



CITY OF
TEXARKANA
TEXAS



Comprehensive Annual Financial Report

for the fiscal year ended September 30, 2014

CITY OF TEXARKANA, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
September 30, 2014**

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, 2014, 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, 2014. 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 37,300. 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 212 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, 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. Recent additions to the city's parks department are: Splash Pad at Spring Lake Park, Kylee Sullivan Pet Safe Dog Park at Spring Lake Park and the newly constructed Bringle Lake Park. Additionally, there are a multitude of outdoor activities available on one of many lakes and rivers in the region.

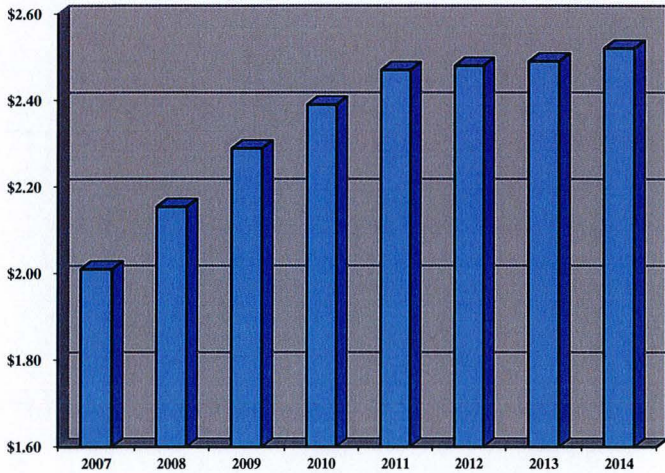
Commercial and residential building in the City has increased slightly in the past year, as reflected in reported statistics. Permits for new non-residential construction decreased from last year's value of around \$16,351,000 to around \$7,677,525 this year. Permits for non-residential additions, alterations and conversions increased from \$14,522,803 to \$16,046,199 this year. Residential permits increased from \$6,782,025 to \$7,769,000. Residential additions, alterations and conversions ended the year at \$3,246,567, a decrease from last year's number of \$3,646,099. Commercial projects for the new year include the following:

- Steak and Shake Restaurant
- CHS Fertilizer Plant
- Walmart Neighborhood Market, Summerhill Rd
- Walmart Neighborhood Market, Richmond Rd
- McLarty Ford
- Style Studio, ULTA, Dress Barn and Luna Boutique

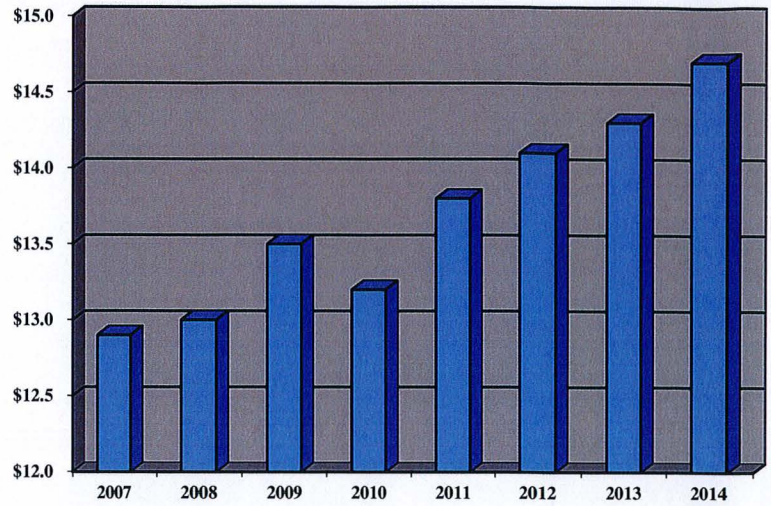
Sales taxes, property taxes, and transfers are responsible for a substantial portion of the City's operating revenue budget. The overall net decrease in revenues, transfers, and capital leases in fiscal year 2014 compared to the prior fiscal year was \$2,016,355, due mostly to an overall decrease in revenue of \$337,000, and a net decrease in transfers of \$1,702,381. Sales tax revenue increased by \$409,000 (2.85%), but charges for services declined by \$591,000 (54%), and most of the other sources of city revenue declined (\$182,000). The net decrease in transfers was due mostly to decreases in transfers from other funds in fiscal year 2014, including Texarkana Water Utilities (\$1,069,000), and Economic Development Fund (\$710,000).

Historical perspectives of major revenues are illustrated in the following graphs:

**ASSESSED PROPERTY VALUATIONS
(in billions)**



**SALES TAX COLLECTIONS
(in millions)**



Unemployment in the City decreased to 5.8%, and the local rate was slightly higher when compared to the state rate of 5.0% and the national rate of 5.7%. The rate differences compare to federal and state are mostly attributable to restriction of the workforce at Red River Army Depot, due to federal sequestration mandates currently in place and a decrease in assigned workload.

Long-Term Financial Planning

Unassigned fund balance in the general fund (31.6% 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, 2014 is \$9,304,806 and it represents approximately 115 days of expenditures in fund balance.

Most of the growth in the City continues to occur along and north of the I-30 corridor, although several large projects have been completed south of Interstate 30 recently, including Neighborhood Wal-Mart, and demolition of several multi-housing developments in the Rose Hill area, followed by construction of three new developments in this area. Texas A&M – Texarkana is continuing its development plans and work on the University Corridor between I-30 and the campus continues. Projects completed along or north of the I-30 corridor in the past year included Residence Inn, Big Jakes BBQ, Crocker’s Jewelers, and Orr KIA. 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 eighty percent (80.3 %) 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 one (1) incentive arrangement is 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 the first of these projects, Bringle Park North was recently completed. 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. Initial work on an agreement between Texarkana, Texas and Texarkana, Arkansas regarding the joint project to upgrade the plant began in FY15 with the engineering and design phase estimated at \$1,032,500. The project is expected to begin in FY 15 after an agreement is reached. The project is contingent upon each city passing a sewer rate increase to support a bond issue to fund this upgrade.

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. The City Manager provides a budget development calendar to the City Council for review and approval. After the calendar is approved a proposed budget is prepared and adopted by the City Council by a majority vote prior to the end of the fiscal year. The City Manager may transfer unencumbered appropriated balances between general classifications of expenditures within and/or across any office, department or agency of the City. The City Manager may submit request for budget amendments at any time provided the total city budget remains balanced (Unassigned Fund Balance may be designated as revenue). Amendments are also approved by a majority vote of the City Council.

Major Initiatives

- Website reconstruction, including improved citizen inquiry system and acceptance of online payments
- Comprehensive review of employee benefits
- Various Public Works projects:
 - Morris Lane Extension Phase II
 - Linear Park
 - Summerhill Backage Road
 - Downtown Enhancement
 - University Avenue Phase IV
- Continuation of community redevelopment and economic development grant programs
- Demolition and cleanup of deteriorated residential and commercial structures
- Painting of the I-30 water tower
- New utility billing software for Texarkana Water Utilities

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, 2013. This was the twenty-fourth (24th) 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 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,

A handwritten signature in cursive script that reads "Charles L. Bassett, Jr." followed by a stylized flourish.

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

March 16, 2015

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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, 2013

Executive Director/CEO

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

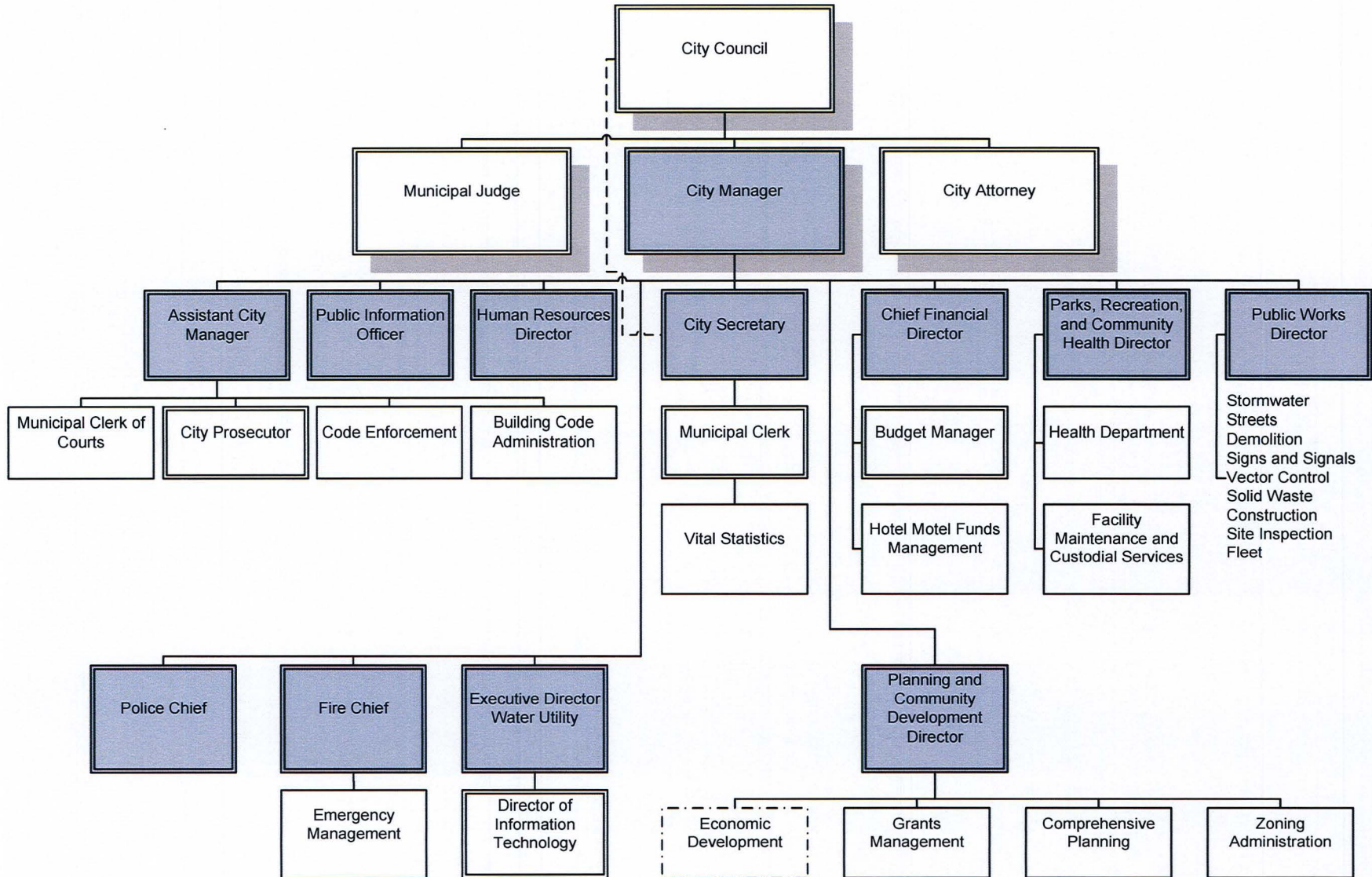
JOHN WHITSON
City Manager

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

JENNIFER EVANS
City Secretary

City of Texarkana, Texas

July 1, 2014



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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, 2014, 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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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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, 2014 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 23 and pages 100 through 101, 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 March 16, 2015, 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.

Holliday, Lemons, & Cox P.C.

March 16, 2015

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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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii - xiii of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$173,050,108 (net position). Of this amount, \$140,847,472 (81%) are invested in capital assets which do not directly generate revenue and are not available to generate liquid capital. Net position restricted for specific purposes total \$18,927,634 (11%). The remaining \$13,275,002 (8%) are unrestricted and 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 \$2,189,471 during this fiscal year. This increase was made up of an increase in Governmental Activities of \$1,694,912, and an increase in Business-Type Activities of \$494,559. This increase was partially offset by a prior period adjustment of \$1,051,695, which was due to a change in accounting required by GASB 65, to expense debt issuance costs incurred in prior periods that were previously being amortized over the life of the bonds. Unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors, increased by \$4,526,891.
- At the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$19,485,235, a decrease of \$5,705,722 from last year. \$9,018,690 of this amount or 46% of the total fund balance is available for spending at the City's discretion (unassigned fund balance).
- Within the combined governmental fund balances, just over \$400,000 is non-spendable for non-current loans and joint venture investments. Approximately \$7,830,000 is restricted, with \$6,530,000 set aside for capital projects, \$442,000 for housing projects, \$341,000 for court security and technology, \$247,000 for police narcotics operations, and \$240,000 restricted for various other purposes. \$1,147,025 of the total combined fund balances is committed, including \$35,000 for future projects on Stateline Avenue, and \$1,112,025 for economic development projects. \$220,500 is assigned to future infrastructure projects, \$746,000 is set aside for future improvements at the Perot Theatre, slightly under \$103,000 is assigned for workman's compensation insurance and just under \$2,000 for police equipment, resulting in total assigned fund balances of almost \$1,071,500. The unassigned fund balance in the General Fund is \$9,305,000 and it can be used for any lawful purpose. It is equal to 31% of general fund expenditures.
- The City has approximately 115 days of expenditures in the unassigned fund balance of the general fund at year end.

