u>(1,664)</u> |
| Cash flows from investing activities: | | | |
| Interest received from investment | 3,086 | 71 | 3,157 |
| Net cash provided from investing activities | <u>3,086</u> | <u>71</u> | <u>3,157</u> |
| Net increase (decrease) in cash | (90,009) | 105,026 | 15,017 |
| Cash at beginning of year | 1,773,144 | 304 | 1,773,448 |
| Cash at end of year | <u>1,683,135</u> | <u>105,330</u> | <u>1,788,465</u> |
| <u>Reconciliation of Operating Income to Net Cash</u> | | | |
| <u>Provided by Operating Activities</u> | | | |
| Operating income (loss) | 176,471 | (1,295,631) | (1,119,160) |
| Adjustments to Reconcile Operating Income to Net Cash | | | |
| Provided by Operating Activities | | | |
| Depreciation | | 19,982 | 19,982 |
| Transfers from other funds | | 1,246,979 | 1,246,979 |
| (Increase) decrease in assets: | | | |
| Accounts receivable | (16,930) | (58) | (16,988) |
| Due from other government agencies | (509,593) | | (509,593) |
| Due from other funds | 2,761 | 149,042 | 151,803 |
| Inventory | | 8,255 | 8,255 |
| Increase (decrease) in liabilities: | | | |
| Accrued liabilities | 258,734 | (6,712) | 252,022 |
| Accrued payroll | | 1,204 | 1,204 |
| Due to other funds | (4,538) | (16,442) | (20,980) |
| Total adjustments | <u>(269,566)</u> | <u>1,402,250</u> | <u>1,132,684</u> |
| Net cash provided by operating activities | <u>\$ (93,095)</u> | <u>106,619</u> | <u>13,524</u> |

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, 2013

| | <i>Balance October 1, 2012</i> | <i>Additions</i> | <i>Deductions</i> | <i>Balance September 30, 2013</i> |
|-------------------------------------|--|------------------|-------------------|---|
| POLICE EVIDENCE FUND | | | | |
| Assets | | | | |
| Cash | \$ 23,492 | 230 | (230) | 23,492 |
| Total Assets | <u>23,492</u> | <u>230</u> | <u>(230)</u> | <u>23,492</u> |
| Liabilities | | | | |
| Escrow Deposits | 23,492 | 53 | (53) | 23,492 |
| Total Liabilities | <u>23,492</u> | <u>53</u> | <u>(53)</u> | <u>23,492</u> |
| Net position | <u>-</u> | <u>177</u> | <u>(177)</u> | <u>-</u> |
| DRUG ENFORCEMENT ESCROW FUND | | | | |
| Assets | | | | |
| Cash | 49,424 | 28,913 | (42,629) | 35,708 |
| Total Assets | <u>49,424</u> | <u>28,913</u> | <u>(42,629)</u> | <u>35,708</u> |
| Liabilities | | | | |
| Escrow deposits | 49,424 | 28,634 | (42,350) | 35,708 |
| Total liabilities | <u>49,424</u> | <u>28,634</u> | <u>(42,350)</u> | <u>35,708</u> |
| Net position | <u>-</u> | <u>279</u> | <u>(279)</u> | <u>-</u> |
| TOTAL ALL AGENCY FUNDS | | | | |
| Assets | | | | |
| Cash | 72,916 | 29,143 | (42,859) | 59,200 |
| Total assets | <u>72,916</u> | <u>29,143</u> | <u>(42,859)</u> | <u>59,200</u> |
| Liabilities | | | | |
| Escrow deposits | 72,916 | 28,687 | (42,403) | 59,200 |
| Total liabilities | <u>72,916</u> | <u>28,687</u> | <u>(42,403)</u> | <u>59,200</u> |
| Net position | <u>\$ -</u> | <u>456</u> | <u>(456)</u> | <u>-</u> |

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

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CITY OF TEXARKANA, TEXAS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY SOURCE

September 30, 2013

Governmental funds capital assets:

| | |
|---|-----------------------|
| Land | \$ 45,755,321 |
| Buildings | 30,678,648 |
| Improvements other than buildings | 7,718,339 |
| Infrastructure | 106,456,775 |
| Machinery and equipment | 4,136,024 |
| Licensed vehicles | 8,509,009 |
| Construction in progress | 6,953,871 |
| Total governmental funds capital assets | <u>\$ 210,207,987</u> |

Investments in governmental funds capital assets by source:

| | |
|---|-----------------------|
| General fund | \$ 136,508,376 |
| Special revenue funds | 4,169,518 |
| Capital projects funds | 69,530,093 |
| Total governmental funds capital assets | <u>\$ 210,207,987</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

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION AND ACTIVITY September 30, 2013

| Function and activity | <u><i>Land</i></u> | <u><i>Buildings</i></u> | <u><i>Improvements other than Buildings</i></u> | <u><i>Infrastructure</i></u> |
|--------------------------------|--------------------|-------------------------|---|------------------------------|
| General government | | | | |
| City manager | | | | |
| Quality assurance | | | | |
| Municipal court | | | | |
| Finance administration | | | | |
| Purchasing | | 374,743 | | |
| Accounting | | | | |
| Building maintenance | | 1,900,832 | 133,102 | |
| Economic development | | | | 244,500 |
| Other - unclassified | 45,755,321 | | | |
| Total general government | <u>45,755,321</u> | <u>2,275,575</u> | <u>133,102</u> | <u>244,500</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 | | | | |
| Narcotics operations | | | | |
| Law enforcement | | | | |
| Fire administration | | | | |
| Fire operations | | 1,639,541 | 136,236 | 12,493 |
| Fire prevention | | | | |
| Fire training | | 791,009 | | |
| Emergency management | | 6,450 | | 11,109 |
| Total public safety | <u>-</u> | <u>14,551,969</u> | <u>303,324</u> | <u>23,602</u> |
| Public works | | | | |
| Engineering design | | | | |
| Street maintenance | | 460,894 | 368,717 | 102,911,356 |
| Inspection | | | | |
| Sign and signal | | 249,164 | 64,064 | 2,684,999 |
| Stormwater management | | | | 61,893 |
| Total public works | <u>-</u> | <u>710,058</u> | <u>432,781</u> | <u>105,658,248</u> |

| <i><u>Machinery and Equipment</u></i> | <i><u>Licensed Vehicles</u></i> | <i><u>Construction in Progress</u></i> | <i><u>Total</u></i> |
|---|-------------------------------------|--|---------------------|
| 8,985 | | | 8,985 |
| 29,158 | | | 29,158 |
| 70,567 | | | 70,567 |
| 335,401 | | | 335,401 |
| 166,667 | | | 541,410 |
| 11,635 | | | 11,635 |
| | | | 2,033,934 |
| | | | 244,500 |
| | | | <u>45,755,321</u> |
| <u>622,413</u> | <u>-</u> | <u>-</u> | <u>49,030,911</u> |
| 6,000 | 388,068 | | 12,630,401 |
| 143,248 | 1,157,749 | | 1,300,997 |
| 11,017 | 216,321 | | 273,062 |
| 30,452 | 286,514 | | 316,966 |
| 5,795 | 51,625 | | 57,420 |
| | 39,386 | | 39,386 |
| | 80,170 | | 80,170 |
| 15,188 | 15,250 | | 30,438 |
| 14,150 | | | 14,150 |
| 12,000 | | | 12,000 |
| 14,414 | | | 14,414 |
| | 29,561 | | 29,561 |
| 238,265 | 2,727,692 | | 4,754,227 |
| 14,309 | 46,516 | | 60,825 |
| | 17,424 | | 808,433 |
| <u>231,179</u> | <u>32,175</u> | | <u>280,913</u> |
| <u>736,017</u> | <u>5,088,451</u> | <u>-</u> | <u>20,703,363</u> |
| 109,228 | 65,133 | | 174,361 |
| 842,838 | 2,372,993 | 5,491,132 | 112,447,930 |
| | 91,040 | | 91,040 |
| 102,857 | 267,722 | | 3,368,806 |
| 310,389 | | | 372,282 |
| <u>1,365,312</u> | <u>2,796,888</u> | <u>5,491,132</u> | <u>116,454,419</u> |

CITY OF TEXARKANA, TEXAS

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

September 30, 2013

| Function and activity | <u><i>Land</i></u> | <u><i>Buildings</i></u> | <u><i>Improvements other than Buildings</i></u> | <u><i>Infrastructure</i></u> |
|---|----------------------|-------------------------|---|------------------------------|
| Health and welfare | | | | |
| Community development | | 6,500 | | |
| Environmental services | | | | |
| Farmers' market | | | | 107,792 |
| Total health and welfare | <u>-</u> | <u>6,500</u> | <u>-</u> | <u>107,792</u> |
| Parks and recreation | | | | |
| Parks maintenance | | 2,039,414 | 1,710,740 | 243,274 |
| Recreational programs | | 54,874 | 3,983,926 | |
| Perot Theatre | | 3,061,434 | 51,468 | |
| Perot Theatre building maintenance | | 59,890 | | |
| Senior citizens programs | | 103,800 | 70,084 | |
| Beverly Center | | 125,960 | | |
| Sports Promotion | | | | |
| Library | | 2,621,241 | 46,228 | 67,149 |
| Convention Center | | 5,067,933 | 986,686 | 112,210 |
| Total parks and recreation | <u>-</u> | <u>13,134,546</u> | <u>6,849,132</u> | <u>422,633</u> |
| Total governmental funds capital assets | <u>\$ 45,755,321</u> | <u>30,678,648</u> | <u>7,718,339</u> | <u>106,456,775</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.