- The City's total long-term liabilities decreased by \$1,678,858 (2.3%) during the current fiscal year, due to regularly scheduled bond and capital lease payments, offset by increases in pensions and other postemployment obligations, and accrued compensated absences.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's 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 26 - 29 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-four (24) 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-one (21) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The City adopts an annual appropriated budget for all required 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 31 - 35 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 36 - 41 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 42 - 43 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 44 - 98 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 106 - 132 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 \$173,050,108 as of September 30, 2014. The largest portion of the City's net position (\$140,847,472 or 81.39%), 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 POSITION

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Current and other assets	\$ 37,959,576	44,165,704	18,719,815	17,412,384	56,679,391	61,578,088
Capital assets	127,488,448	123,160,592	67,252,396	68,731,596	194,740,844	191,892,188
Total assets	165,448,024	167,326,296	85,972,211	86,143,980	251,420,235	253,470,276
Deferred outflows of resources	972,442		21,049		993,491	
Long-term liabilities	60,414,469	61,582,577	10,261,308	10,772,058	70,675,777	72,354,635
Other liabilities	3,457,315	4,012,046	5,230,526	5,191,263	8,687,841	9,203,309
Total liabilities	63,871,784	65,594,623	15,491,834	15,963,321	79,363,618	81,557,944
Net position:						
Net invested in capital assets	83,155,796	82,719,452	57,691,676	58,503,625	140,847,472	141,223,077
Restricted	8,118,578	13,196,487	10,809,056	8,744,657	18,927,634	21,941,144
Unrestricted	11,274,308	5,815,734	2,000,694	2,932,377	13,275,002	8,748,111
Total net position	\$ 102,548,682	101,731,673	70,501,426	70,180,659	173,050,108	171,912,332

An additional portion of the City's net position (10.94%) 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 \$13,275,002 (7.67%) 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 \$1,878,272 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 \$1,722,839 due mainly to a decrease in debt for governmental activities due to regular debt service payments and a decrease in contracts payable as bond projects progress toward completion, offset by increases in the City's liabilities for pensions, other post-employment benefits and accrued compensated absences and operational accounts payable balances.

Business Type Activities:

The business type activities total assets decreased \$171,769, and total liabilities decreased \$471,487. The proprietary funds total assets increased \$243,967 while total liabilities decreased by \$205,414 for the year.

CITY OF TEXARKANA, TEXAS' CHANGES IN NET POSITION

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Revenues:						
Program revenues						
Charges for services	\$ 3,377,634	3,428,304	15,198,786	15,642,192	18,576,420	19,070,496
Operating grants and contributions	1,323,001	1,851,104			1,323,001	1,851,104
Capital grants and contributions	808,174	566,142	38,071	39,387	846,245	605,529
General revenues:						
Property taxes	16,450,285	15,763,817			16,450,285	15,763,817
Other taxes	17,990,916	17,684,043			17,990,916	17,684,043
Other revenue	258,269	536,437	1,117,935	1,107,600	1,376,204	1,644,037
Total revenue	<u>40,208,279</u>	<u>39,829,847</u>	<u>16,354,792</u>	<u>16,789,179</u>	<u>56,563,071</u>	<u>56,619,026</u>
Expenses:						
General government	7,114,857	6,797,714			7,114,857	6,797,714
Public safety	16,681,701	16,886,838			16,681,701	16,886,838
Public works	7,545,126	7,498,517			7,545,126	7,498,517
Parks and recreation	3,012,271	3,379,678			3,012,271	3,379,678
Health and welfare	1,915,780	2,335,011			1,915,780	2,335,011
Interest on long-term debt	2,262,532	2,167,516			2,262,532	2,167,516
Water and sewer			15,841,333	15,813,999	15,841,333	15,813,999
Total expenses	<u>38,532,267</u>	<u>39,065,274</u>	<u>15,841,333</u>	<u>15,813,999</u>	<u>54,373,600</u>	<u>54,879,273</u>
Change in net position						
before transfers	1,676,012	764,573	513,459	975,180	2,189,471	1,739,753
Transfers	18,900	1,086,504	(18,900)	(1,086,504)	-	-
Change in net position	<u>1,694,912</u>	<u>1,851,077</u>	<u>494,559</u>	<u>(111,324)</u>	<u>2,189,471</u>	<u>1,739,753</u>
Beginning net position, as previously reported	101,731,673	99,880,596	70,180,659	70,291,983	171,912,332	170,172,579
Prior period adjustment	(877,903)		(173,792)		(1,051,695)	
Beginning net position, as restated	<u>100,853,770</u>	<u>99,880,596</u>	<u>70,006,867</u>	<u>70,291,983</u>	<u>170,860,637</u>	<u>170,172,579</u>
Ending net position	<u>\$ 102,548,682</u>	<u>101,731,673</u>	<u>70,501,426</u>	<u>70,180,659</u>	<u>173,050,108</u>	<u>171,912,332</u>

Total Statement of Activities

The total result of the City's activity is an increase in total net position of \$1,137,776 during the current fiscal year. Net position related to business-type activities increased by \$320,767, while net position from governmental activities increased by \$817,009. Additional related information may be found in the governmental activities section on pages 28 – 29 of this report.

Governmental Activities:

Governmental activities showed an increase in net position of \$817,000. Key elements of this change are summarized as follows:

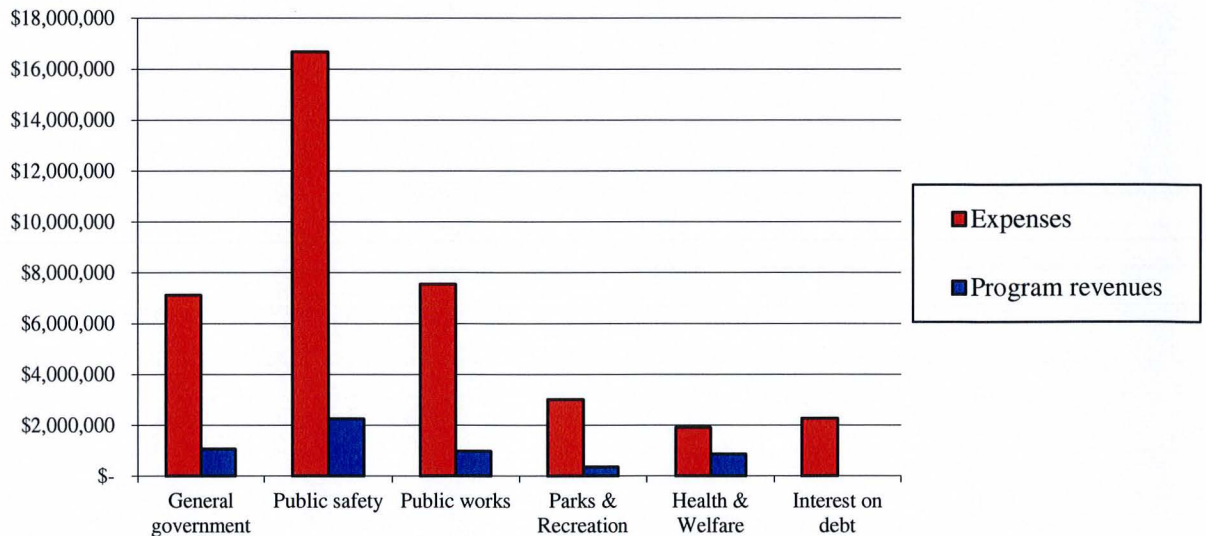
Revenues

- Property taxes increased by \$686,500 (4.4%), due to increased property valuations (\$216,500) and the addition of property taxes receivable from Bowie County (\$470,000).
- Sales and other taxes increased by \$306,873, or 1.7%.
- Net transfers decreased by just over \$1,000,000, due to a decrease in transfers from Texarkana Water Utilities to the General Fund.

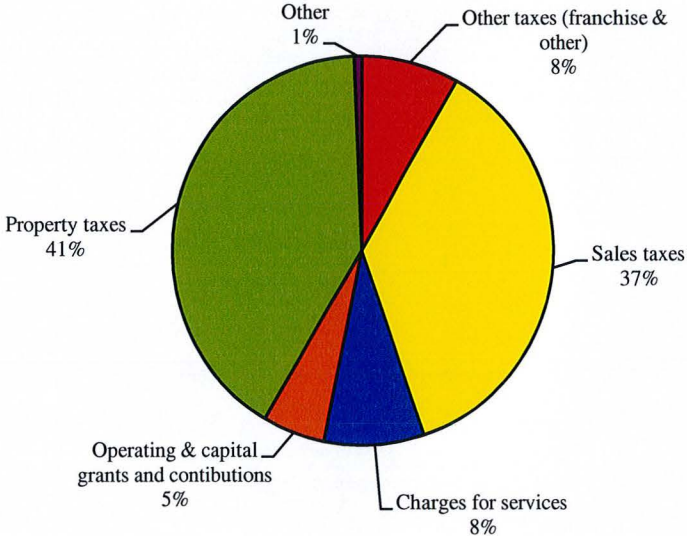
Expenses

- Expenditures from governmental activities decreased by \$533,007, due to normal operations within tight budget constraints.
- A prior period entry was made to expense debt issuance cost of \$877,903, due to a change in accounting required by the Governmental Standards Accounting Board (GASB) Statement No. 65.

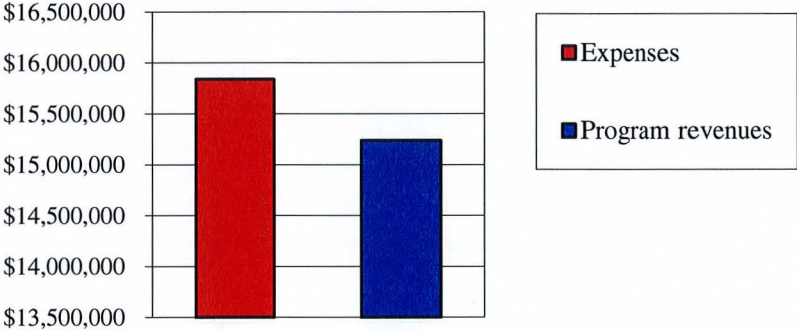
EXPENSES AND PROGRAM REVENUES –GOVERNMENTAL ACTIVITIES



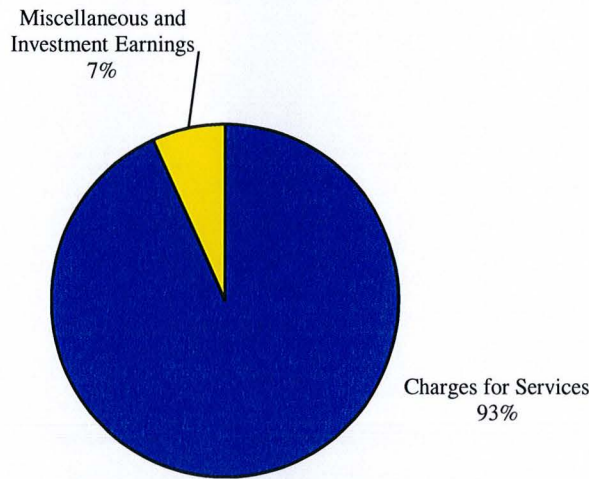
REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



EXPENSES AND PROGRAM REVENUES – BUSINESS-TYPE ACTIVITIES



REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES



Business Type Activities:

Business type activities showed a net increase in net position of \$320,767. TWU had a net increase of \$470,430 after considering a \$173,792 reduction to the beginning net position from the current year implementation of GASB 65 that required bond issuance costs that were previously amortized over the life of the related bonds to be expensed. The other business type funds had a combined net decrease of \$149,663. Total charges for services decreased by \$443,406, other income increased by \$10,335, and capital contributions decreased \$1,316, yielding a net decrease in revenues of \$434,387. The 2.8% decrease in total charges for services resulted primarily from current year decreases in water sales, wholesale water sales, and sewer charges of \$367,391, \$82,783, and \$123,688, respectively. Total expenses increased \$27,334, and operating expenses excluding depreciation decreased \$374,114 or 3.3%. TWU depreciation expense was up \$85,666, or 2.8%. The TWU change in net position before contributions and transfers was \$625,051, which was a decrease of \$264,914 from the prior year. The change in net position before transfers was \$513,459, which was a decrease of \$461,721 from 2013. As a percentage of revenues, 2014 change in net position before contributions and transfers was 3.1%, compared to 5.8% for fiscal year 2013.

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 \$19,485,235, a decrease of \$5,705,722, in comparison with the prior year. This decrease is due mostly to the following:

- Capital project funds decreased by \$5,539,719, due mostly to expenditures on several capital projects around the City, including University Drive at Texas A&M, Morris Lane, and Bringle Lake Park.
- Non-major special revenue funds increased by \$416,937, due mainly to setting up two CDBG Revolving Loans, receipt of Supportive Housing and EPA Job Training draws attributable to prior year expenses, and TIRZ net property tax revenue in excess of debt service expenditures.
- The City's Debt Service Fund decreased by a net of \$42,048, as a result of normal debt service expenditures for the year (\$5,754,612), offset by property tax and investment revenue deposited into the Fund (\$5,103,726), and transfers from other funds for debt service payments (\$608,838).
- General Fund decreased by \$540,892 for the year, due to net transfers out from other funds of \$1,261,402, partially offset by revenue over expenditures from current year operations of \$720,510.

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 \$9,304,806, while the total fund balance was \$10,251,425. 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 31.56% of the total General Fund expenditures, while total fund balance represents 34.8% of that same amount.

The fund balance of the City's General Fund decreased by \$540,892 during the current fiscal year compared to an increase of \$1,941,348 in 2013. Key factors in this decline are as follows:

- Revenue exceeded expenditures by \$720,510, due in large part to increases in sales tax revenue combined with expenditures under budgeted amounts in most of the City's operating departments.
- Transfers from the General Fund to other funds exceeded transfers in by \$1,261,402.

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 \$2,515,323. The fund expended \$5,906,323 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 (\$146,654). 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 \$5,754,612 in debt payments during this fiscal year, a decrease of \$335,593 from last year. This decrease is due to changes in regular debt service payments.

The other governmental funds of the City include special revenue funds and capital project funds. At the end of the 2014 fiscal year, the City had combined ending fund balances in its special revenue funds of \$2,850,076, an increase in fund balance of \$416,937. The majority of this increase was due to the following:

- Fund balance in the CDBG Revolving Loan Fund increased by \$202,150, due to draws from granting agency to be used for future loans.
- Fund balance in the TIRZ #1 Fund increased by \$92,503, due to revenue collected in excess of required transfers for debt service payments.
- Fund balance in the EPA Job Training Grant increased by \$67,330, due to grant draws received in the current year for prior year expenditures.
- Fund balance in the Supportive Housing Fund increased by \$70,175, due to grant draws received in the current year for prior year expenditures.

At the end of fiscal year 2014 the City had a total of four (4) capital project funds included in other governmental funds, with total fund balances of \$4,015,065, a decrease of \$451,701 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 \$467,017 for the fiscal year, and involved several different projects, including Texas A&M East Approach (\$235,000), Park Improvements (\$209,000), Cowhorn Drainage Restudy (\$18,593) and various other smaller street and drainage projects (\$4,424).

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 position for business type activities at the end of fiscal year 2014 amounted to \$2,000,694 for a decrease of \$931,683 from 2013. The TWU portion of this balance was \$1,700,245, which was a decrease of \$782,020 from the prior year. This decrease consisted of a net profit of \$644,222 less a \$173,792 reduction from the current year implementation of GASB 65 that required deferred bond issuance costs be written-off and a \$1,252,450 increase in restricted net position and net invested in capital assets. The change in restricted funds for fiscal year 2014 consisted of an increase of \$2,064,399 in TWU restricted accounts and a decrease of \$811,949 in the net invested in capital assets. The increase in investments in capital assets for the year of \$1,590,880 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 \$811,949 results from applying current year depreciation, debt retirement, and the net increase in current maturities of long term debt to the increase in capital assets for the year.

Internal service funds - The City uses two (2) internal service funds. The combined net position in these funds at the end of the fiscal year was \$1,835,391, an increase from last year of \$28,047 (1.6%). The Employee Benefit Fund accounts for contributions received from other City funds

and employees to pay medical benefits and life insurance premiums. Net position in the fund decreased by \$226,283, due mostly to increased cost of claims and other benefits paid by the fund. The Fleet Services Fund accounts for repair and maintenance on all City vehicles, excluding TWU. Net position in the fund increased by \$254,330, due to an increase in internal fees collected and additional City contributions.

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 \$1,954,461 during this fiscal year, and net position totaled \$32,777,151 at the end of the year. Despite an increase in fund deductions, favorable investment results contributed to an overall increase in net position 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 \$23,644 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 \$16,830.

General Fund Budgetary Highlights

The fund balance difference between the original budget and final amended budget totaled \$173,957. The increase can be summarized as follows:

- Revenue from Grants and Entitlements declined \$212,000, due to a decline in revenue from federal grants resulting from staffing changes, and change in accounting method, partially offset by additional grant funding to purchase new equipment.
- Intergovernmental revenue declined \$655,000, due to the delay of the Downtown Enhancement grant project, which was originally budgeted for completion in this fiscal year.
- Property tax revenue increased by \$309,000.
- Combined other revenues of the City increased by \$200,000.
- General Government expenditures increased by approximately \$182,000.
- Public Safety expenditures decreased by approximately \$196,000.
- Public Works decreased by approximately \$7,000.
- Parks and Recreation increased by \$12,800.
- Health and Welfare expenditures increased by \$86,000, due to a budget amendment for demolition expenditures originally appropriated in fiscal year 2013.
- Capital Outlay expenditures declined \$774,000, due to the delay of the Downtown Enhancement Project.
- Debt Services expenditures decreased by \$41,000.
- Net transfers declined \$205,000 because the required match for the Downtown Enhancement Project was not paid due to the delay of the project.

The difference between the final amended budget fund balance and the actual fund balance was \$292,033. The revenue decrease from final budget to actual receipts was \$951,774, due to an unbudgeted bad debt charge for accounts receivable and the elimination of transfers between funds. Actual expenditures compared to final budget decreased by just over \$619,000. This decrease was due mostly to the following:

- Increase in legal expenditures of \$106,000 related to several outstanding and completed cases.

- Decrease in payments to Bowie Central Appraisal District of \$46,500 as a result of revised budget amounts.
- Decrease in Retiree Buyout Insurance of \$122,500, due to a change in accounting.
- Decrease in Streets, Alleys and Bridges of \$135,000.
- Decrease in Workers Compensation expenditures of \$274,700 due to an elimination of transfers between funds.
- Decrease in Council Priority Demolition of \$71,800, attributable to projects delayed until fiscal year 2015.
- Decrease in Animal Shelter fees of \$46,000.
- Decrease in expenditures to State Comptroller of \$20,500.
- Decrease in other operating expenditures of \$8,000.

Capital Assets and Debt Administration

Capital assets – The City’s investment in total capital assets for its governmental and business-type activities as of September 30, 2014, amounts to \$194,740,844 (net of accumulated depreciation), compared to \$191,892,188 in 2013, an increase of \$2,848,656. Investment in capital assets related to governmental activities (\$127,488,448) increased by \$4,327,856, 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 \$67,252,396, a decrease of \$1,479,200, 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 - \$3,631,000
- University Avenue/Texas A&M - \$589,400
- Bringle North Park - \$1,789,000
- Park Improvements - \$110,000

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>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Land	\$ 46,766,807	45,755,321	1,350,883	1,341,363	48,117,690	47,096,684
Buildings	15,716,426	15,942,195	1,087,015	1,149,267	16,803,441	17,091,462
Improvements other than buildings	3,131,655	3,062,447	52,585,422	52,281,205	55,717,077	55,343,652
Machinery and equipment	2,780,946	2,741,168	1,977,532	1,701,191	4,758,478	4,442,359
Licensed vehicles	3,415,515	2,402,808			3,415,515	2,402,808
Infrastructure	46,299,755	46,302,782			46,299,755	46,302,782
Construction in progress	9,377,344	6,953,871	1,452,511	3,101,750	10,829,855	10,055,621
Property under capital lease			8,799,033	9,156,820	8,799,033	9,156,820
Total capital assets	\$ 127,488,448	123,160,592	67,252,396	68,731,596	194,740,844	191,892,188

Additional information on the City’s capital assets can be found in Note 6 in this report on pages 64 – 67.

Debt Administration

At the end of the current fiscal year the City of Texarkana, Texas had total debt outstanding of \$70,675,777. Of this amount, \$60,414,469 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 2014, this amount was \$10,261,308.

OUTSTANDING DEBT AT YEAR END

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
General obligation bonds	\$ 27,290,448	27,636,147			27,290,448	27,636,147
Revenue bonds			4,132,463	4,489,191	4,132,463	4,489,191
Certificates of obligation	25,964,808	27,263,094			25,964,808	27,263,094
Capital leases	54,177	46,935	4,734,592	4,985,995	4,788,769	5,032,930
Accrued compensated absences	3,980,177	3,792,986	391,246	390,078	4,371,423	4,183,064
Net pension and other post employment obligations	3,124,859	2,843,415	1,003,007	906,794	4,127,866	3,750,209
Total	\$ 60,414,469	61,582,577	10,261,308	10,772,058	70,675,777	72,354,635

The City's total debt decreased by \$1,678,858 (2.32%) during the current fiscal year. This decrease is due to regularly scheduled debt service payments offset by 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 \$.213842 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 5.8, compared to 6.8 last year. This rate is slightly higher than the State rate (5.0), and National rate (5.7).

Sales tax collections are projected to comprise about forty percent (47%) of the City's proposed budget for the 2015 fiscal year. Collections are budgeted to increase two percent (2%) over the final budgeted revenue for 2014.

Total assessed value of property within the City for the 2015 budget year (based on the 2014 certified valuation) decreased by \$80,130,153 (3.28%) 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 (31.48%) of collections. The City Council has elected to maintain the property tax rate at .669293 per \$100 valuation for the 2015 fiscal year. Total property tax collections are expected to increase by approximately \$74,600 for 2015.

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

- Revenue Adjustments:
 - Increase in Sales Tax Revenue of \$72,000
 - Increase in Transfer from Worker's Compensation Fund of \$200,000
 - Increase in Transfer from Economic Development Fund of \$85,000
- Expenditure Adjustments:
 - Reduction in Transfer to Personnel Policy Fund of \$100,000
 - Reduction in Transfer to Fleet Services Fund of \$300,000
 - Reduction in Transfer to Capital Replacement Fund of \$200,000
 - Increase in expenditure for Texarkana Airport funding of \$39,830
 - Increase in Transfer to Hotel/Motel Fund of \$85,327

All of the above factors were considered in preparing the City's budget for the 2014-2015 fiscal year. The adopted 2015 budget is a balanced budget. The ending General Fund balance is projected to be approximately thirty-four percent (34.56%) of budgeted expenditures.

The Texas Revenue Fund of TWU is projected to end the 2014-2015 budget year with a balance of \$1,955,483 or approximately 12.1% 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.