| <i><u>Machinery and Equipment</u></i> | <i><u>Licensed Vehicles</u></i> | <i><u>Construction in Progress</u></i> | <i><u>Total</u></i> |
|---|-------------------------------------|--|---------------------|
| 37,480 | 16,600 | | 60,580 |
| 11,271 | 32,829 | | 44,100 |
| | | | 107,792 |
| <u>48,751</u> | <u>49,429</u> | <u>-</u> | <u>212,472</u> |
| 817,727 | 574,241 | 1,462,739 | 6,848,135 |
| 69,417 | | | 4,108,217 |
| 82,330 | | | 3,195,232 |
| 57,950 | | | 117,840 |
| | | | 173,884 |
| | | | 125,960 |
| 12,540 | | | 12,540 |
| 6,438 | | | 2,741,056 |
| 317,129 | | | 6,483,958 |
| <u>1,363,531</u> | <u>574,241</u> | <u>1,462,739</u> | <u>23,806,822</u> |
| <u>4,136,024</u> | <u>8,509,009</u> | <u>6,953,871</u> | <u>210,207,987</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, 2013

| Function and activity | <i>Governmental Funds Capital Assets 9/30/2012</i> | <i>Additions</i> |
|---------------------------------|---|-------------------------|
| General government | | |
| City manager | \$ - | 8,985 |
| Quality assurance | 29,158 | |
| Municipal court | 70,567 | |
| Finance administration | 326,416 | 8,985 |
| Purchasing | 346,124 | 203,688 |
| Accounting | 11,635 | |
| Building maintenance | 2,033,934 | |
| Economic development | 244,500 | |
| Other - unclassified | 45,492,821 | 262,500 |
| Total general government | 48,555,155 | 484,158 |
| Public safety | | |
| Police administration | 12,538,099 | 306,669 |
| Patrol division | 1,101,365 | |
| Services division | 293,637 | |
| Criminal investigation | 316,966 | |
| Commercial vehicle enforcement | 57,420 | |
| Code enforcement | 20,180 | 19,206 |
| Animal control | 100,027 | |
| Special operations | 30,438 | |
| Narcotics | 14,150 | |
| Narcotics operations | - | 12,000 |
| Law enforcement | - | 14,414 |
| Fire administration | 29,561 | |
| Fire operations | 4,750,647 | 11,200 |
| Fire prevention | 76,310 | |
| Fire training | 808,433 | |
| Emergency management | 309,681 | |
| Total public safety | 20,446,914 | 363,489 |
| Public works | | |
| Engineering design | 188,662 | |
| Street maintenance | 111,117,736 | 1,424,931 |
| Inspection | 84,506 | 18,176 |
| Sign and signal | 3,403,925 | 27,989 |

| <u>Deductions</u> | <u>Transfers</u> | <u>Governmental Funds Capital Assets 9/30/2013</u> |
|-------------------|------------------|--|
| | | 8,985 |
| | | 29,158 |
| | | 70,567 |
| | | 335,401 |
| (8,402) | | 541,410 |
| | | 11,635 |
| | | 2,033,934 |
| | | 244,500 |
| | | 45,755,321 |
| <u>(8,402)</u> | <u>-</u> | <u>49,030,911</u> |
| | (214,367) | 12,630,401 |
| (43,503) | 243,135 | 1,300,997 |
| (20,575) | | 273,062 |
| | | 316,966 |
| | | 57,420 |
| | | 39,386 |
| (19,857) | | 80,170 |
| | | 30,438 |
| | | 14,150 |
| | | 12,000 |
| | | 14,414 |
| | | 29,561 |
| (7,620) | | 4,754,227 |
| (15,485) | | 60,825 |
| | | 808,433 |
| | (28,768) | 280,913 |
| <u>(107,040)</u> | <u>-</u> | <u>20,703,363</u> |
| (14,301) | | 174,361 |
| (181,967) | 87,230 | 112,447,930 |
| (11,642) | | 91,040 |
| (63,108) | | 3,368,806 |

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, 2013

| | <i>Governmental Funds Capital Assets 9/30/2012</i> | <i>Additions</i> |
|---|--|-------------------------|
| Function and activity | | |
| Stormwater management | - | 372,282 |
| Total public works | <u>114,794,829</u> | <u>1,843,378</u> |
| Health and welfare | | |
| Community development | 23,100 | 37,480 |
| Environmental services | 44,100 | |
| Farmers' market | 107,792 | |
| Total health and welfare | <u>174,992</u> | <u>37,480</u> |
| Parks and recreation | | |
| Parks maintenance | 5,178,234 | 1,775,537 |
| Recreational programs | 4,101,762 | 6,455 |
| Perot Theatre | 3,195,232 | |
| Perot Theatre building maintenance | - | 117,840 |
| Senior citizens programs | 173,884 | |
| Beverly Center | 125,960 | |
| Sports Promotion | 18,797 | 12,540 |
| Library | 2,741,056 | |
| Convention Center | 6,632,110 | |
| Total parks and recreation | <u>22,167,035</u> | <u>1,912,372</u> |
| Total governmental funds capital assets | <u><u>206,138,925</u></u> | <u><u>4,640,877</u></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.

| <u>Deductions</u> | <u>Transfers</u> | <i>Governmental Funds Capital Assets 9/30/2013</i> |
|-------------------|------------------|--|
| | | 372,282 |
| <u>(271,018)</u> | <u>87,230</u> | <u>116,454,419</u> |
| | | 60,580 |
| | | 44,100 |
| | | 107,792 |
| <u>-</u> | <u>-</u> | <u>212,472</u> |
| (37,203) | (68,433) | 6,848,135 |
| | | 4,108,217 |
| | | 3,195,232 |
| | | 117,840 |
| | | 173,884 |
| | | 125,960 |
| | (18,797) | 12,540 |
| (148,152) | | 2,741,056 |
| <u>(185,355)</u> | <u>(87,230)</u> | <u>6,483,958</u> |
| <u>(571,815)</u> | <u>-</u> | <u>23,806,822</u> |
| | | <u>210,207,987</u> |

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Component Units

CITY OF TEXARKANA, TEXAS

BALANCE SHEET COMPONENT UNITS September 30, 2013

| | <u>Health</u> | <u>Public Library</u> |
|---|-------------------|---------------------------|
| ASSETS | | |
| Cash | \$ 201,994 | 658,819 |
| Investments | | 502,239 |
| Receivables (net of allowance for uncollectible): | | |
| Other government agencies | 133,053 | 11,124 |
| Accrued interest | | 32 |
| Prepaid items | | 6,123 |
| TOTAL ASSETS | <u>\$ 335,047</u> | <u>1,178,337</u> |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable | \$ 30,469 | 8,085 |
| Accrued payroll | 14,884 | 8,923 |
| Deferred revenue | 57,227 | |
| TOTAL LIABILITIES | <u>102,580</u> | <u>17,008</u> |
| Fund Balances: | | |
| Nonspendable: | | |
| Prepaid items | | 6,123 |
| Permanent principal | | 10,000 |
| Restricted | | 133,076 |
| Committed | | 222,010 |
| Assigned | | 183,205 |
| Unassigned | 232,467 | 606,915 |
| TOTAL FUND BALANCES | <u>232,467</u> | <u>1,161,329</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 335,047</u> | <u>1,178,337</u> |

CITY OF TEXARKANA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE COMPONENT UNITS For the Year Ended September 30, 2013

| | <u>Health</u> | <u>Public Library</u> |
|--|-------------------|---------------------------|
| REVENUES | | |
| Charges for services | \$ 249,193 | 36,244 |
| Grants and entitlements | 733,242 | 20,616 |
| Investment earnings: | | |
| Interest and dividends | | 14,744 |
| Net increase (decrease) in fair value of investments | | (2,618) |
| Intergovernmental | 156,190 | 829,162 |
| Other | 231 | 17,810 |
| Total revenues | <u>1,138,856</u> | <u>915,958</u> |
| EXPENDITURES | | |
| Current: | | |
| Culture and recreation | | 854,372 |
| Health and welfare | 1,071,769 | |
| Capital outlay | | 105,715 |
| Total expenditures | <u>1,071,769</u> | <u>960,087</u> |
| Net change in fund balance | 67,087 | (44,129) |
| Fund balance at beginning of year | <u>165,380</u> | <u>1,205,458</u> |
| Fund balance at end of year | <u>\$ 232,467</u> | <u>1,161,329</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

STATISTICAL SECTION
Net Position by Component
Last Nine Fiscal Years
Schedule 1
 (accrual basis of accounting)

| | <i>Fiscal Year</i> | | | |
|---|-----------------------|--------------------|--------------------|--------------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| Governmental activities: | | | | |
| Invested in capital assets | \$ 74,294,428 | 75,882,325 | 76,103,232 | 76,349,021 |
| Restricted | 2,276,875 | 3,858,131 | 3,808,754 | 3,955,059 |
| Unrestricted | 12,354,500 | 10,442,284 | 16,623,006 | 14,341,579 |
| Total governmental activities net position | <u>88,925,803</u> | <u>90,182,740</u> | <u>96,534,992</u> | <u>94,645,659</u> |
| Business-type activities: | | | | |
| Invested in capital assets | 52,418,769 | 53,583,586 | 55,838,951 | 57,848,213 |
| Restricted | 7,530,857 | 7,524,832 | 8,176,712 | 6,458,586 |
| Unrestricted | 6,064,248 | 7,207,285 | 6,079,546 | 5,662,181 |
| Total business-type activities net position | <u>66,013,874</u> | <u>68,315,703</u> | <u>70,095,209</u> | <u>69,968,980</u> |
| Primary government | | | | |
| Invested in capital assets | 126,713,197 | 135,935,912 | 131,942,183 | 134,197,234 |
| Restricted | 9,807,732 | 11,382,963 | 11,985,466 | 10,413,645 |
| Unrestricted | 19,318,748 | 11,179,568 | 22,702,552 | 20,003,760 |
| Total primary government net position | <u>\$ 155,839,677</u> | <u>158,498,443</u> | <u>166,630,201</u> | <u>164,614,639</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>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
| 75,187,833 | 75,989,018 | 73,083,340 | 77,541,533 | 82,719,452 |
| 4,597,610 | 3,527,351 | 22,377,550 | 16,346,523 | 13,196,487 |
| 16,619,162 | 16,705,965 | 395,143 | 5,992,540 | 5,815,734 |
| <u>96,404,605</u> | <u>96,222,334</u> | <u>95,856,033</u> | <u>99,880,596</u> | <u>101,731,673</u> |
| 57,582,403 | 56,910,208 | 58,447,526 | 59,671,961 | 58,503,625 |
| 7,646,353 | 9,365,905 | 9,068,969 | 6,302,773 | 8,744,657 |
| 4,777,364 | 4,719,398 | 4,782,683 | 4,317,249 | 2,932,377 |
| <u>70,006,120</u> | <u>70,995,511</u> | <u>72,299,178</u> | <u>70,291,983</u> | <u>70,180,659</u> |
| 132,770,236 | 132,899,226 | 131,530,866 | 137,213,494 | 141,223,077 |
| 12,243,963 | 12,893,256 | 31,446,519 | 22,649,296 | 21,941,144 |
| 21,396,526 | 21,425,363 | 5,177,826 | 10,309,789 | 8,748,111 |
| <u>166,410,725</u> | <u>167,217,845</u> | <u>168,155,211</u> | <u>170,172,579</u> | <u>171,912,332</u> |

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Changes in Net Position

Last Nine Fiscal Years

Schedule 2

(accrual basis of accounting)

| | <i>Fiscal Year</i> | | | |
|---|----------------------|-------------------|-------------------|-------------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| Expenses | | | | |
| Governmental activities: | | | | |
| Current: | | | | |
| General government | \$ 5,740,531 | 6,146,510 | 6,612,065 | 7,494,737 |
| Public safety | 13,243,055 | 13,182,978 | 13,517,972 | 13,812,910 |
| Public works | 5,632,282 | 5,832,473 | 5,956,957 | 5,682,854 |
| Parks and recreation | 2,398,572 | 2,520,349 | 2,632,806 | 2,926,214 |
| Health and welfare | 838,040 | 1,250,425 | 1,260,117 | 1,391,078 |
| Interest on long-term debt | 1,297,580 | 2,056,693 | 1,954,819 | 1,947,304 |
| Total governmental activities expenses | <u>29,150,060</u> | <u>30,989,428</u> | <u>31,934,736</u> | <u>33,255,097</u> |
| Business-type activities: | | | | |
| Water and Sewer | 13,147,935 | 13,348,455 | 13,931,868 | 15,361,311 |
| Total business-type activities expenses | <u>13,147,935</u> | <u>13,348,455</u> | <u>13,931,868</u> | <u>15,361,311</u> |
| Total primary government expenses | <u>42,297,995</u> | <u>44,337,883</u> | <u>45,866,604</u> | <u>48,616,408</u> |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | 744,237 | 995,303 | 1,081,360 | 966,780 |
| Public safety | 1,029,318 | 1,488,121 | 1,506,126 | 1,839,093 |
| Other activities | 506,723 | 459,752 | 496,407 | 607,380 |
| Operating grants and contributions | 1,419,592 | 1,183,307 | 1,616,829 | 1,476,933 |
| Capital grants and contributions | | | | 355,900 |
| Total governmental activities program revenues | <u>3,699,870</u> | <u>4,126,483</u> | <u>4,700,722</u> | <u>5,246,086</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Water and sewer | 13,227,921 | 14,351,535 | 13,453,857 | 13,988,748 |
| Capital grants and contributions | 90,800 | 1,054 | 879,848 | 41,822 |
| Total business-type activities program revenues | <u>13,318,721</u> | <u>14,352,589</u> | <u>14,333,705</u> | <u>14,030,570</u> |
| Total primary government program revenues | <u>\$ 17,018,591</u> | <u>18,479,072</u> | <u>19,034,427</u> | <u>19,276,656</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>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
| 6,677,826 | 6,009,327 | 5,523,459 | 5,984,631 | 6,797,714 |
| 16,495,996 | 17,460,252 | 17,142,327 | 17,624,401 | 16,886,838 |
| 6,755,059 | 7,271,760 | 7,117,788 | 7,461,167 | 7,498,517 |
| 2,755,050 | 2,906,975 | 3,027,226 | 2,918,560 | 3,379,678 |
| 1,724,892 | 1,630,227 | 1,659,584 | 2,451,906 | 2,335,011 |
| 1,868,860 | 2,246,394 | 2,747,460 | 2,593,982 | 2,167,516 |
| <u>36,277,683</u> | <u>37,524,935</u> | <u>37,217,844</u> | <u>39,034,647</u> | <u>39,065,274</u> |
| | | | | |
| 16,166,206 | 16,154,126 | 15,592,718 | 15,840,902 | 15,813,999 |
| 16,166,206 | 16,154,126 | 15,592,718 | 15,840,902 | 15,813,999 |
| <u>52,443,889</u> | <u>53,679,061</u> | <u>52,810,562</u> | <u>54,875,549</u> | <u>54,879,273</u> |
| | | | | |
| 978,806 | 1,057,194 | 957,111 | 583,956 | 981,567 |
| 2,148,979 | 1,735,896 | 1,619,345 | 1,725,816 | 1,698,464 |
| 572,359 | 678,445 | 645,522 | 581,768 | 748,273 |
| 2,513,783 | 1,552,787 | 1,133,876 | 2,467,647 | 1,851,104 |
| | 293,158 | | | 566,142 |
| <u>6,213,927</u> | <u>5,317,480</u> | <u>4,355,854</u> | <u>5,359,187</u> | <u>5,845,550</u> |
| | | | | |
| 15,184,072 | 15,259,196 | 16,030,015 | 16,136,042 | 15,642,192 |
| | 199,074 | | | 39,387 |
| <u>15,184,072</u> | <u>15,458,270</u> | <u>16,030,015</u> | <u>16,136,042</u> | <u>15,681,579</u> |
| <u>21,397,999</u> | <u>20,775,750</u> | <u>20,385,869</u> | <u>21,495,229</u> | <u>21,527,129</u> |

(Continued)

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Changes in Net Position

Last Nine Fiscal Years

Schedule 2 Continued

| | <i>Fiscal Year</i> | | | |
|---|---------------------|---------------------|---------------------|---------------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| Net (Expense)/Revenue | | | | |
| Governmental activities | \$ (25,450,190) | (26,862,945) | (27,234,014) | (28,009,011) |
| Business-type activities | 170,786 | 1,004,134 | 401,837 | (1,330,741) |
| Total primary government net expense | <u>(25,279,404)</u> | <u>(25,858,811)</u> | <u>(26,832,177)</u> | <u>(29,339,752)</u> |
| General Revenues and Other Changes in Net Position | | | | |
| Governmental activities: | | | | |
| Property taxes | 8,582,181 | 9,959,722 | 10,689,899 | 11,456,172 |
| Sales taxes | 11,520,058 | 12,349,822 | 12,861,211 | 13,045,922 |
| Franchise taxes | 1,969,038 | 2,165,122 | 2,160,078 | 2,230,071 |
| Other taxes | 932,178 | 919,402 | 892,562 | 1,261,153 |
| Unrestricted investment earnings | 592,936 | 1,603,970 | 1,425,700 | 663,762 |
| Gain on sale of capital assets | | 6,398 | 62,273 | |
| Miscellaneous | 403,711 | 178,743 | 627,374 | 1,231,150 |
| Transfers | 83,900 | 36,703 | 14,308 | 17,325 |
| Total governmental activities | <u>24,084,002</u> | <u>27,219,882</u> | <u>28,733,405</u> | <u>29,905,555</u> |
| Business-type activities: | | | | |
| Unrestricted investment earnings | 581,326 | 583,293 | 669,904 | 348,128 |
| Gain on sale of capital assets | 2,185 | - | | |
| Miscellaneous | 834,342 | 751,105 | 722,073 | 873,709 |
| Transfers | (83,900) | (36,703) | (14,308) | (17,325) |
| Total business-type activities program revenues | <u>1,333,953</u> | <u>1,297,695</u> | <u>1,377,669</u> | <u>1,204,512</u> |
| Change in Net Position | | | | |
| Governmental activities | (1,366,188) | 356,937 | 1,499,391 | 1,896,544 |
| Business-type activities | 1,504,739 | 2,301,829 | 1,779,506 | (126,229) |
| Total primary government | <u>\$ 138,551</u> | <u>2,658,766</u> | <u>3,278,897</u> | <u>1,770,315</u> |

| <i>Fiscal Year</i> | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
| (30,063,756) | (32,207,455) | (32,861,990) | (33,675,460) | (33,219,724) |
| (982,134) | (695,856) | 437,297 | 295,140 | (132,420) |
| <u>(31,045,890)</u> | <u>(32,903,311)</u> | <u>(32,424,693)</u> | <u>(33,380,320)</u> | <u>(33,352,144)</u> |
| 13,346,908 | 13,584,920 | 13,655,104 | 15,577,638 | 15,763,817 |
| 13,392,204 | 13,148,821 | 13,800,353 | 14,114,271 | 14,326,770 |
| 2,196,103 | 2,197,528 | 2,070,004 | 2,002,603 | 2,005,690 |
| 1,183,855 | 1,379,404 | 1,278,680 | 1,264,118 | 1,351,583 |
| 198,386 | 243,935 | 211,155 | 186,700 | 170,967 |
| 1,486,346 | 1,451,676 | 1,211,493 | 1,235,793 | 365,470 |
| 18,900 | 18,900 | 268,900 | 3,318,900 | 1,086,504 |
| <u>31,822,702</u> | <u>32,025,184</u> | <u>32,495,689</u> | <u>37,700,023</u> | <u>35,070,801</u> |
| 94,880 | 48,472 | 65,121 | 50,601 | 38,346 |
| 943,294 | 1,655,675 | 1,070,149 | 965,964 | 1,069,254 |
| (18,900) | (18,900) | (268,900) | (3,318,900) | (1,086,504) |
| <u>1,019,274</u> | <u>1,685,247</u> | <u>866,370</u> | <u>(2,302,335)</u> | <u>21,096</u> |
| 1,758,946 | (182,271) | (366,301) | 4,024,563 | 1,851,077 |
| 37,140 | 989,391 | 1,303,667 | (2,007,195) | (111,324) |
| <u>1,796,086</u> | <u>807,120</u> | <u>937,366</u> | <u>2,017,368</u> | <u>1,739,753</u> |

(Concluded)

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Program Revenues by Function/ Program