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Basic Financial Statements

CITY OF TEXARKANA, TEXAS

STATEMENT OF NET POSITION September 30, 2014

	<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	\$ 14,457,996	1,111,591	15,569,587	243,672	705,898
Investments:					
Certificates of deposit	5,010,844	500,000	5,510,844		195,012
Corporate stocks	1,000		1,000		
Mutual funds			-		341,734
Receivables (net of allowance for uncollectibles):					
Property taxes	1,404,071		1,404,071		
Other taxes	379,804		379,804		
Accounts	818,153	2,049,069	2,867,222	153,421	
Other government agencies	3,904,083	182,282	4,086,365		65,737
Accrued interest	993	69	1,062		
Loans	408,929		408,929		
Internal balances	(300,449)	300,449	-		
Inventory	15,291	528,947	544,238		
Prepaid items		20,850	20,850		17,500
Net investment in direct financing lease		13,981	13,981		
Restricted assets:					
Cash		10,345,895	10,345,895		
Investments		1,775,000	1,775,000		
Accrued interest		475	475		
Accounts receivable		404,656	404,656		
Prepaid capital improvement deposits		1,175,154	1,175,154		
Net investment in direct financing lease		311,397	311,397		
Investments in joint venture	11,858,861		11,858,861		
Capital assets (net of accumulated depreciation):					
Land	46,766,807	1,350,883	48,117,690		
Buildings	15,716,426	1,087,015	16,803,441	334,308	
Improvements other than buildings	3,131,655	52,585,422	55,717,077		
Infrastructure	46,299,755		46,299,755		
Machinery and equipment	2,780,946	1,977,532	4,758,478		112,854
Licensed vehicles	3,415,515		3,415,515		
Property under capital leases		8,799,033	8,799,033		
Construction in progress	9,377,344	1,452,511	10,829,855		
TOTAL ASSETS	165,448,024	85,972,211	251,420,235	731,401	1,438,735
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	972,442	21,049	993,491		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	972,442	21,049	993,491		

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					
Accounts payable	2,050,384	814,175	2,864,559	26,482	5,798
Contracts payable	637,610	259,674	897,284		
Accrued liabilities	509,468	167,500	676,968	15,402	12,573
Due to other governments	202,250	57,996	260,246		
Due to fiduciary fund	1,297		1,297		
Unearned revenue	43,160		43,160		
Accrued interest payable from restricted assets		27,002	27,002		
Customer deposits		673,200	673,200		
Capital improvement deposits		2,432,117	2,432,117		
Noncurrent contracts payable		682,237	682,237		
Other liabilities and escrow deposits	13,146	116,625	129,771		
Long-term liabilities					
Due within one year:					
Bonds payable	1,780,000	405,000	2,185,000		
Certificates of obligation	1,815,000		1,815,000		
Obligations under capital leases	26,188	364,940	391,128		
Accrued compensated absences	240,775	51,239	292,014		22,022
Due in more than one year:					
Net pension and other postemployment obligations	3,124,859	1,003,007	4,127,866		34,132
Bonds payable	25,510,448	3,727,463	29,237,911		
Certificates of obligation	24,149,808		24,149,808		
Obligations under capital leases	27,989	4,369,652	4,397,641		
Accrued compensated absences	3,739,402	340,007	4,079,409		
TOTAL LIABILITIES	63,871,784	15,491,834	79,363,618	41,884	74,525
NET POSITION					
Net invested in capital assets	83,155,796	57,691,676	140,847,472	334,308	112,854
Restricted for:					
Court security and technology	340,813		340,813		
Law enforcement	277,261		277,261		
Health and welfare	545,347		545,347		
Tourism	168,690		168,690		
Construction		7,264,698	7,264,698		
Capital maintenance		2,772,015	2,772,015		
Debt service	256,079	772,343	1,028,422		
Capital improvements	6,530,388		6,530,388		143,797
Permanent principal - nonexpendable					10,000
Unrestricted	11,274,308	2,000,694	13,275,002	355,209	1,097,559
TOTAL NET POSITION	\$ 102,548,682	70,501,426	173,050,108	689,517	1,364,210

CITY OF TEXARKANA, TEXAS

STATEMENT OF ACTIVITIES For the Year Ended September 30, 2014

Functions/Programs	<i>Expenses</i>	<i>Charges for Services</i>	<i>Program Revenues</i>	
			<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
Primary government				
Governmental activities:				
General government	\$ 7,114,857	887,114	174,291	
Public safety	16,681,701	1,733,651	518,814	
Public works	7,545,126	170,855		808,174
Parks and recreation	3,012,271	306,880	48,120	
Health and welfare	1,915,780	279,134	581,776	
Interest on long-term debt	2,262,532			
Total governmental activities	<u>38,532,267</u>	<u>3,377,634</u>	<u>1,323,001</u>	<u>808,174</u>
Business-type activities:				
Water and sewer	15,841,333	15,198,786		38,071
Total business-type activities	<u>15,841,333</u>	<u>15,198,786</u>	<u>-</u>	<u>38,071</u>
Total primary government	<u>54,373,600</u>	<u>18,576,420</u>	<u>1,323,001</u>	<u>846,245</u>
Component units				
Component unit - Health	1,055,590	259,130	832,898	
Component unit - Library	821,924	33,907	583,387	11,881
Total component units	<u>\$ 1,877,514</u>	<u>293,037</u>	<u>1,416,285</u>	<u>11,881</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,
as previously reported
Prior period adjustment
Net position, beginning of year,
as restated

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

<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>
(6,053,452)		(6,053,452)		
(14,429,236)		(14,429,236)		
(6,566,097)		(6,566,097)		
(2,657,271)		(2,657,271)		
(1,054,870)		(1,054,870)		
(2,262,532)		(2,262,532)		
<u>(33,023,458)</u>	<u>-</u>	<u>(33,023,458)</u>	<u>-</u>	<u>-</u>
	(604,476)	(604,476)		
<u>-</u>	<u>(604,476)</u>	<u>(604,476)</u>	<u>-</u>	<u>-</u>
<u>(33,023,458)</u>	<u>(604,476)</u>	<u>(33,627,934)</u>	<u>-</u>	<u>-</u>
			36,438	
			<u>36,438</u>	<u>(192,749)</u>
				<u>(192,749)</u>
16,450,285		16,450,285		279,977
14,735,398		14,735,398		
2,006,662		2,006,662		
1,093,826		1,093,826		
155,030		155,030		
88,788	62,088	150,876	1,076	26,439
169,481	1,055,847	1,225,328		
18,900	(18,900)	-		
<u>34,718,370</u>	<u>1,099,035</u>	<u>35,817,405</u>	<u>1,076</u>	<u>306,416</u>
1,694,912	494,559	2,189,471	37,514	113,667
101,731,673	70,180,659	171,912,332	652,003	1,250,543
<u>(877,903)</u>	<u>(173,792)</u>	<u>(1,051,695)</u>		
<u>100,853,770</u>	<u>70,006,867</u>	<u>170,860,637</u>	<u>652,003</u>	<u>1,250,543</u>
<u>\$ 102,548,682</u>	<u>70,501,426</u>	<u>173,050,108</u>	<u>689,517</u>	<u>1,364,210</u>

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CITY OF TEXARKANA, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2014

	<i>General</i>	<i>2009 Bond Capital Projects</i>	<i>Debt Service</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
ASSETS					
Cash	\$ 5,926,260	2,517,914	13,900	3,681,089	12,139,163
Investments:					
Certificates of deposit	2,009,876			3,000,968	5,010,844
Corporate stocks	1,000				1,000
Receivables (net of allowance for uncollectible):					
Property taxes	67,222		31,774	472,709	571,705
Other taxes	231,087			148,717	379,804
Accounts	240,739			47,087	287,826
Other government agencies	3,365,304	331,476		198,078	3,894,858
Accrued interest	532			461	993
Loans				408,929	408,929
Due from other funds	450,011	129,576		39,000	618,587
Investment in joint venture	93,432				93,432
TOTAL ASSETS	<u>12,385,463</u>	<u>2,978,966</u>	<u>45,674</u>	<u>7,997,038</u>	<u>23,407,141</u>
LIABILITIES					
Accounts payable	1,074,780		430	282,683	1,357,893
Contracts payable	151,466	463,643		22,500	637,609
Accrued payroll	502,640				502,640
Due to other governments	182,636			19,614	202,250
Due to other funds	169,873		191,898	256,769	618,540
Unearned revenue				42,828	42,828
Other liabilities and escrow deposits	10,143			3,003	13,146
TOTAL LIABILITIES	<u>2,091,538</u>	<u>463,643</u>	<u>192,328</u>	<u>627,397</u>	<u>3,374,906</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - grants	42,500			33,729	76,229
Unavailable revenue - property taxes				470,771	470,771
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>42,500</u>	<u>-</u>	<u>-</u>	<u>504,500</u>	<u>547,000</u>
FUND BALANCES (DEFICIT)					
Nonspendable for:					
Noncurrent loans				325,693	325,693
Investment in joint venture	93,432				93,432
Restricted	689,448	2,515,323		4,624,343	7,829,114
Committed	35,000			1,112,025	1,147,025
Assigned	128,739			942,542	1,071,281
Unassigned (deficit)					
General fund	9,304,806				9,304,806
Special revenue funds				(139,462)	(139,462)
Debt service fund			(146,654)		(146,654)
TOTAL FUND BALANCES	<u>10,251,425</u>	<u>2,515,323</u>	<u>(146,654)</u>	<u>6,865,141</u>	<u>19,485,235</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 12,385,463</u>	<u>2,978,966</u>	<u>45,674</u>	<u>7,997,038</u>	<u>23,407,141</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, 2014

Total governmental funds balances	\$ 19,485,235
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.	127,322,101
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.	1,336,334
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	546,667
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.	1,534,943
Long-term liabilities, including bonds payable, are not due and payable in the current periods and therefore are not reported in the funds.	(59,442,027)
Equity interest in joint ventures are not current financial resources and therefore may not be reported in the funds.	<u>11,765,429</u>
Net position of governmental activities	<u><u>\$ 102,548,682</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, 2014

	<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	\$ 10,579,368		5,101,197	312,470	15,993,035
Other taxes	14,883,200			1,093,827	15,977,027
Franchise receipts	1,626,486			380,176	2,006,662
Fees and permits	241,751				241,751
Charges for services	494,578			65,952	560,530
Municipal court	1,652,149				1,652,149
Grants and entitlements	141,328			485,093	626,421
Interest and dividends	25,781	10,131	2,529	40,576	79,017
Intergovernmental	192,343	808,174		518,140	1,518,657
Other	363,848			83,601	447,449
Total revenues	<u>30,200,832</u>	<u>818,305</u>	<u>5,103,726</u>	<u>2,979,835</u>	<u>39,102,698</u>
EXPENDITURES					
Current:					
General government	5,387,243			390,889	5,778,132
Public safety	14,851,752			62,169	14,913,921
Public works	4,085,840				4,085,840
Parks and recreation	1,552,205			682,542	2,234,747
Health and welfare	1,129,419			598,237	1,727,656
Capital outlay	2,433,842	5,906,323		581,403	8,921,568
Debt service:					
Principal retirement	37,283		3,710,000		3,747,283
Interest and fiscal charges	2,738		2,044,612		2,047,350
Total expenditures	<u>29,480,322</u>	<u>5,906,323</u>	<u>5,754,612</u>	<u>2,315,240</u>	<u>43,456,497</u>
Excess (deficiency) of revenues over expenditures	<u>720,510</u>	<u>(5,088,018)</u>	<u>(650,886)</u>	<u>664,595</u>	<u>(4,353,799)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	114,847		608,838	272,189	995,874
Transfers out	(1,421,262)			(971,548)	(2,392,810)
Capital leases	45,013				45,013
Total other financing sources (uses)	<u>(1,261,402)</u>	<u>-</u>	<u>608,838</u>	<u>(699,359)</u>	<u>(1,351,923)</u>
Net change in fund balances	(540,892)	(5,088,018)	(42,048)	(34,764)	(5,705,722)
Fund balances at beginning 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>
Fund balances at end of year	<u>\$ 10,251,425</u>	<u>2,515,323</u>	<u>(146,654)</u>	<u>6,865,141</u>	<u>19,485,235</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, 2014

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

Net change in fund balances - total governmental funds	\$ (5,705,722)
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.	4,448,388
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.	(100,914)
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.	49,303
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.	284,791
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 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.	3,487,088
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.	(187,191)
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.	(281,444)
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.	177,711
Increases (decreases) from the equity interest in joint ventures do not provide or use current financial resources and therefore may not be reported in the funds.	<u>(477,098)</u>
Change in net position of governmental activities	<u>\$ 1,694,912</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, 2014