Last Nine Fiscal Years

Schedule 3

(accrual basis of accounting)

| | <i>Program Revenues</i> | | | |
|-----------------------------------|-------------------------|-------------------|-------------------|-------------------|
| | <i>2005</i> | <i>2006</i> | <i>2007</i> | <i>2008</i> |
| Function/ Program | | | | |
| Governmental activities: | | | | |
| General government | \$ 816,697 | 1,035,897 | 1,231,574 | 1,565,525 |
| Public safety | 1,758,076 | 1,831,168 | 2,019,494 | 2,153,738 |
| Public works | 283,348 | 313,885 | 444,022 | 671,838 |
| Parks and Recreation | 156,632 | 167,308 | 199,088 | 167,696 |
| Health and welfare | 685,117 | 778,225 | 806,544 | 687,289 |
| Subtotal governmental activities | <u>3,699,870</u> | <u>4,126,483</u> | <u>4,700,722</u> | <u>5,246,086</u> |
| <i>Business-type activities:</i> | | | | |
| Water and sewer | 13,318,721 | 14,352,589 | 14,333,705 | 14,030,570 |
| Subtotal business-type activities | <u>13,318,721</u> | <u>14,352,589</u> | <u>14,333,705</u> | <u>14,030,570</u> |
| Total primary government | <u>\$ 17,018,591</u> | <u>18,479,072</u> | <u>19,034,427</u> | <u>19,276,656</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

Program Revenues

| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| 1,436,165 | 1,385,662 | 1,049,720 | 750,688 | 1,145,219 |
| 2,991,916 | 2,604,636 | 2,112,675 | 2,321,374 | 1,988,390 |
| 446,057 | 509,842 | 223,836 | 332,797 | 680,520 |
| 238,500 | 296,044 | 315,563 | 527,139 | 365,251 |
| <u>1,101,289</u> | <u>521,296</u> | <u>654,060</u> | <u>1,427,189</u> | <u>1,666,170</u> |
| <u>6,213,927</u> | <u>5,317,480</u> | <u>4,355,854</u> | <u>5,359,187</u> | <u>5,845,550</u> |
| | | | | |
| <u>15,184,072</u> | <u>15,458,270</u> | <u>16,030,015</u> | <u>16,136,042</u> | <u>15,681,579</u> |
| <u>15,184,072</u> | <u>15,458,270</u> | <u>16,030,015</u> | <u>16,136,042</u> | <u>15,681,579</u> |
| | | | | |
| <u>21,397,999</u> | <u>20,775,750</u> | <u>20,385,869</u> | <u>21,495,229</u> | <u>21,527,129</u> |

CITY OF TEXARKANA, TEXAS

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

| | <i>Fiscal Year</i> | | | |
|-------------------------------------|----------------------|-------------------|-------------------|-------------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| General Fund | | | | |
| Reserved | \$ 332,751 | 384,658 | 425,905 | 491,130 |
| Unreserved | 985,581 | 732,852 | 504,565 | 205,066 |
| Nonspendable | | | | |
| Restricted | | | | |
| Assigned | | | | |
| Unassigned | 1,977,402 | 1,985,615 | 2,990,900 | 3,595,302 |
| Total General Fund | <u>\$ 3,295,734</u> | <u>3,103,125</u> | <u>3,921,370</u> | <u>4,291,498</u> |
| All Other Governmental Funds | | | | |
| Reserved | \$ 24,685,615 | 21,604,607 | 12,395,257 | 7,093,884 |
| Unreserved, designated for | | | | |
| Convention center | | | 469,717 | 827,949 |
| Unreserved | | | | |
| Special revenue fund | 246,959 | 564,945 | 1,474,430 | 1,757,441 |
| Debt service fund | 1,410,722 | 1,588,486 | 1,779,458 | 1,748,284 |
| Capital projects fund | 2,950,060 | 1,345,965 | 1,841,743 | 786,593 |
| 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> | <u>12,214,151</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.

| <i>Fiscal Year</i> | | | | |
|--------------------|-------------------|-------------------|-------------------|-------------------|
| <u>2009</u> | <u>2010</u> | <u>2011*</u> | <u>2012</u> | <u>2013</u> |
| 372,368 | 379,637 | | | |
| 551,949 | 1,550,244 | | | |
| | | 93,257 | 101,081 | 98,990 |
| | | 499,889 | 478,043 | 330,049 |
| | | 2,172,462 | 462,852 | 36,021 |
| <u>4,245,301</u> | <u>3,371,709</u> | <u>2,785,910</u> | <u>7,808,993</u> | <u>10,327,257</u> |
| <u>5,169,618</u> | <u>5,301,590</u> | <u>5,551,518</u> | <u>8,850,969</u> | <u>10,792,317</u> |
| 4,356,314 | 25,434,284 | | | |
| 1,183,828 | 201,975 | | | |
| 2,400,757 | 2,369,474 | | | |
| 1,707,982 | 1,538,656 | | | |
| 622,126 | 469,315 | | | |
| | | 638,311 | 310,426 | 261,448 |
| | | 1,309,318 | 854,290 | 499,913 |
| | | 670,992 | 318,394 | |
| | | 19,599,146 | 14,388,271 | 12,070,107 |
| | | 1,911,341 | 1,751,275 | 1,149,318 |
| | | 697,434 | 1,371,484 | 862,925 |
| | | (23,568) | (338,733) | (340,465) |
| | | | | (104,606) |
| | | | (741,393) | |
| <u>10,271,007</u> | <u>30,013,704</u> | <u>24,802,974</u> | <u>17,914,014</u> | <u>14,398,640</u> |

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION
Changes in Fund Balances, Governmental Funds
Last Nine Fiscal Years
Schedule 5
(modified accrual basis of accounting)

| | <i>Fiscal Year</i> | | | |
|---|----------------------|--------------------|--------------------|--------------------|
| | <i>2005</i> | <i>2006</i> | <i>2007</i> | <i>2008</i> |
| REVENUES: | | | | |
| Taxes | \$ 23,112,100 | 25,243,079 | 26,545,692 | 27,941,371 |
| Fees and permits | 343,759 | 426,164 | 219,157 | 309,680 |
| Charges for services | 589,071 | 620,418 | 775,330 | 694,878 |
| Municipal court | 895,266 | 1,251,154 | 1,428,189 | 1,734,734 |
| Grants and entitlements | 1,043,160 | 939,334 | 929,462 | 884,610 |
| Investment earnings | 10,828 | 1,557,036 | 1,377,117 | 620,674 |
| Intergovernmental | 475,944 | 213,570 | 504,807 | 284,794 |
| Sale of capital assets | 197,474 | | | |
| Other | 303,120 | 404,529 | 602,235 | 1,021,179 |
| Total revenues | <u>26,970,722</u> | <u>30,655,284</u> | <u>32,381,989</u> | <u>33,491,920</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 5,420,827 | 5,627,117 | 6,240,999 | 7,171,027 |
| Public safety | 11,738,759 | 12,428,580 | 12,823,379 | 13,615,418 |
| Public works | 3,340,575 | 3,399,674 | 3,806,711 | 3,467,370 |
| Parks and recreation | 1,882,981 | 2,076,854 | 2,151,789 | 2,496,629 |
| Health and welfare | 198,072 | 596,843 | 674,659 | 613,902 |
| Miscellaneous | 467,717 | 504,364 | 410,378 | 612,979 |
| Capital outlay | 4,690,270 | 6,235,723 | 9,738,050 | 7,960,625 |
| Debt service: | | | | |
| Principal retirement | 2,116,829 | 2,553,606 | 2,798,292 | 2,583,789 |
| Interest and fiscal charges | 943,887 | 1,682,159 | 1,588,909 | 1,573,889 |
| Bond issuance costs | 229,878 | 73,907 | | 12,820 |
| Total expenditures | <u>31,029,795</u> | <u>35,178,827</u> | <u>40,233,166</u> | <u>40,108,448</u> |
| Excess (deficiency) of revenues over expenditures | <u>(4,059,073)</u> | <u>(4,523,543)</u> | <u>(7,851,177)</u> | <u>(6,616,528)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 646,229 | 404,381 | 555,206 | 408,440 |
| Transfers out | (562,329) | (367,678) | (540,898) | (391,115) |
| Bonds issued | 17,750,000 | 3,060,000 | | |
| Tax notes issued | | | | 1,200,000 |
| 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> | <u>1,217,325</u> |
| Net change in fund balances | <u>\$ 14,753,525</u> | <u>(4,162,972)</u> | <u>(7,588,250)</u> | <u>(5,399,203)</u> |
| Debt Service as a percentage of noncapital expenditures | 11.6% | 14.6% | 14.4% | 12.9% |

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>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
| 30,037,456 | 30,258,026 | 30,846,064 | 33,042,265 | 33,432,131 |
| 395,834 | 395,511 | 200,558 | 185,615 | 245,003 |
| 677,603 | 846,054 | 760,200 | 622,632 | 1,175,867 |
| 2,051,942 | 1,648,799 | 1,723,251 | 1,715,643 | 1,631,182 |
| 1,182,928 | 1,013,367 | 766,275 | 1,999,673 | 794,466 |
| 173,039 | 233,463 | 199,616 | 178,533 | 167,813 |
| 507,715 | 677,714 | 289,924 | 321,621 | 1,092,352 |
| | | 780,731 | | |
| 935,364 | 467,527 | 335,346 | 288,508 | 647,550 |
| <u>35,961,881</u> | <u>35,540,461</u> | <u>35,901,965</u> | <u>38,354,490</u> | <u>39,186,364</u> |
| 6,326,081 | 5,638,878 | 5,167,206 | 5,687,089 | 6,096,316 |
| 15,178,168 | 16,291,717 | 15,479,970 | 15,729,556 | 15,370,410 |
| 4,036,371 | 4,004,301 | 4,077,566 | 3,815,722 | 3,843,357 |
| 2,159,831 | 2,282,880 | 2,342,064 | 2,133,616 | 2,393,470 |
| 1,497,632 | 1,419,374 | 1,483,147 | 2,272,270 | 2,144,737 |
| 9,609 | 16,448 | 11,134 | | |
| 3,650,301 | 6,115,692 | 6,859,040 | 12,141,083 | 4,651,366 |
| 2,685,087 | 2,552,290 | 3,472,228 | 3,788,802 | 3,780,647 |
| 1,502,725 | 1,897,567 | 2,415,565 | 2,301,087 | 2,182,138 |
| | 394,530 | | 219,427 | 193,000 |
| <u>37,045,805</u> | <u>40,613,677</u> | <u>41,307,920</u> | <u>48,088,652</u> | <u>40,655,441</u> |
| <u>(1,083,924)</u> | <u>(5,073,216)</u> | <u>(5,405,955)</u> | <u>(9,734,162)</u> | <u>(1,469,077)</u> |
| 488,197 | 593,911 | 1,510,273 | 4,277,448 | 4,472,167 |
| (469,297) | (752,978) | (1,065,120) | (2,406,073) | (4,630,978) |
| | 24,420,000 | | 14,845,000 | 14,550,000 |
| | | | (11,805,488) | (15,788,017) |
| | 446,830 | | 1,150,861 | 1,270,367 |
| | 332,847 | | 82,905 | 21,512 |
| | (92,725) | | | |
| <u>18,900</u> | <u>24,947,885</u> | <u>445,153</u> | <u>6,144,653</u> | <u>(104,949)</u> |
| <u>(1,065,024)</u> | <u>19,874,669</u> | <u>(4,960,802)</u> | <u>(3,589,509)</u> | <u>(1,574,026)</u> |
| 12.5% | 12.9% | 17.1% | 16.9% | 16.6% |

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION
Tax Revenue by Source, Governmental Funds
Last Nine 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 |
| 2013 | 15,762,593 | 14,326,770 | 2,005,689 | 1,337,079 | 33,432,131 |
| 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.

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> |
| 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 |
| 2013 | 2012 | 366,695,306 | 2,130,026,677 | 2,496,721,983 | 0.6693 | 15,599,509 | 10,280,076 | 5,146,278 | 173,155 |

Note:

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

Source: Bowie Central Appraisal District

Unaudited - see accompanying auditors' report

CITY OF TEXARKANA, TEXAS

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> | |
| 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 |
| 2013 | 0.41819 | 0.24368 | 0.00743 | 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

Overlapping Rates

| <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 | 0.3141 | 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 |
| 1.339 | 0.3612 | 0.10527 | 1.26126 | 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>2013</u> | |
|-------------------------------------|-------------|--|---|
| | | <u>2012 Assessed Valuation (1) (2)</u> | <u>Percentage of Total Assessed Valuation</u> |
| Christus Health ArkLaTex | 1 | \$ 107,106,725 | 4.29% |
| GG&A Central Mall Partners | 2 | 31,920,937 | 1.28% |
| AEP Southwestern Electric Power Co. | 3 | 16,444,294 | 0.66% |
| Richmond Road Apartments LP | 4 | 14,215,963 | 0.57% |
| Candle Corporation of America | 5 | 12,067,270 | 0.48% |
| Valor Telecom of Texas LP | 6 | 11,123,104 | 0.45% |
| Orr, William Gregg | 7 | 11,115,483 | 0.45% |
| Condeb, LP | 8 | 10,646,206 | 0.43% |
| Cowhorn Creek Properties, LLC | 9 | 10,573,819 | 0.42% |
| WalMart Stores #01-2123 | 10 | 9,488,718 | 0.38% |
| Central Mall - Ed Warmack | | | |
| Four States Regional Health Center | | | |
| Home Depot, USA, Inc. | | | |
| Target Corp. | | | |
| Total principal taxpayers | | <u>\$ 234,702,519</u> | <u>9.41%</u> |

(1) Net of exemptions

(2) Source - Bowie Central Appraisal District

Unaudited - see accompanying auditors' report

| <i>2004</i> | | |
|-------------|--|---|
| <i>Rank</i> | <i>2003 Assessed Valuation (1) (2)</i> | <i>Percentage of Total Assessed Valuation</i> |
| 1 | \$ 29,229,697 | 1.73% |
| 6 | 16,266,882 | 0.96% |
| 5 | 16,934,061 | 1.00% |
| 3 | 19,698,595 | 1.16% |
| 9 | 10,245,269 | 0.60% |
| 4 | 17,537,805 | 1.04% |
| 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>\$ 172,674,033</u> | <u>10.19%</u> |

CITY OF TEXARKANA, TEXAS

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> |
| 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% | 22,092 | 12,656,899 | 97.57% |
| 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% |
| 2013 | 2012 | 15,599,509 | 15,256,890 | 97.80% | 304,184 | 15,561,074 | 99.75% |

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

Source - Bowie Central Appraisal District.

CITY OF TEXARKANA, TEXAS

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> |
|------------------------|---------------------------------|-------------------------|
| 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% |
| 2013 | 1.50% | 0.50% |

Source: Texas Comptroller Website

CITY OF TEXARKANA, TEXAS

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>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Residential | 936,885 | 1,029,450 | 1,020,361 | 944,028 | 937,401 |
| Commercial | 716,485 | 799,087 | 722,743 | 664,667 | 652,537 |
| Member Cities | 919,958 | 1,005,885 | 1,012,144 | 905,547 | 936,941 |
| Wholesale | <u>633,148</u> | <u>726,797</u> | <u>752,482</u> | <u>723,824</u> | <u>683,562</u> |
| Total | <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> | <u><u>3,210,441</u></u> |
| Total Direct Rate | | | | | |
| per 1,000 Gallons | | | | | |
| Residential | 2.27 | 2.35 | 2.43 | 2.48 | 2.59 |
| Commercial | 1.71 | 1.77 | 1.83 | 1.87 | 1.95 |
| Member Cities | 0.56 | 0.58 | 0.64 | 0.67 | 0.64 |

| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| 914,376 | 926,250 | 1,164,446 | 1,141,614 | 1,027,446 |
| 585,553 | 596,290 | 735,020 | 769,874 | 717,174 |
| 916,698 | 928,052 | 1,014,877 | 1,071,608 | 952,637 |
| <u>676,645</u> | <u>717,840</u> | <u>683,856</u> | <u>650,888</u> | <u>958,491</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> | <u><u>3,655,748</u></u> |

| | | | | |
|------|------|------|------|--------|
| 3.01 | 3.01 | 3.01 | 3.01 | 3.01 |
| 2.26 | 2.26 | 2.26 | 2.26 | 2.26 |
| 0.98 | 0.77 | 0.65 | 0.83 | 0.7308 |

CITY OF TEXARKANA, TEXAS

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> |
| Residential | | | | |
| 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 |
| 2013 | 8.15 | 3.01 | 10.52 | 3.77 |
| Commercial | | | | |
| 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 |
| 2013 | 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.

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>2013</i> | | | <i>2004</i> | | |
|-------------------------------------|-------------|----------------------------------|--|-------------|----------------------------------|--|
| | <i>Rank</i> | <i>Water & Sewer Revenue</i> | <i>Percentage of Total Water & Sewer Revenue</i> | <i>Rank</i> | <i>Water & Sewer Revenue</i> | <i>Percentage of Total Water & Sewer Revenue</i> |
| Federal Correctional Institute | 1 | \$ 608,753 | 5.23% | 1 | \$ 694,971 | 7.58% |
| Christus St Michael Hospital | 2 | 348,104 | 2.99% | 2 | 236,071 | 2.58% |
| Wadley Hospital | 3 | 151,597 | 1.30% | 3 | 223,096 | 2.43% |
| Texarkana Housing Authority | 4 | 191,227 | 1.64% | 4 | 204,399 | 2.23% |
| Brighton Manor/Westridge/Park Apts. | 5 | 182,253 | 1.57% | | | |
| Texarkana Texas ISD | 6 | 156,172 | 1.34% | | | |
| River Crossing Apartments | 7 | 95,534 | 0.82% | | | |
| Town North Apartments | 8 | 82,219 | 0.71% | | | |
| City of Texarkana, Texas | 9 | 67,288 | 0.58% | | | |
| Texarkana College | 10 | 66,921 | 0.58% | | | |
| Alcoa | | | | 5 | 175,321 | 1.91% |
| Woodlands Apts. | | | | 6 | 129,208 | 1.41% |
| Civigenics Texas Inc. | | | | 7 | 106,438 | 1.16% |
| Summerhill Woods Apartments | | | | 8 | 65,637 | 0.72% |
| Sunset Apts. | | | | 9 | 64,481 | 0.70% |
| IP Sawmill | | | | 10 | 30,722 | 0.34% |
| Totals | | <u>\$ 1,950,068</u> | 16.76% | | <u>\$ 1,930,344</u> | 21.06% |

Unaudited -see accompanying auditors' report

CITY OF TEXARKANA, TEXAS

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

| <i>Governmental Activities</i> | | | | | |
|--------------------------------|---|---|----------------------|------------------------------|---------------------------|
| <i>Fiscal Year</i> | <i>General Obligation Bonds</i> | <i>Certificates of Obligation</i> | <i>Tax Notes</i> | <i>Installment loans</i> | <i>Capital Leases</i> |
| 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 |
| 2013 | 27,636,147 | 27,263,094 | | | 46,935 |

- (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

Business-type Activities

| <i><u>Water Revenue Bonds</u></i> | <i><u>Capital Leases</u></i> | <i><u>Total Primary Government</u></i> | <i><u>Percentage of Personal Income(2)</u></i> | <i><u>Per Capita(2)</u></i> |
|---|----------------------------------|--|--|---------------------------------|
| 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 |
| 4,489,191 | 4,985,995 | 64,421,362 | 7.47% | 1,741 |

CITY OF TEXARKANA, TEXAS

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> |
|------------------------|---------------------------|---------------------------|--------------------------------------|
| 2004 | 35,600 | 1,693,530,001 | 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 |
| 2013 | 36,998 | 2,496,721,983 | 59,388,432 |

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.

| <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> |
|--------------------------------|--|------------------------|---|-----------------------------------|
| 1,572,527 | 10,956,818 | 28,173,198 | 1.66 | 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 |
| 0 | 4,489,191 | 54,899,241 | 2.20 | 1,484 |

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CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Direct and Overlapping Governmental Activities Debt

September 30, 2013

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 | \$ 54,946,176 | 100.00% | \$ 54,946,176 |
| Overlapping: | | | |
| Texarkana Independent School District | 37,489,462 | 60.01% | 22,497,426 |
| Bowie County | 2,775,000 | 38.95% | 1,080,863 |
| Liberty-Eylau Independent School District | 7,185,000 | 37.93% | 2,725,271 |
| Pleasant Grove School District | 35,063,430 | 71.19% | 24,961,656 |
| Red Lick Independent School District | 5,385,000 | 8.03% | 432,416 |
| Subtotal - Overlapping debt | | | 51,697,632 |
| Total direct and overlapping | | | \$ 106,643,808 |
| Per capita overlapping debt | | | \$ 2,882 |

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.