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>		<i>Final Budget</i>
				<i>Over</i>
				<i>(Under)</i>
REVENUES				
Property taxes	\$ 10,351,334	10,660,532	10,579,368	(81,164)
Other taxes	14,615,500	14,747,017	14,883,200	136,183
Franchise receipts	1,646,650	1,733,295	1,626,486	(106,809)
Fees and permits	224,260	210,752	241,751	30,999
Charges for services	789,730	945,569	494,578	(450,991)
Municipal court	1,638,687	1,594,348	1,652,149	57,801
Grants and entitlements	490,134	278,246	141,328	(136,918)
Investment earnings	46,782	10,882	25,781	14,899
Intergovernmental	853,921	198,784	192,343	(6,441)
Other	853,199	773,181	363,848	(409,333)
Total revenues	<u>31,510,197</u>	<u>31,152,606</u>	<u>30,200,832</u>	<u>(951,774)</u>
EXPENDITURES				
Current:				
General government	5,379,293	5,561,155	5,387,243	173,912
Public safety	15,291,992	15,096,205	14,851,752	244,453
Public works	4,355,305	4,348,205	4,085,840	262,365
Parks and recreation	1,530,039	1,542,904	1,552,205	(9,301)
Health and welfare	1,255,668	1,341,684	1,129,419	212,265
Capital outlay	2,942,618	2,168,943	2,433,842	(264,899)
Debt service:				-
Principal	79,354	37,770	37,283	487
Interest	1,897	2,738	2,738	-
Total expenditures	<u>30,836,166</u>	<u>30,099,604</u>	<u>29,480,322</u>	<u>619,282</u>
Excess (deficiency) of revenue over expenditures	<u>674,031</u>	<u>1,053,002</u>	<u>720,510</u>	<u>(332,492)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	340,822	118,893	114,847	(4,046)
Transfers out	(1,437,669)	(1,420,754)	(1,421,262)	(508)
Capital leases			45,013	45,013
Total other financing sources (uses)	<u>(1,096,847)</u>	<u>(1,301,861)</u>	<u>(1,261,402)</u>	<u>40,459</u>
Net change in fund balance	(422,816)	(248,859)	(540,892)	(292,033)
Fund balances at beginning of year	<u>10,792,317</u>	<u>10,792,317</u>	<u>10,792,317</u>	<u>-</u>
Fund balance at end of year	<u>\$ 10,369,501</u>	<u>10,543,458</u>	<u>10,251,425</u>	<u>(292,033)</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, 2014

	<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	\$ 1,080,826	30,765	1,111,591	2,318,833
Investments	500,000		500,000	
Receivables (net of allowance for uncollectible):				
Accounts	1,993,902	55,167	2,049,069	26,359
Accrued interest	69		69	
Other government agencies	182,282		182,282	9,225
Due from other funds	279,937	326,531	606,468	
Inventory	528,947		528,947	15,291
Prepaid expenses	20,850		20,850	
Net investment in direct financing lease	13,981		13,981	
Total current assets	<u>4,600,794</u>	<u>412,463</u>	<u>5,013,257</u>	<u>2,369,708</u>
Noncurrent assets:				
Restricted assets:				
Cash	9,373,574	972,321	10,345,895	
Investments	1,775,000		1,775,000	
Accrued interest	475		475	
Accounts receivable		404,656	404,656	
Total restricted assets	<u>11,149,049</u>	<u>1,376,977</u>	<u>12,526,026</u>	<u>-</u>
Other noncurrent assets:				
Prepaid capital improvement deposits	1,175,154		1,175,154	
Net investment in direct financing lease	311,397		311,397	
Total other noncurrent assets	<u>1,486,551</u>	<u>-</u>	<u>1,486,551</u>	<u>-</u>
Capital assets (net of accumulated depreciation):				
Land	1,350,883		1,350,883	
Buildings	1,087,015		1,087,015	84,911
Improvements other than buildings	52,585,422		52,585,422	19,401
Machinery and equipment	1,977,532		1,977,532	25,886
Property under capital leases	8,799,033		8,799,033	
Licensed vehicles			-	36,149
Construction in progress	1,452,511		1,452,511	
Total capital assets	<u>67,252,396</u>	<u>-</u>	<u>67,252,396</u>	<u>166,347</u>
Total noncurrent assets	<u>79,887,996</u>	<u>1,376,977</u>	<u>81,264,973</u>	<u>166,347</u>
TOTAL ASSETS	<u>84,488,790</u>	<u>1,789,440</u>	<u>86,278,230</u>	<u>2,536,055</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	21,049		21,049	
TOTAL DEFERRED OUTFLOWS ON RESOURCES	<u>21,049</u>	<u>-</u>	<u>21,049</u>	<u>-</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>
LIABILITIES				
Current liabilities:				
Accounts payable	731,651	82,524	814,175	692,492
Construction contracts payable	259,674		259,674	
Accrued liabilities	164,612	2,888	167,500	6,828
Accrued interest	27,002		27,002	
Due to other funds	326,531	279,937	606,468	1,344
Due to other governments	57,996		57,996	
Other payables	116,625		116,625	
Accrued compensated absences - current	51,239		51,239	
Revenue bonds - current	405,000		405,000	
Obligations under capital leases - current	364,940		364,940	
Total current liabilities	<u>2,505,270</u>	<u>365,349</u>	<u>2,870,619</u>	<u>700,664</u>
Noncurrent liabilities:				
Customer deposits	673,200		673,200	
Capital improvement deposits	1,008,026	1,424,091	2,432,117	
Contracts payable	682,237		682,237	
Accrued compensated absences	340,007		340,007	
Net pension and other postemployment obligations	1,003,007		1,003,007	
Revenue bonds	3,727,463		3,727,463	
Obligations under capital leases	4,369,652		4,369,652	
Total noncurrent liabilities	<u>11,803,592</u>	<u>1,424,091</u>	<u>13,227,683</u>	<u>-</u>
TOTAL LIABILITIES	<u>14,308,862</u>	<u>1,789,440</u>	<u>16,098,302</u>	<u>700,664</u>
NET POSITION				
Net invested in capital assets	57,691,676		57,691,676	166,347
Restricted for construction	7,264,698		7,264,698	
Restricted for capital maintenance	2,772,015		2,772,015	
Restricted for debt service	772,343		772,343	
Unrestricted	1,700,245		1,700,245	1,669,044
TOTAL NET POSITION	<u>\$ 70,200,977</u>	<u>-</u>	<u>70,200,977</u>	<u>1,835,391</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.

300,449

Net position of business-type activities

\$ 70,501,426

CITY OF TEXARKANA, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS For the Year Ended September 30, 2014

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Texarkana, Texas Water Utilities	Other Proprietary Funds	Total	
OPERATING REVENUES				
Water sales	\$ 5,214,362	1,060,391	6,274,753	
Wholesale water sales	1,861,290		1,861,290	
Water connection fees	4,525		4,525	
Sewer charges	6,515,032		6,515,032	
Penalties and service charges	543,186		543,186	
Insurance contributions			-	5,370,575
Fleet services			-	292,641
Other income	1,055,847		1,055,847	
Total operating revenues	<u>15,194,242</u>	<u>1,060,391</u>	<u>16,254,633</u>	<u>5,663,216</u>
OPERATING EXPENSES				
Administrative	226,465		226,465	
Finance	922,838		922,838	
Customer service	494,469		494,469	
Water production	2,609,989		2,609,989	
Water distribution	725,219		725,219	
Sewer collection	730,130		730,130	
Wastewater treatment	2,540,331		2,540,331	
Environmental service	179,185		179,185	
Engineering design	479,316		479,316	
Geographical information systems	250,194		250,194	
Composting	169,768		169,768	
Operations administration	152,872		152,872	
Service center	228,699		228,699	
Safety	54,279		54,279	
Field service	336,872		336,872	
Construction oversight	480,482		480,482	
Benefit payments			-	5,605,765
Fleet services			-	1,435,390
Depreciation	3,127,231		3,127,231	19,618
Other expenses	483,593		483,593	
Contract water & sewer expense-International Paper		1,060,824	1,060,824	
Total operating expense	<u>14,191,932</u>	<u>1,060,824</u>	<u>15,252,756</u>	<u>7,060,773</u>
Operating income (loss)	<u>1,002,310</u>	<u>(433)</u>	<u>1,001,877</u>	<u>(1,397,557)</u>

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

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Texarkana, Texas Water Utilities	Other Proprietary Funds	Total	
NONOPERATING REVENUES (EXPENSES)				
Interest revenue - investments	47,797	433	48,230	9,768
Interest revenue - capital leases	13,858		13,858	
Interest expense and paying agent fees	(179,029)		(179,029)	
Interest expense - capital leases	(257,554)		(257,554)	
Gain (loss) on disposal of capital assets	(2,331)		(2,331)	
Total nonoperating revenues (expenses)	<u>(377,259)</u>	<u>433</u>	<u>(376,826)</u>	<u>9,768</u>
Income before contributions and transfers	625,051	-	625,051	(1,387,789)
Capital contributions	38,071		38,071	
Transfers in			-	1,417,500
Transfers out	<u>(18,900)</u>		<u>(18,900)</u>	<u>(1,664)</u>
Change in net position	<u>644,222</u>	<u>-</u>	<u>644,222</u>	<u>28,047</u>
Total net position, beginning of year, as previously reported	69,730,547	-		1,807,344
Prior period adjustment	<u>(173,792)</u>			
Total net position, beginning of year, as restated	<u>69,556,755</u>	<u>-</u>		<u>1,807,344</u>
Total net position, end of year	<u>70,200,977</u>	<u>-</u>		<u>1,835,391</u>
Some amounts reported for business-type activities in the statement of activities are different because the net revenue of certain internal service funds is reported with business-type activities.			<u>(149,663)</u>	
Change in net position of business-type activities			<u>\$ 494,559</u>	

CITY OF TEXARKANA, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended September 30, 2014

	<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	\$15,490,110	1,056,844	16,546,954	1,760,504
Cash received from interfund services provided and used			-	5,815,148
Cash paid to suppliers	(6,738,514)	(982,268)	(7,720,782)	(6,794,359)
Cash paid to employees	(4,204,847)	(96,943)	(4,301,790)	(259,029)
Net cash provided (used) from operating activities	<u>4,546,749</u>	<u>(22,367)</u>	<u>4,524,382</u>	<u>522,264</u>
Cash flows from non-capital financing activities:				
Transfers to other funds	(18,900)		(18,900)	(1,664)
Net cash used from non-capital financing activities	<u>(18,900)</u>	<u>-</u>	<u>(18,900)</u>	<u>(1,664)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(2,062,081)	(422,706)	(2,484,787)	
Principal paid on bonds	(385,000)		(385,000)	
Interest paid on bonds	(174,466)		(174,466)	
Principal paid on capital leases	(346,187)		(346,187)	
Interest paid on capital leases	(204,936)		(204,936)	
Principal received on direct financing leases	13,159		13,159	
Interest received on direct financing leases	13,858		13,858	
Capital improvement deposits paid	(286,361)		(286,361)	
Capital improvement deposits received	463,999	423,009	887,008	
Interest received on capital improvement deposits	4,402	3,684	8,086	
Net cash provided (used) from capital and related financing activities	<u>(2,963,613)</u>	<u>3,987</u>	<u>(2,959,626)</u>	<u>-</u>
Cash flows from investing activities:				
Purchase of investments	(2,275,000)		(2,275,000)	
Interest received on investments	44,508	433	44,941	9,768
Net cash provided (used) from investing activities	<u>(2,230,492)</u>	<u>433</u>	<u>(2,230,059)</u>	<u>9,768</u>
Net increase (decrease) in cash	(666,256)	(17,947)	(684,203)	530,368
Cash, beginning of year	<u>11,120,656</u>	<u>1,021,033</u>	<u>12,141,689</u>	<u>1,788,465</u>
Cash, end of year	<u>\$10,454,400</u>	<u>1,003,086</u>	<u>11,457,486</u>	<u>2,318,833</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, 2014

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Texarkana, Texas Water Utilities	Other Proprietary Funds	Total	
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 1,002,310	(433)	1,001,877	(1,397,557)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	3,127,231		3,127,231	19,618
Transfers from other funds				1,417,500
(Increase) decrease in assets:				
Accounts receivable	377,911	(3,602)	374,309	(5,775)
Allowance for doubtful accounts	4,068		4,068	
Due from other government agencies			-	500,711
Due from other funds	12,797	55	12,852	(366)
Inventory	103,977		103,977	(3,527)
Prepaid expenses	(10,931)		(10,931)	
Increase (decrease) in liabilities:				
Accounts payable	(447,145)	243	(446,902)	(8,019)
Accrued liabilities	3,955	1,478	5,433	(321)
Due to other funds	282,356	(20,108)	262,248	
Due to other governments				
Accrued compensated absences	1,170		1,170	
Customer deposits	62,565		62,565	
Net pension and other postemployment obligations	96,212		96,212	
Other payables	(69,727)		(69,727)	
Total adjustments	3,544,439	(21,934)	3,522,505	1,919,821
Net cash provided (used) from operating activities	\$ 4,546,749	(22,367)	4,524,382	522,264
Noncash investing, capital, and financing activities:				
Additions to capital assets and direct financing lease	\$ 340,213			