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION Legal Debt Margin Last Nine Fiscal Years Schedule 18

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|-------------------------|----------------------|----------------------|----------------------|
| Assessed value of real property | <u>\$ 1,608,640,595</u> | <u>1,521,332,143</u> | <u>1,640,707,284</u> | <u>1,771,117,978</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> | <u>442,779,495</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> | <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> | <u>-</u> |
| Legal debt margin | <u>\$ 383,176,527</u> | <u>359,904,705</u> | <u>389,551,598</u> | <u>442,779,495</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.

| <i>2009</i> | <i>2010</i> | <i>2011</i> | <i>2012</i> | <i>2013</i> |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| <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>2,130,026,677</u> |
| <u>499,481,145</u> | <u>499,552,722</u> | <u>526,131,961</u> | <u>531,872,685</u> | <u>532,506,669</u> |
| (4) | 16,509,387 | 15,108,573 | 15,808,814 | 27,636,147 |
| <u>-</u> | <u>(1,538,656)</u> | <u>(670,992)</u> | <u>(318,397)</u> | <u>-</u> |
| (4) | 14,970,731 | 14,437,581 | 15,490,417 | 27,636,147 |
| <u>499,481,149</u> | <u>484,581,991</u> | <u>511,694,380</u> | <u>516,382,268</u> | <u>504,870,522</u> |

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CITY OF TEXARKANA, TEXAS

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> |
|--------------------|-------------------------|-------------------------------|---|--------------------------------------|-----------------|
| 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 |
| 2013 | 15,847,484 | 11,418,138 | 4,429,346 | 492,840 | 8.99 |

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

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> |
|--------------------|-------------------|-------------------|--------------------------|--------------------------|----------------------------|
| 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 |
| 2013 | 36,998 (7) | 36.5 (7) | 23,297 (7) | 6.8 (7) | 861,942,406 |

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)

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>2013</i> | | | <i>2003 (2)</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</i> |
| Red River Army Depot & Tenants | 4,700 | 1 | 7.81% | | | |
| Christus St. Michael Health Care | 1,900 | 2 | 3.16% | | | |
| Cooper Tire & Rubber | 1,860 | 3 | 3.09% | | | |
| Domtar (fr. Georgia Pacific) | 1,150 | 4 | 1.91% | | | |
| Wal-Mart/Sam's | 1,100 | 5 | 1.83% | | | |
| International Paper | 925 | 6 | 1.54% | | | |
| Wadley Regional Medical Ctr | 850 | 7 | 1.41% | | | |
| Texarkana Texas ISD | 795 | 8 | 1.32% | | | |
| Texarkana AR ISD | 785 | 9 | 1.30% | | | |
| Southern Refrigerated Transport | 750 | 10 | 1.25% | | | |
| Total | <u>14,815</u> | | <u>24.62%</u> | | | |

Source:

Chamber of Commerce, Texas Workforce Commission LMI Tracer

Notes:

(1) MSA employment for 2012 is 60,200

(2) Employment information not available for 2004.

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Full-time-Equivalent City Government Employees by Function/Program,

Last Ten Fiscal Years

Schedule 22

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|---|-------------|-------------|-------------|-------------|
| General government | | | | |
| Purchasing- General Services | 4 | 4 | 4 | 4 |
| Finance / Accounting | 8 | 7 | 7 | 7 |
| Building Maintenance | 2 | 3 | 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 | 7 | 7 | 7 | 7 |
| Quality Assurance | 0 | 0 | 0 | 0 |
| Marketing | 0 | 0 | 0 | 0 |
| Public safety | | | | |
| Police Administration | 3 | 4 | 7 | 3 |
| Uniform Services- Patrol | 61 | 69 | 67 | 66 |
| Support Services | 15 | 14 | 6 | 12 |
| Criminal Investigation | 19.5 | 19.5 | 20.5 | 18.5 |
| CMV Enforcement Unit | 0 | 0 | 0 | 0 |
| Narcotics | 4 | 4 | 6 | 4 |
| Fire Administration | 3 | 3 | 3 | 3 |
| Fire Operations | 69 | 72 | 72 | 72 |
| Fire Prevention | 3 | 5 | 4 | 4 |
| Fire Training | 2 | 2 | 2 | 2 |
| Emergency Management | 1 | 2 | 2 | 2 |
| Public works | | | | |
| Public Works Administration | 3 | 3 | 3 | 3 |
| Engineering | 6 | 6 | 6 | 7 |
| Engineering & Infrastructure Administration | | | | |
| Street Maintenance | 38 | 38 | 38 | 38 |
| Building Inspection | 6 | 6 | 6 | 7 |
| Sign and Signal | 6 | 6 | 6 | 6 |
| P&Z/Comm & PW Administration | 0 | 2 | 2 | 2 |
| Code Enforcement | 0 | 0 | 0 | 0 |
| Stormwater Management | 0 | 0 | 0 | 0 |
| Health and welfare | | | | |
| Community Development | 6 | 4 | 4 | 4 |
| Environmental Services | | | | |
| Environmental Health Services | 2 | 2 | 2 | 2 |
| Demolition | 4 | 4 | 4 | 4 |
| Animal Control | 2 | 2 | 2 | 2 |

| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 4 | 3 | 3 | 3 | 3 | 0 |
| 6 | 5 | 6 | 6 | 6 | 8 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 2 | 2 | 2 | 2 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 5 | 4 | 5 | 4 | 4 | 4 |
| 2.0 | 0 | 0 | 0 | 0 | 0 |
| 7.5 | 8.5 | 8 | 9 | 8 | 8.5 |
| 0 | 0 | 1 | 1 | 1 | 1 |
| 0 | 0 | 1 | 2 | 2 | 1.5 |
| 3 | 7 | 7 | 5 | 11 | 9 |
| 74 | 65 | 69 | 72 | 66 | 63 |
| 11 | 9 | 10 | 31.5 | 31.5 | 32 |
| 17.5 | 18.5 | 18.5 | 0 | 0 | 0 |
| 0 | 0 | 2 | 2 | 2 | 0 |
| 2 | 3 | 4 | 3 | 0 | 0 |
| 3 | 3 | 3 | 3 | 2 | 3 |
| 72 | 72 | 72 | 72 | 73 | 72 |
| 4 | 4 | 4 | 4 | 0 | 5 |
| 2 | 2 | 2 | 2 | 0 | 0 |
| 2 | 2 | 2 | 2 | 2 | 0 |
| 2 | 0 | 0 | 0 | 0 | 0 |
| 7 | 7 | 7 | 7 | 7 | 4 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 38 | 38 | 38 | 38 | 38 | 32 |
| 7 | 7 | 7 | 7 | 7 | 7 |
| 6 | 6 | 6 | 6 | 6 | 6 |
| 0 | 2 | 2 | 2 | 2 | 1.5 |
| 0 | 3 | 3 | 3 | 3 | 3 |
| 0 | 0 | 0 | 0 | 2 | 2 |
| 3 | 3 | 3 | 3 | 3.5 | 5 |
| 3 | 2 | 2 | 2 | 2 | 2 |
| 2 | 1 | 1 | 1 | 1 | 1 |
| 4 | 1 | 1 | 1 | 0 | 0 |
| 2 | 2 | 2 | 2 | 2 | 2 |

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

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

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|--------------------------------|--------------|--------------|--------------|--------------|
| Parks and recreation | | | | |
| Parks Administration | 4 | 3 | 3 | 3 |
| Parks Maintenance | 26.5 | 26.5 | 23 | 23 |
| Recreational Programs | 7.5 | 7.5 | 8 | 5.5 |
| Senior Citizen Programs | 1.5 | 2.5 | 2 | 2.5 |
| Community Center / Weed & Seed | 2 | 2 | 2 | 3 |
| Library | 12.5 | 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 |
| Family Health Center | | | | |
| Administration | 4 | 4 | 4 | 3 |
| Community | 6 | 6 | 6 | 4 |
| WIC | 7 | 7 | 7 | 7 |
| Reproductive | 8 | 8 | 7 | 7 |
| TB | 1 | 1 | 1 | 1 |
| Public Health Response | 4 | 4 | 5 | 5 |
| Tobacco | 0 | 0 | 0 | 0 |
| Diabetes | 0 | 0 | 0 | 0 |
| Central Records - Dispatch | 53 | 53 | 53 | 53 |
| MPO | 2.5 | 2.5 | 2.5 | 2.5 |
| Fleet | 10 | 10 | 10 | 10 |
| Total | <u>438.5</u> | <u>452.5</u> | <u>444.0</u> | <u>439.0</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.

| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 2 | 2 | 2 | 2 | 2 | 2 |
| 24 | 24 | 19 | 19 | 19 | 20 |
| 5.5 | 5.5 | 3.5 | 3.5 | 3.5 | 3 |
| 2.5 | 2.5 | 1 | 1 | 1 | 1 |
| 3 | 3 | 1 | 1 | 1 | 1 |
| 12.5 | 12.5 | 16 | 16 | 16 | 12.5 |
| 1 | 1 | 1 | 0 | 0 | 0 |
| 0.5 | 0.5 | 1 | 1 | 1 | 0.5 |
| 5 | 4 | 4 | 3.15 | 3 | 4 |
| 6 | 5 | 6 | 1.5 | 2 | 1 |
| 7 | 5 | 7 | 7 | 7 | 6 |
| 7 | 6 | 7 | 10.95 | 8 | 5 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 1 | 2 |
| 54 | 54 | 53 | 53 | 54 | 41 |
| 2.5 | 2.5 | 3 | 3 | 3 | 1.5 |
| 11 | 9 | 8 | 6 | 6 | 6 |
| <u>443.5</u> | <u>423.5</u> | <u>432.0</u> | <u>431.6</u> | <u>422.5</u> | <u>389.0</u> |

CITY OF TEXARKANA, TEXAS

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

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|---|-------------|-------------|-------------|-------------|
| <u>Function/Program</u> | | | | |
| General government | | | | |
| Birth certificate requests | 5,404 | 5,713 | 5,333 | 5,740 |
| Public safety | | | | |
| Police | | | | |
| Commissioned officers | 87 | 93 | 93 | 94 |
| Calls for service | 40,024 | 42,392 | 43,814 | 44,456 |
| Total citations issued | 6,807 | 9,656 | 13,440 | 13,922 |
| Custody arrests | 2,768 | 2,898 | 3,106 | 3,739 |
| Fire | | | | |
| Firefighters | 76 | 76 | 79 | 79 |
| Responses- Fire | 303 | 279 | 362 | 250 |
| Responses- EMS/Rescue | 420 | 951 | 999 | 1,295 |
| Responses- Other | 847 | 1,005 | 973 | 963 |
| Inspections | 3,812 | 4,197 | 4,083 | 4,217 |
| Public works | | | | |
| Street resurfacing (miles) | (1) | (1) | (1) | (1) |
| Building permits issued | 652 | 611 | 938 | 663 |
| Building permits (\$) | 65,590,653 | 61,734,325 | 61,978,494 | 48,621,881 |
| Water | | | | |
| Average daily consumption (millions of gallons) | 8.924 | 8.429 | 8.881 | 10.29 |
| Raw water production (millions of gallons) | 11.291 | 11.204 | 10.840 | 11.849 |
| Wastewater | | | | |
| Average daily sewage treatment (millions of gallons) | | | | |
| South Regional Plant | 8.597 | 8.782 | 8.065 | 10.348 |
| Wagner Creek Plant | 1.460 | 1.443 | 1.204 | 1.088 |
| Airlines | | | | |
| Scheduled airline arrivals and departures per day | 18 | 18 | 18 | 10 |
| Passengers enplaning and deplaning per year | 70,000 | 70,000 | 70,000 | 70,000 |

Source: Various City Departments

Notes:

(1) No information available

Unaudited -see accompanying auditors' report

| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 5,695 | 5,278 | 6,138 | 5,937 | 5,832 | 5758 |
| 94 | 94 | 100 | 99 | 99 | 96 |
| 43,554 | 45,673 | 43,518 | 42,407 | 42,625 | 38712 |
| 8,879 | 11,606 | 10,536 | 11,003 | 12,993 | 10558 |
| 4,032 | 5,085 | 4,010 | 4,105 | 4,125 | 3243 |
| 79 | 79 | 78 | 78 | 78 | 77 |
| 281 | 250 | 256 | 306 | 258 | 259 |
| 1,357 | 1,494 | 1,479 | 1,478 | 1,770 | 1753 |
| 1,139 | 978 | 1,098 | 1,062 | 1,088 | 1109 |
| 3,983 | 3,988 | 2,837 | 2,867 | 3,910 | 3950 |
| (1) | (1) | (1) | 1.5 | (1) | (1) |
| 484 | 1,188 | 768 | 591 | 559 | 577 |
| 76,804,888 | 44,937,572 | 49,115,042 | 63,049,176 | 43,348,566 | 40,844,204 |
| 10.938 | 10.255 | 11.207 | 9.518 | 11.201 | 12.368 |
| 11.882 | 11.978 | 13.949 | 10.61 | 11.74 | 12.997 |
| 10.762 | 10.524 | 10.778 | 8.328 | 7.514 | 6.642 |
| 1.190 | 1.257 | 1.253 | 0.747 | 1.116 | 1.3 |
| 10 | (1) | (1) | (1) | 4 | 10 |
| 70,000 | | | | 60,000 | 66,338 |

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Capital Asset Statistics by Function/ Program

Last Ten Fiscal Years

Schedule 24

| <u>Function/Program</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|---------------------------------------|-------------|-------------|-------------|-------------|
| General Government | | | | |
| Buildings | 2 | 2 | 2 | 2 |
| Public safety | | | | |
| Police Stations | 1 | 1 | 1 | 1 |
| Number of vehicles | 66 | 66 | 68 | 69 |
| Fire Stations | 5 | 5 | 5 | 5 |
| Fire Apparatus | 8 | 8 | 9 | 9 |
| Other motorized vehicles | 5 | 5 | 6 | 6 |
| Public works | | | | |
| Buildings | 3 | 3 | 3 | 3 |
| Streets (miles) | 254 | 254 | (1) | (1) |
| Paved alleys | 5 | 5 | (1) | (1) |
| Unpaved alleys | 15 | 15 | (1) | (1) |
| Storm sewers | 29.5 | 29.5 | (1) | (1) |
| Streetlights | (1) | (1) | (1) | (1) |
| Parks and recreation | | | | |
| Parks | 12 | 12 | 12 | 15 |
| Park acreage developed | 533 | 533 | 533 | 500 |
| Park acreage partially developed | 1,454 | 1,454 | 1,454 | 1,330 |
| Playgrounds | 20 | 20 | 20 | 19 |
| Swimming pools | 1 | 1 | 1 | 0 |
| Tennis courts | 6 | 6 | 6 | 6 |
| Baseball diamonds | 8 | 8 | 8 | 8 |
| Softball diamonds | 11 | 11 | 11 | 10 |
| Recreation centers | 1 | 1 | 1 | 2 |
| Senior citizens centers | 1 | 1 | 1 | 1 |
| Cemetery acreage | 19 | 19 | 19 | 19 |
| Landscaped island/ historical markers | 8 | 8 | 8 | 8 |
| Landscaped medians | 5 | 5 | 5 | 4 |
| Soccer fields | 9 | 9 | 9 | 8 |
| Restroom facilities | 8 | 13 | 13 | 14 |
| Boat ramp | 1 | 1 | 1 | 1 |
| Splash pad | 0 | 0 | 0 | 0 |
| Perot Theatre | 1 | 1 | 1 | 1 |

| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 2 | 2 | 4 | 4 | 4 | 4 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 72 | 63 | 69 | 62 | 80 | 80 |
| 5 | 5 | 5 | 5 | 5 | 5 |
| 9 | 9 | 9 | 10 | 10 | 10 |
| 6 | 6 | 6 | 10 | 16 | 16 |
| 3 | 3 | 2 | 2 | 2 | 4 |
| (1) | (1) | (1) | (1) | 257 | 259 |
| (1) | (1) | (1) | (1) | 8 | 8 |
| (1) | (1) | (1) | (1) | 15 | 15 |
| (1) | (1) | (1) | (1) | 30 | 31 |
| (1) | (1) | (1) | (1) | 3,150 | 3,200 |
| 14 | 14 | 12 | 12 | 12 | 12 |
| 500 | 500 | 500 | 500 | 587 | 587 |
| 1,330 | 1,330 | 1,330 | 1,330 | 1,330 | 1,330 |
| 20 | 20 | 26 | 26 | 27 | 26 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 6 | 6 | 4 | 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 | 5 | 10 | 10 |
| 10 | 10 | 12 | 13 | 13 | 12 |
| 15 | 17 | 17 | 17 | 17 | 17 |
| 1 | 1 | 1 | 2 | 2 | 2 |
| 0 | 0 | 0 | 0 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Capital Asset Statistics by Function/ Program

Last Ten Fiscal Years

Schedule 24 (Continued)

| <u>Function/Program</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|--|-------------|-------------|-------------|-------------|
| Library | | | | |
| Number of libraries | 1 | 1 | 1 | 1 |
| Health and Welfare | | | | |
| Buildings | 1 | 1 | 1 | 1 |
| Water | | | | |
| Water mains (miles) | 438 | 451 | 448 | 460 |
| Water connections | 12,890 | 12,708 | 12,813 | 12,893 |
| Fire hydrants | 1,761 | 1,807 | 1,846 | 1,906 |
| Plant capacity (million gallons per day) | 18 | 18 | 18 | 18 |
| Wastewater | | | | |
| Sanitary sewer mains (miles) | 303 | 311 | 315 | 323 |
| Sewer connections | 11,954 | 12,051 | 12,166 | 12,364 |
| 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

| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 462 | 473 | 479 | 484 | 504 | 479 |
| 13,032 | 12,951 | 12,937 | 12,962 | 13,119 | 13,133 |
| 1,963 | 2,013 | 2,051 | 2,079 | 2,172 | 2,115 |
| 18 | 18 | 18 | 18 | 18 | 18 |
| 329 | 330 | 328 | 340 | 343 | 340 |
| 12,512 | 12,418 | 12,436 | 12,435 | 12,518 | 12,584 |
| 20 | 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, 2013

| PROGRAM | DESCRIPTION |
|--|--|
| Type of Report of Financial Statements | Unqualified Opinion |
| Significant Deficiencies in Internal Control | None |
| Material Weaknesses in Internal Control | Schedule of Findings Reference 2013-01 |
| Noncompliance Material to Financial Statements | None |
| Significant Deficiencies in Internal Controls over Major Programs | None |
| Material Weaknesses Involving Significant Deficiencies over Major Programs | Schedule of Findings Reference 2013-02 |
| 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 2013-02 |
| Major Federal Programs | 14.218 U. S. Department of Housing and Urban Development - Community Development Block Grant 11.300 U. S. Department of Commerce – EDA Morris Lane Construction 20.505 U.S. Department of Transportation – Federal Transit Capital & Operating Assistance Formula Grant 10.557 U. S. Department of Agriculture – 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, 2013