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, 2014

	<i>Firemen's Relief Pension Trust Fund</i>	<i>Agency Funds</i>
	<u>Trust Fund</u>	<u>Funds</u>
ASSETS		
Cash	\$ 504,558	40,474
Investments, at fair value		
Common trust funds	22,204,022	
Treasury and federal agencies	4,228,048	
Nongovernment obligations	569,391	
Foreign obligations	1,053,617	
Exchange traded funds		
Small cap growth funds	1,845,155	
LTD partnerships & LTD liability corporations		
Preferred stocks nonconvertible	1,144,038	
Common stocks	1,185,998	
Accrued interest receivable	49,977	
Due from other funds	1,297	
TOTAL ASSETS	<u>32,786,101</u>	<u>40,474</u>
LIABILITIES		
Accounts payable	8,950	
Escrow deposits		40,474
TOTAL LIABILITIES	<u>8,950</u>	<u>40,474</u>
NET POSITION		
Net position - restricted for pension benefits	<u>32,777,151</u>	
TOTAL NET POSITION	<u>\$ 32,777,151</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, 2014

	<i>Firemen's Relief Pension Trust Fund</i>
	<u> </u>
ADDITIONS	
Contributions:	
Employer	\$ 787,523
Employee	545,176
Investment earnings:	
Interest	833,833
Net increase in the fair value of investments	<u> 2,100,312</u>
TOTAL ADDITIONS	<u> 4,266,844</u>
DEDUCTIONS	
Benefit payments	2,028,258
Administrative expenses	<u> 284,125</u>
TOTAL DEDUCTIONS	<u> 2,312,383</u>
Change in net position	1,954,461
Net position at beginning of year	<u> 30,822,690</u>
Net position at end of year	<u><u> \$ 32,777,151</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, 2014

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, 2014. 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 \$460,239 toward the Library's operations during the year ended September 30, 2014. 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 \$1,116,473 by Texarkana, Texas and \$1,239,445 by Texarkana, Arkansas. During the Airport Authority's fiscal year ended December 31, 2013, the City of Texarkana, Texas contributed \$134,460 and the City of Texarkana, Arkansas contributed \$112,550. 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 \$10,008,320 at December 31, 2013. 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, 2014 was \$280,895 based on the Bi-State Justice Center's audited financial statements at December 31, 2013 (the latest available). As described in Note 18, the City has outstanding debt totaling \$1,610,000 at September 30, 2014, 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, 2014 was \$93,432 based on the Appraisal District's audited financial statements at December 31, 2013 (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, 2014 was \$0 based on the Texarkana Urban Transportation Study Policy Committee's audited financial records at September 30, 2014. The TUTS does not have separately issued financial statements for the year ended September 30, 2014.

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, 2014 was \$1,476,214 based on the Texarkana Urban Transit District's audited financial statements at September 30, 2013 (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.

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, 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 89 percent of outstanding property taxes as of September 30, 2014.

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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, 2014 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 \$44,822,466 a year from the present assessed valuation of \$2,448,369,207 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 months +	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 months +	112	1,008
Civil – Fire	N/A	No	6 months +	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 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.

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. Issuances costs, whether or not withheld from the actual debt proceeds received, as reported as debt service expenditures.

8. Fund equity

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

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

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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.

11. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: grants and property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 (\$59,442,027) difference are as follows:

General obligation bonds payable	\$ (25,230,000)
Less: Deferred charges (to be amortized as interest expense)	972,442
Add: Issuance premiums (to be amortized over life of debt)	(2,325,256)
Certificates of obligation	(25,700,000)
Capital leases	(54,177)
Compensated absences	(3,980,177)
Net pension and other postemployment obligations	<u>(3,124,859)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (59,442,027)</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 \$4,448,388 difference are as follows:

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Capital outlay	\$ 8,921,568
Amounts in capital outlay below the capitalization threshold	20,395
Depreciation expense	<u>(4,493,575)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 4,448,388</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 \$3,487,088 difference are as follows:

Issuance of debt:	
Capital leases	\$ (45,013)
Principal repayments:	
General obligation bonds	2,020,000
Certificates of obligation	1,690,000
Capital leases	37,283
Amortization of bond issuance premiums	<u>(215,182)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 3,487,088</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 CDBG Revolving Loans. 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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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. 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 CDBG Revolving Loans). 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>Expendi- tures</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	69,991	349,416	266,539	758,962	746,076
Hotel/Motel Tax	1,095,608	425,309	(748,622)	213,628	135,305
Economic Development	385,872	390,389	(171)	1,149,318	1,144,630
Law Enforcement Programs	7,642	4,405		10,085	13,322
Brownfield Grant	44,539	38,150		(80,518)	(74,129)
TIRZ #1	313,467	126	(220,838)	103,963	196,466
CDBG Revolving Loans	202,282	132		-	202,150
Total Special Revenue Funds with budgets	<u>2,119,401</u>	<u>1,207,927</u>	<u>(703,092)</u>	<u>2,155,438</u>	<u>2,363,820</u>
Special Revenue Funds without budgets					
Housing and Community Development	\$ 202,271	202,271		-	-
HOME Program	75	46,335	2,581	117,282	73,603
Housing	17,058			418,989	436,047
Law Enforcement Block Grant	39,004	19,614		1,175	20,565
Rotary Splash Park	75,888	16,229		(124,375)	(64,716)
Supportive Housing Grant	348,165	277,990		(65,386)	4,789
EPA Petroleum Grant	23,145	20,517		(3,245)	(617)
EPA Job Training Grant	91,242	25,092	1,180	(65,359)	1,971
EPA Revolving Loan Grant	10,753	5,326		(1,582)	3,845
EPA Multipurpose Grant	37,489	26,922		202	10,769
Total Special Revenue Funds without budgets	<u>845,090</u>	<u>640,296</u>	<u>3,761</u>	<u>277,701</u>	<u>486,256</u>
Total Special Revenue Funds	<u>\$ 2,964,491</u>	<u>1,848,223</u>	<u>(699,331)</u>	<u>2,433,139</u>	<u>2,850,076</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The expenditures in the Law Enforcement Programs Fund exceeded appropriations by \$105.

A. RESTRICTED BY ENABLING LEGISLATION

The government-wide Statement of Net Position reports restricted net position, of which \$168,690 is restricted by enabling legislation. This amount consists of unspent hotel/motel taxes.

B. DEFICIT FUND EQUITY

The Debt Service fund had a deficit fund balance of \$146,654. The Brownfield Grant fund had a deficit fund balance of \$74,129. The Rotary Splash Park fund had a deficit fund balance of \$64,716. The EPA Petroleum Grant fund had a deficit balance of \$617.

C. 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>
General Fund	\$ 188,213
Public Health Fund	6,851
Metro Planning Fund	12,172
Capital Replacement Fund	26,626
Hotel/Motel Tax Fund	474,514
Theatre Fund	73,208
2009 Bond	2,907,277
Total	<u>\$ 3,688,861</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:

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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

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

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

As of September 30, 2014, the City's Firefighter's Relief and Pension fund had the following debt security investments and maturities:

<i>Investment Type</i>	<i>Fair Value</i>	<i>Investment Maturities (in Years)</i>			
		<i>Less Than 1</i>	<i>1-5</i>	<i>6-10</i>	<i>More Than 10</i>
<i>Fire Pension Fund:</i>					
U.S. treasuries & federal agencies	\$ 4,228,048	1,034,578	144,830	779,199	2,269,441
Nongovernment obligations	569,391			303,417	265,974
Foreign obligations	1,053,617	343,146	438,449	272,022	
	<u>\$ 5,851,056</u>	<u>1,377,724</u>	<u>583,279</u>	<u>1,354,638</u>	<u>2,535,415</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>Portfolio Segment</i>	<i>Range of Portfolio Assets</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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 \$20,793,375 in categorizable bank deposits, none were uninsured and uncollateralized. Of the component units' \$888,946 in bank deposits, \$91,925 of Library's deposits were uninsured and uncollateralized at September 30, 2014. Of the enterprise fund's \$13,955,164, none were uninsured and uncollateralized at September 30, 2014.

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 \$8,182,091, 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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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	\$ 5,735,778	8.38%
Cash and certificates of deposit	Farmers Bank and Trust	5,780,579	8.44%
Cash and certificates of deposit	Guaranty Bank	18,591,924	27.16%

Foreign Currency Risk

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

At September 30, 2014, the City's Firemen's Relief and Pension fund had fixed income securities of \$1,053,617 invested in foreign obligations with Seacrest Investment Management, LLC. The Seacrest investments are comprised of the following investments at September 30, 2014:

	<u>Fair Value</u>
Austria	\$ 43,271
Canada	117,168
Germany	98,127
Indonesia	30,995
Mexico	50,226
Netherlands	84,291
Norway	48,115
Phillipines	53,884
Sweden	50,415
Turkey	80,658
Venezuela	104,158
Supranational	292,309
Total	<u>\$ 1,053,617</u>

The Firemen's Relief and Pension fund also had common trust funds of \$4,111,542 invested in Westwood Trust International Growth Equity (Global Equity) - EB Fund, \$878,802 invested in Westwood Trust International Value Equity (Emerging Markets) - EB. The Westwood equity funds are comprised of the following investments at December 31, 2013 (latest audit report available):

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<i>Global Equity</i>	<i>Emerging Markets</i>
Cash and cash equivalents	1.03%	1.95%
Cash denominated in foreign currencies	1.23%	1.23%
Securities:		
Australia	1.60%	
Austria	3.30%	
Belgium	1.90%	
Bermuda		6.29%
Brazil	0.81%	10.77%
Canada	0.48%	1.34%
Cayman Islands		3.88%
Chile		1.39%
China	0.47%	4.06%
Egypt		1.68%
France	5.89%	
Germany	4.67%	
Hong Kong	4.25%	6.50%
Indonesia		5.29%
Japan	8.53%	
Jersey Channel Islands	3.07%	1.11%
Luxembourg	1.45%	2.95%
Malaysia		2.30%
Mexico		3.61%
Netherlands	1.04%	10.39%
Poland		1.38%
Peru		
Singapore	1.08%	1.06%
South Africa		7.13%
South Korea	3.17%	4.94%
Spain	1.03%	
Switzerland	4.77%	
Taiwan		6.23%
Thailand	2.86%	6.81%
Turkey	0.76%	6.21%
United Kingdom	7.68%	1.45%
USA	38.95%	
Total Securities	97.76%	96.77%
Other	-0.02%	0.05%
Total	100.00%	100.00%

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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:

	<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	\$ 621,862		293,937		488,699	1,404,498
Other taxes	231,087				148,717	379,804
Accounts	1,387,208			2,081,629	137,346	3,606,183
Intergovernmental	3,365,304	331,476		182,282	207,303	4,086,365
Interest	532			69	50,438	51,039
Loans					1,492,271	1,492,271
Gross receivables	<u>5,605,993</u>	<u>331,476</u>	<u>293,937</u>	<u>2,263,980</u>	<u>2,524,774</u>	<u>11,020,160</u>
Less: allowance for uncollectibles	<u>1,701,109</u>		<u>262,163</u>	<u>87,727</u>	<u>1,108,065</u>	<u>3,159,064</u>
Net total receivables	<u>\$ 3,904,884</u>	<u>331,476</u>	<u>31,774</u>	<u>2,176,253</u>	<u>1,416,709</u>	<u>7,861,096</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