| Grant Title | CFDA Number | Grant Program/ Number | Grant Expenditures |
|---|----------------|-----------------------------|-------------------------|
| U.S. Department of Housing and Urban Development | | | |
| <i>Passed Through the Texas Dept of Housing & Comm Affairs</i> | | | |
| Community Development Blk Grant-Entitlement (CDBG) | 14.218 | B09-MC-48-1000 | \$ 592,795 |
| <i>Passed Through the Texas Dept of Housing & Comm Affairs</i> | | | |
| HOME - Home Buyer Assistance | 14.239 | 1001200 | 20,000 |
| HOME - Housing Reconstruction | 14.239 | 100198 | 156,310 |
| | | | <u>176,310</u> |
| Supportive Housing Program - SNAP HPAC IHP | 14.261 | TX-029886TO7100 | <u>279,925</u> |
| TOTAL U.S. DEPT OF HOUSING & URBAN DEVELOPMENT | | | <u>1,049,030</u> |
| U.S. Department of Commerce | | | |
| EDA Morris Lane Construction | 11.300 | 08-01-04288 | <u>391,826</u> |
| TOTAL U.S. DEPT OF COMMERCE | | | <u>391,826</u> |
| U.S. Department of Transportation | | | |
| Selective Traffic Enforcement Prog (STEP) | 20.600 | 587XXF6013 | 14,083 |
| Federal Transit Capital & Operating Assistance Formula Grant | | | |
| <i>Passed Through Texas Department of Transportation</i> | 20.205/20.505 | 50-13XF0017 | 48,284 |
| <i>Passed Through Arkansas Highway Transportation Departmen</i> | 20.205 | 50-13XF0017 | 128,691 |
| | | | <u>176,975</u> |
| TOTAL U.S. DEPT OF TRANSPORTATION | | | <u>191,058</u> |
| U.S. Department of Justice | | | |
| <i>Passed Through the Texas Governor's Office Criminal Justice Division</i> | | | |
| Law Enforcement Block Grant J.A.G. | 16.738 | 2012-DJ-BX-0675 | <u>39,217</u> |
| TOTAL U.S. DEPARTMENT OF JUSTICE | | | <u>39,217</u> |
| U. S. Department of Homeland Security | | | |
| Homeland Security Grant (11SHSP) | 97.073 | 9SHSP001 | 20,638 |
| <i>Passed through Texas Department of Public Safety</i> | | | |
| Pre-Disaster Mitigation Plan | 97.039 | EMT-2010-PC-0002 | 79,079 |
| <i>Passed Through Office of the Governor's</i> | | | |
| Emergency Management Performance Grant | 97.042 | 10TX-EMPG-0208 | <u>22,676</u> |
| TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY | | | <u>122,393</u> |

(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 |
|---|----------------|-----------------------------|----------------------------|
| U.S. Department of Health | | | |
| <i>Passed Through Texas Department of State Health Services</i> | | | |
| DIAB/CDP Community Diabetes Project | 93.283 | 2012-039692 | 79,853 |
| RLSS/LPHS | 93.991 | 2012-039511 | 116,519 |
| Preventive Health and Health Serv Blk Grant | 93.268 | 2012-039681 | <u>144,506</u> |
| TOTAL U.S. DEPARTMENT OF HEALTH | | | <u>340,878</u> |
| U.S. Department of Agriculture | | | |
| Special Supplemental Nutrition Program for Women, Infants and Children | 10.557 | 2011-037230-001 | <u>360,888</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | <u>360,888</u> |
| Corporation for National Security and Community Service | | | |
| Retired Senior Volunteer Program Greater Texarkana RSVP - Action | 94.002 | U-05SRWTX010 | <u>27,932</u> |
| TOTAL CORPORATION FOR NATIONAL SECURITY AND COMMUNITY SERVICE | | | <u>27,932</u> |
| Environmental Protection Agency | | | |
| Brownfield Hazard & Petroleum | 66.818 | BF-00F19501 - Hazardous | 46,746 |
| Brownfield Hazard & Petroleum | 66.818 | BF-00F20201 - Petroleum | 10,001 |
| EPA Job Training Grant | 66.815 | JT 00F47301 | 210,395 |
| EPA Revolving Loan Fund | 66.818 | BF-00F62501 | <u>9,433</u> |
| TOTAL ENVIRONMENTAL PROTECTION AGENCY | | | <u>276,575</u> |
| TOTAL FEDERAL ASSISTANCE | | | <u>\$ 2,799,797</u> |
| | | | (concluded) |

CITY OF TEXARKANA, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS September 30, 2013

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, 2013. 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, 2013, 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, 2012 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

INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Texarkana, Texas as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Texarkana, Texas' basic financial statements and have issued our report thereon dated April 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Texarkana, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Texarkana, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Texarkana, Texas' internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness: Reference # 2013-01.

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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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as Reference 2013-02.

We noted certain matters that we reported to management of the City of Texarkana, Texas, in a separate letter dated April 17, 2014.

City of Texarkana, Texas' Response to Findings

City of Texarkana, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings. City of Texarkana, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



April 17, 2014

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HOLLIDAY, LEMONS, & COX, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor and
Members of the City Council
Texarkana, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Texarkana, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of City of Texarkana, Texas' major federal programs for the year ended September 30, 2013. City of Texarkana, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Texarkana, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Texarkana, Texas's compliance.

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Basis for Qualified Opinion on Community Development Block Grant

As described in the accompanying schedule of findings, City of Texarkana, Texas did not comply with requirements regarding CDFA 14.218 Community Development Block Grant as described in finding number 2013-02 for Cash Management. Compliance with such requirements is necessary, in our opinion, for City of Texarkana, Texas to comply with the requirements applicable to that program.

Qualified Opinion on Community Development Block Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion 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 Community Development Block Grant for the year ended September 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, City of Texarkana, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings for the year ended September 30, 2013.

Other Matters

We noted certain matters that we reported to management of the City of Texarkana, Texas, in a separate letter dated April 17, 2014.

Report on Internal Control Over Compliance

Management of City of Texarkana, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Texarkana, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 City of Texarkana, Texas' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance 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

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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 item Reference 2013-02 to be a material weakness.

City of Texarkana, Texas' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings. City of Texarkana, Texas' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Holliday, Lemmon & Cox, P.C.

April 17, 2014

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CITY OF TEXARKANA, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended September 30, 2013

Reference 2012-01 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 2013-01.

Reference 2012-02 Close out of City's TUTD Fund and Refund of Excess Contributions To Participating Entities

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

Reference 2012-03 Community Development Block Grant and Community Development Block Grant (ARRA) - Reporting

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 2013-02.

Reference 2012-04 Texas Department of Housing and Community Affairs HOME Program – Cash Management

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

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CITY OF TEXARKANA, TEXAS

SCHEDULE OF FINDINGS - *FINANCIAL STATEMENT AUDIT*

For the Year Ended September 30, 2013

Financial Policies, Procedures, and Application of Accounting Principles

Reference 2013-01

Condition

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

1. Grant salaries and benefits in the amount of \$52,765 were not recognized in the appropriate special revenue funds.
2. Municipal court escrow deposits were overstated by \$74,174 and required reclassification to income.
3. Fund balances were not in agreement with the prior year. A difference of \$2,461 was noted in the General Fund and in the Stormwater Management Fund.
4. Reserved fund balance in the General Fund was overstated by \$290,127 due to the creation of a new Court Security fund.
5. Operating lease payments in the amount of \$42,869 were recorded as principal payments in the Technology Fund. Also, proceeds from new capital leases in the amount of \$21,512 were not recorded.
6. Receivable from Texarkana Water Utilities was understated by \$158,314 due to the omission of September activity and life insurance.
7. A note receivable of \$100,000, which was not executed until October 2013, was recorded through accounts payable at year end.

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.

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CITY OF TEXARKANA, TEXAS

SCHEDULE OF FINDINGS - *FINANCIAL STATEMENT AUDIT*

For the Year Ended September 30, 2013

Financial Policies, Procedures, and Application of Accounting Principles

Reference 2013-01 (Continued)

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

1. Salaries related to grants are now posted to the special revenue fund associated with each grant.
2. The Finance Department is now preparing a weekly journal entry to reclassify deposits to the proper revenue account.
3. Prior year fund balances will be tied to the auditors lead sheet trial balance report prior to submission of the unaudited current year trial balance.
4. The Finance Department will prepare worksheets for all reserve accounts and tie the balance on each worksheet to the unaudited current year trial balance.
5. Finance Department will set up a new general ledger account for operating leases and post all future charges to this account.
6. Accounts Receivable billings are now consistently prepared during the first week of each month. Transition of these duties between employees resulted in some accounts not being billed in a timely manner during this period.
7. This transaction was posted to the general ledger based on the date of City Council approval, rather than when the funds changed hands. Future transactions of this nature will be recorded based on execution date with the recipient.

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CITY OF TEXARKANA, TEXAS

SCHEDULE OF FINDINGS - MAJOR FEDERAL AWARDS PROGRAM AUDIT For the Year Ended September 30, 2013

Community Development Block Grant Program CDFA 14.218 – Cash Management Reference 2013-02

Condition

Grant activity recorded in the general ledger does not match the grant activity reported on the Federal Financial Reports and in IDIS. Further, grant management is unaware of when or if draw requests are received and the amount received. Amounts received in error and amounts not received have not been recognized.

Criteria

The City's general ledger should properly reflect all financial activity of the CDBG grant and be reconcilable to grant reports provided to grantor funding agencies.

Cause

The City is not reconciling grant activity and cash balances with the amounts reported on the Federal Financial Reports and IDIS. Receipt and amounts of draw requests are not being confirmed.

Effect

Reporting on the Federal Financial Reports and in IDIS is incorrect and incomplete. Errors are undetected without reconciliation between the reports and the general ledger.

Recommendation

We recommend all activity related to the CDBG Grant be properly recorded in the CDBG grant fund. All financial reporting to outside agencies, such as grantors, should be reconcilable to the City's general ledger.

Views of Responsible Officials and Planned Corrective Actions

Community Redevelopment & Grants Department and Finance Department will work together to prepare a policy manual to be approved by City Council and a procedures manual to be approved by the City Manager that addresses the procedures and compliance issues in this finding.

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