	<u>Balance October 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance September 30, 2014</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 45,755,321			1,011,486	46,766,807
Construction in progress	<u>6,953,871</u>	<u>6,715,642</u>		<u>(4,292,169)</u>	<u>9,377,344</u>
Total capital assets, not being depreciated	<u>52,709,192</u>	<u>6,715,642</u>		<u>(3,280,683)</u>	<u>56,144,151</u>
Capital assets, being depreciated:					
Buildings	30,956,966	52,822		345,975	31,355,763
Improvements other than buildings	7,777,600	42,369		275,626	8,095,595
Infrastructure	106,456,775	241,261		2,438,867	109,136,903
Machinery and equipment	4,204,861	249,298	(61,410)	220,215	4,612,964
Licensed vehicles	8,632,800	1,640,571	(844,558)		9,428,813
Total capital assets, being depreciated	<u>158,029,002</u>	<u>2,226,321</u>	<u>(905,968)</u>	<u>3,280,683</u>	<u>162,630,038</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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

Governmental activities	
General government	\$ 316,920
Public safety	730,450
Public works	2,966,952
Parks and recreation	479,253
Capital assets held by the City's internal service funds	
charged to the various functions based on their usage of the assets	19,618
Total depreciation expense - governmental activities	<u>\$ 4,513,193</u>
Business-type activities:	
Water and sewer	<u>\$ 3,127,231</u>
Total depreciation expense - business-type activities	<u>\$ 3,127,231</u>

Discretely Presented Component Unit

Activity for the Health Center for the year ended September 30, 2014 was as follows:

	<i>Balance October 1, 2013</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance Sept. 30, 2014</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	(889,634)	(28,003)		(917,637)
Improvements other than buildings	(42,841)			(42,841)
Machinery and equipment	(12,827)			(12,827)
Total accumulated depreciation	<u>(945,302)</u>	<u>(28,003)</u>	<u>-</u>	<u>(973,305)</u>
Total capital assets, being depreciated, net	<u>\$ 362,311</u>	<u>(28,003)</u>	<u>-</u>	<u>334,308</u>

Activity for the Library for the year ended September 30, 2014 was as follows:

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<i>Balance October 1, 2013</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance Sept. 30, 2014</i>
Capital assets, being depreciated:				
Machinery and equipment	\$ 728,351	3,800	(30,617)	701,534
Total capital assets, being depreciated	<u>728,351</u>	<u>3,800</u>	<u>(30,617)</u>	<u>701,534</u>
Less accumulated depreciation for:				
Machinery and equipment	(585,159)	(33,220)	29,699	(588,680)
Total accumulated depreciation	<u>(585,159)</u>	<u>(33,220)</u>	<u>29,699</u>	<u>(588,680)</u>
Total capital assets, being depreciated, net	<u>\$ 143,192</u>	<u>(29,420)</u>	<u>(918)</u>	<u>112,854</u>

NOTE 7 - CONSTRUCTION PROJECTS

As of September 30, 2014, the City had the following commitments with respect to unfinished capital projects.

	<i>Project Authorization</i>	<i>Through 9/30/2014</i>	<i>Future Financing</i>
Broom Attachment (Streets)	\$ 7,521	7,521	-
Bullet Proof Transaction Window	18,781	8,781	10,000
City Wide Master Drain	550,500	546,434	4,066
Cowhorn Drain Restudy	171,602	171,602	-
Downtown Enhancement	779,500	240,041	539,459
Fleet Vehicles	100,795	96,545	4,250
Linear Park	1,000,001	98,451	901,550
Morris Lane Phase II	5,504,207	4,352,016	1,152,191
Perot Theatre Carpet	165,390	92,183	73,207
Summer Glenn Acres Drive	235,000	7,000	228,000
Summerhill Backage Road	46,844	8,594	38,250
Texas A&M East Approach	3,034,522	3,027,922	6,600
Texas A&M Phase IV	2,520,562	720,254	1,800,308
Total	<u>\$ 14,135,225</u>	<u>9,377,344</u>	<u>4,757,881</u>

Business-type activities construction projects

Texarkana Water Utilities completed several construction projects during fiscal year 2014, 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 \$595,739. \$214,837 was spent on painting the Liberty-Eylau elevated storage tank. A twelve inch water main extension for Springer Road was completed during the year with a current year expenditure of \$14,644 for a total cost of \$15,139, and another twelve inch water main extension was completed on North Kings Highway costing \$144,898. An altitude valve

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

was replaced on the I-30 elevated water storage tank for \$19,737. \$16,672 was spent on sewer manholes. \$667 was spent for the initial cost for the I-30 elevated water storage tank repainting project. A project to eliminate various dead-end water mains was completed during the fiscal year at a cost of \$54,163. \$22,903 was spend for eleven (11) additional fire hydrants. \$24,035 was spent on several water projects, \$74,836 on various sewer projects, and \$8,347 for equipment improvements during the year.

The Texas Utility Infrastructure Fund expenditures totaled \$194,768 for the year which was mostly attributable to expenditures for the Texas A&M East approach project that amounted to \$193,121. Other expenditures were for minor sewer projects on Moores Lane and Lubbock Streets and the initial work on the South Stateline Trunk Main project all of which accounted for the residual fiscal year expenditures totaling \$1,647.

For fiscal year 2014, \$201,819 was spent from the South Regional Wastewater Depreciation Fund with \$125,332 from the Texas Utility and \$76,487 from the Arkansas Utility. Some of the significant items include boiler re-tube work totaling \$17,464, rebuilding centrifuges for \$34,290, repairs to the hot water filter and chiller pumps and piping for \$27,862. A clarifier gear box was replaced costing \$28,723, and a bio-filter was rebuilt at a total cost of \$46,205. Electrical equipment repairs and replacements during the year totaled \$29,668 and included such items as replacing transformers, repairing lightning damage, replacing breakers, and replacing a transfer switch. Pump, motor and controls repair and replacement totaled \$17,607 for the year.

Expenditures from the Compost Fund for fiscal year 2014 were \$26,926, of which \$14,320 was paid from the Texas Utility and \$12,606 from the Arkansas Utility. Hammer mill cutter edges were replaced for \$6,879, and front-end loader repairs totaled \$20,047 for the year.

2013 Bond Construction expenditures for the fiscal year were \$75,322 for the current year completion of the Highway 82 water line relocation and upsizing project at a total cost of \$2,068,301.

Repairs were completed at the North Texarkana Wastewater Treatment Plant during the year at a total cost of \$25,414, of which the Arkansas Utility share was \$15,502 and Texas Utility share was \$9,912. A blower VFD was replaced costing \$6,984, a waste-activated sludge pump repaired for \$8,993, and an influent pump was repaired for \$9,437.

In fiscal year 2014, \$419,236 in Technology Fund purchases were incurred, and the Texas and Arkansas utility portions were \$275,053 and 144,183, respectively. Current year payment for Dell, Microsoft and Cisco leases totaled \$73,060. \$40,321 for Miller County digital imagery was expended 100% from the Arkansas Utility, and \$54,975 for Bowie County digital imagery was expended 100% from the Texas Utility. \$49,023 was expended 100% from the Texas Utility for fiber optic projects. IT Pipe software for the utility sewer inspection van was purchased for \$40,866. Network data center expenditures were \$28,930 for the year. A generator for the Utility's second data center was purchased for \$32,188. \$43,384 was expended for SQL and Aimetis servers during the year. \$8,805 was expended for SCADA equipment and connectivity, \$6,955 on wireless connectivity, \$9,627 on IT patch management software, and \$10,302 was spent on backup infrastructure during the year. Other expenditures included such items as computer hardware, software and related peripherals totaling \$20,800.

Equipment Acquisition Fund expenditures for fiscal year 2014 were \$879,252 of which \$333,198 was from the Arkansas Utility and \$546,054 from the Texas Utility. Utility fleet vehicles were replaced during the year at a total cost of \$206,577. A combination sewer vacuum/jet truck was purchased for \$309,770. A sewer inspection van was purchased for \$152,995. A mini-track hoe and trailer were purchased for \$41,945. A tractor with bush hog was purchased for \$22,450. A trailer-mounted, 3-phase generator was purchased during the year for \$26,095. Flo-

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Dar flow meters costing \$37,726 and Isco samplers costing \$9,633 were purchased. Two zero-turn mowers were purchased for \$17,159. An expenditure of \$12,253 was incurred for a 4 post vehicle service lift. A photocopier was purchased for \$5,295. A hydraulic power pack and pump were purchased for \$13,515. Various other furniture, machinery and equipment were purchased totaling \$23,839.

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2014 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 256,767
General	Debt Service	191,898
General	Employee Benefit internal service	1,346
2009 Bond	General	129,576
Nonmajor governmental fund	General	39,000
Texarkana, Texas Water Utilities	Nonmajor enterprise fund	279,937
Nonmajor enterprise fund	Texarkana, Texas Water Utilities	326,531
Fire Pension fiduciary fund	General	1,297
Total		<u>\$ 1,226,352</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.

Purpose:

\$12,000	To reimburse the General fund for expenditures paid for the TIRZ #1 fund (nonmajor governmental fund).
\$42,207	To reimburse the General fund for expenditures paid for the Supportive Housing fund (nonmajor governmental fund).
\$58,769	To reimburse the General fund for expenditures paid for the Housing and Community Development fund (nonmajor governmental fund).
\$4,050	To reimburse the General fund for expenditures paid on behalf of the EPA Petroleum Grant fund (nonmajor governmental fund).
\$75,025	To reimburse the General Fund for expenditures paid for the Brownfield grant fund (nonmajor governmental fund).
\$64,716	To reimburse the General Fund for expenditures paid for the Rotary Splash Park fund (nonmajor governmental fund).
\$191,898	To reimburse the General Fund for expenditures paid for the Debt Service fund.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

- \$1,346 To reimburse the General Fund for expenditures paid for the Benefit Trust fund.
- \$39,000 To reclassify deposits between the Law Enforcement Block Grant fund (nonmajor governmental fund) and the General fund.
- \$129,576 To reclassify deposits between the 2009 Bond fund and the General fund.
- \$279,253 International Paper Company (IP) reimburses Texarkana, Texas Water Utilities Fund for all operating expenses incurred in the IP Water Fund. The balance of \$125,283 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.
- \$684 Lake Texarkana Water Supply owes the Texas Utility fund for unpaid inventory transfers.
- \$326,531 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.
- \$1,297 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>General Fund</i>	<i>Nonmajor Governmental</i>	<i>Fleet Internal Service</i>	<i>Texarkana, Texas Water Utilities</i>	<i>Total</i>
General fund	\$ -	94,283	1,664	18,900	114,847
Debt service		608,838			608,838
Nonmajor governmental funds	3,761	268,428			272,189
Fleet services (internal service)	1,417,500				1,417,500
Total transfers in	\$ 1,421,261	971,549	1,664	18,900	2,413,374

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

Purpose:

- \$2,581 Funds were transferred from the General fund to the HOME fund (nonmajor governmental fund) to cover salary expenses.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

- \$1,180 Funds were transferred from the General fund to the EPA Job Training fund (nonmajor governmental fund) to cover salary expenses.
- \$1,412,500 Funds were transferred from the General fund to the Fleet Services fund (internal service fund) for fuel and maintenance.
- \$5,000 Funds were also transferred from the General fund to the Fleet Services fund (internal service fund) for additions to capital assets.
- \$80,250 Transfers to the General Fund from the Hotel/Motel fund (nonmajor governmental fund) were made to cover expenses.
- \$12,000 Funds were also transferred from the TIRZ fund (nonmajor governmental fund) to the General fund for various expenses.
- \$1,861 Funds were also transferred to the General Fund from the Theatre fund (nonmajor governmental fund).
- \$171 Funds were transferred to the General Fund from the Economic Development fund (nonmajor governmental fund) to cover part of salary expenses.
- \$400,000 Transfers to the Debt Service fund for debt service payments from the Hotel/Motel fund (nonmajor governmental fund).
- \$208,838 Funds were also transferred from the TIRZ fund (nonmajor governmental fund) to the Debt Service fund for principal and interest payment on bonds.
- \$268,400 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.
- \$28 Funds were also transferred to the Hotel/Motel fund (nonmajor governmental fund) from the Convention Center Bond fund (nonmajor governmental fund) for additions to capital assets.
- \$1,664 Funds were transferred to the General Fund from Fleet Services (internal service fund) for various expenses.
- \$18,900 Transfer of the City's administrative fees due under contracts between the City and International Paper Company water service contracts.

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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, 2014.

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 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 \$538,077 and \$689,734 for 2014 and 2013, 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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 \$603,037 and \$496,219 for 2014 and 2013, 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 \$415,606 and \$416,561 for 2014 and 2013, 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.

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. In 2013 the Texarkana, Arkansas Water Utilities made total transfers to the Texarkana, Texas Water Utilities for debt service of \$31,689. The effective transfer of assets pursuant to this agreement has been recorded as a direct financing lease. The Texarkana, Arkansas Water Utilities has made no transfers to the Texarkana, Texas Water Utilities for debt service since 2013 when the capital lease debt was retired.

McKinney Bayou Wastewater Facilities

A wastewater agreement dated December 15, 1997 was entered into between the City of Texarkana, Arkansas and the City of Texarkana, Texas. The agreement relates to the operation and maintenance of a wastewater treatment facility, known as the McKinney Bayou Wastewater Facilities (the facilities), and related transmission lines located within the City of Texarkana, Arkansas to be used for the collection and treatment of a portion of the two cities' wastewater. The agreement provides that the City of Texarkana, Arkansas will

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 2014 and 2013, 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 (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.

In FY 2013, the Texas Utility issued \$2.2 million in Waterworks and Sanitary Sewer System Revenue Bonds to finance the moving and replacing of a 16 inch ductile iron water line to a 24 inch water line between Malta, Texas and DeKalb, Texas to accommodate the widening of U.S. Highway 82 between New Boston, Texas and DeKalb Texas, a Bowie County voter approved project. In FY 2014, the Texas Utility received payments of \$27,017 from the "Member Cities" for contributions toward debt service on these bonds based on their ownership ratio in these assets, for which the related transfer is recorded as a direct financing lease by the Texas Utility.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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. The second ten year extension of the contract is pending.

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 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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 \$153,406 and \$165,085 for fiscal year 2014 and 2013, 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 Texarkana, Arkansas Water Utilities water rights at September 30, 2014 were \$509,164. Depreciation of the water rights, 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 2014.

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.

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 2013, the capital assets and corresponding liability of \$792,172 were recorded in the financial statements. For fiscal year 2014, the Utility owes TAC \$1,759 for water sales related to this system. The Utility recorded capital contributions of \$38,071 for the amount "forgiven" under the contract terms for the current year. The remaining liability under this contract is \$714,714.

NOTE 16 - LEASE COMMITMENTS - Capital Leases

The government has entered into a lease agreement as lessee for financing the acquisition of computer 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, 2014:

<u>Ending September 30:</u>	<i>Governmental Activities</i>	<i>Enterprise Funds</i>
2015	\$ 29,081	606,148
2016	17,912	668,932
2017	12,107	669,394
2018		669,240
2019		668,469
2020-2024		2,945,763
2025		553,086
Total minimum lease payments	<u>59,100</u>	<u>6,781,032</u>
Less:		
Unexpended funds		(696,595)
Amounts representing interest	<u>(4,923)</u>	<u>(1,349,845)</u>
Present value of minimum lease payments	<u>\$ 54,177</u>	<u>4,734,592</u>

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

<u>Asset Class</u>	<i>InterSystem Leases</i>
Land	\$ 399,965
Buildings	3,400,033
Improvements other than buildings	6,898,603
Machinery and equipment	2,234,544
Total	<u>\$ 12,933,145</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 31.95% 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, 2014 are as follows:

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2014</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	2,035,000
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	9,390,000
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	13,805,000
Total general obligation bonds		<u>\$ 28,340,000</u>	<u>25,230,000</u>

Annual requirements to amortize general obligation bonds outstanding at September 30, 2014 are as follows:

<u>Requirements Year Ending September 30</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,205,000	642,712	2,847,712
2020-2024	10,190,000	1,780,144	11,970,144
2025-2027	4,130,000	193,783	4,323,783
Total	<u>\$ 25,230,000</u>	<u>5,864,493</u>	<u>31,094,493</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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, 2014 are as follows:

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2014</u>
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	735,000
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	14,960,000
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	6,040,000
Combination Tax and Revenue Certificates of Obligation, Series 2012 used for street and drainage improvements, constructing, improving and equipping park and recreational facilities - due serially in varying amounts through February 1, 2035.	0.50% - 3.500%	<u>4,115,000</u>	<u>3,965,000</u>
Total certificates of obligation		<u>\$ 46,285,000</u>	<u>25,700,000</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Annual requirements to amortize certificates of obligations outstanding at September 30, 2014 are as follows:

<i>Requirements Year Ending September 30</i>	<i>Certificates of Obligation</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	\$ 1,815,000	1,031,546	2,846,546
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	1,265,000	835,266	2,100,266
2020-2024	7,125,000	3,360,521	10,485,521
2025-2029	8,810,000	1,688,040	10,498,040
2030-2034	2,930,000	185,430	3,115,430
2035	250,000	4,375	254,375
Total	<u>\$ 25,700,000</u>	<u>9,902,545</u>	<u>35,602,545</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, 2014 are as follows:

	<i>Rate of interest</i>	<i>Original Issue</i>	<i>Outstanding September 30, 2014</i>
Revenue bonds:			
Waterworks and Sanitary Sewer System Revenue Bonds Series 2004 net of bond premium of \$6,859 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	1,456,859
Waterworks and Sanitary Sewer System Revenue Bonds, Series 2005 net of bond discount and premium of \$21,048 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	553,952
Waterworks and Sanitary Sewer System Revenue Bonds, Series 2013 net of bond discount of \$19,397 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%	<u>2,200,000</u>	<u>2,100,603</u>
Total Texarkana, Texas Water Utilities		<u>\$ 6,505,000</u>	<u>4,111,414</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Annual requirements to amortize revenue bonds outstanding at September 30, 2014 are as follows:

<i>Requirements Year Ending September 30</i>	<i>Revenue Bonds</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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	249,793	107,169	356,962
2020-2024	1,207,594	385,683	1,593,277
2025-2029	594,851	220,320	815,171
2030-2033	581,052	71,818	652,870
Total	<u>\$ 4,111,414</u>	<u>1,337,093</u>	<u>5,448,507</u>

Changes in long-term liabilities

The following is a summary of changes in long-term liabilities for the year ended September 30, 2014:

	<i>Balance October 1, 2013</i>	<i>Additions</i>	<i>Retirements/ Deductions</i>	<i>Balance September 30, 2014</i>	<i>Long-term Balance</i>	<i>Due Within One Year</i>
Governmental activities:						
General obligation bonds	\$ 27,250,000		(2,020,000)	25,230,000	23,450,000	1,780,000
Issuance premiums	2,272,332		(211,884)	2,060,448	2,060,448	
Total general obligation bonds	<u>29,522,332</u>	<u>-</u>	<u>(2,231,884)</u>	<u>27,290,448</u>	<u>25,510,448</u>	<u>1,780,000</u>
Certificates of obligation	27,390,000		(1,690,000)	25,700,000	23,885,000	1,815,000
Issuance premiums	283,284		(18,476)	264,808	264,808	
Total certificates of obligation	<u>27,673,284</u>	<u>-</u>	<u>(1,708,476)</u>	<u>25,964,808</u>	<u>24,149,808</u>	<u>1,815,000</u>
Capital leases	46,935	45,013	(37,771)	54,177	27,989	26,188
Net pension and other postemploy- ment obligations	2,843,415	3,027,277	(2,745,833)	3,124,859	3,124,859	
Accrued compensated absences	3,792,986	1,377,451	(1,190,260)	3,980,177	3,739,402	240,775
Governmental activity Long-term liabilities	<u>\$ 63,878,952</u>	<u>4,449,741</u>	<u>(7,914,224)</u>	<u>60,414,469</u>	<u>56,552,506</u>	<u>3,861,963</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<i>Balance October 1, 2013</i>	<i>Additions</i>	<i>Retirements/ Deductions</i>	<i>Total Balance September 30, 2014</i>	<i>Long-term Balance</i>	<i>Due Within One Year</i>
Business-type activities:						
Revenue bonds	\$ 4,530,000		(385,000)	4,145,000	3,740,000	405,000
Issuance premiums	(12,744)		207	(12,537)	(12,537)	
Total revenue bonds	4,517,256	-	(384,793)	4,132,463	3,727,463	405,000
Capital leases	4,985,995	42,166	(293,569)	4,734,592	4,369,652	364,940
Net pension and other post-employment obligations	906,794	96,213		1,003,007	1,003,007	
Accrued compensated absences	390,078	318,270	(317,102)	391,246	340,007	51,239
Business-type activity						
Long-term liabilities	<u>\$ 10,800,123</u>	<u>456,649</u>	<u>(995,464)</u>	<u>10,261,308</u>	<u>9,440,129</u>	<u>821,179</u>

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, \$63,385 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.

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, 2014 is \$1,610,000.

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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, 2014, the City contributed \$391,165 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 \$26,157,691 for major structures, primarily those used by the public and those located in a cluster to provide protection from catastrophic losses, as well as \$8,767,900 of contents coverage.

The City maintains liability insurance coverage of \$1,095,036 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 \$1,900,000 per claimant as an annual benefit and unlimited as a lifetime benefit, were insured through QBE Insurance Corporation, which was offered by the reinsurance company, Beacon Risk Strategies, LLC. Beacon, Risk Strategies, LLC is offered through the Third Party Administrator, Blue Advantage of Arkansas. Each participating fund makes payments to the Employee Benefit Fund based upon the computed monthly amount determined by the administrator of the plan. Employees pay a portion of their costs and an amount for dependents and the City pays for the remainder of employees' coverage. Costs are recognized by the City in the Employee Benefit Fund when claims are filed and processed according to the City of Texarkana's plan document by Blue Advantage Administrators of Arkansas. Estimated costs incurred but not billed at year end are accrued.

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

	<i>Year Ended</i> <u>September 30, 2014</u>	<i>Year Ended</i> <u>September 30, 2013</u>
Unpaid claims, October 1	\$ 338,100	362,250
Incurred claims	2,761,259	2,360,623
Claim payments	<u>(2,753,209)</u>	<u>(2,384,773)</u>
Unpaid claims, September 30	<u>\$ 346,150</u>	<u>338,100</u>

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

NOTE 20 - EMPLOYEE RETIREMENT SYSTEMS

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

A. TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

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

Plan Description

The City provides pension benefits for all of its eligible 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 statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained 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:

	<u>Plan Year 2013</u>	<u>Plan Year 2014</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	70% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. 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 for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015.) The annual pension cost and net pension obligation/ (asset) are as follows:

	<i>Plan No. 1</i>	<i>Plan No. 2</i>		<i>Plan No. 3</i>
	<i>City</i>	<i>City</i>	<i>Library</i>	<i>Utility</i>
Calculation of Net Pension Obligation:				
Annual required contribution (ARC)	\$ 1,006,661	1,180,781	54,333	745,996
Interest on NPO	49,116	51,283	2,653	36,766
Adjustment to the NPO	(44,166)	(46,114)	(2,385)	(33,061)
Annual pension cost (APC)	1,011,611	1,185,950	54,601	749,701
Contributions made	(1,003,091)	(1,176,752)	(58,361)	(745,188)
Increase (decrease) in NPO	8,520	9,198	(3,760)	4,513
NPO at the beginning of period	701,661	732,616	37,893	525,232
NPO at the end of period	\$ 710,181	741,814	34,133	529,745

THREE YEAR TREND INFORMATION

	<i>Fiscal Year Ending</i>	<i>Annual Pension Cost</i>	<i>Actual Contributions Made</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
Plan No. 1	9/30/2012	\$ 1,181,946	\$ 1,125,133	95%	\$ 698,457
	9/30/2013	1,117,944	1,107,165	99%	709,206
	9/30/2014	1,011,611	1,003,091	99%	710,181
Plan No. 2	9/30/2012	1,292,298	1,225,867	95%	764,015
	9/30/2013	1,241,636	1,235,141	99%	770,510
	9/30/2014	1,240,551	1,235,113	100%	775,947
Plan No. 3	9/30/2012	812,514	748,122	92%	509,210
	9/30/2013	812,359	796,337	98%	525,232
	9/30/2014	749,701	745,188	99%	529,745

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	projected unit credit	projected unit credit	entry age normal
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll
GASB 25 equivalent single amortization period			
Plan No. 1	26.3 years; closed period	25.4 years; closed period	30.0 years; closed period
Plan No. 2	26.2 years; closed period	25.2 years; closed period	26.0 years; closed period
Plan No. 3	26.2 years; closed period	25.2 years; closed period	22 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial assumptions:			
Investment rate of return*	7.00%	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

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

The funded status as of December 31, 2013, 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	12/31/2013	\$ 32,562,187	\$ 39,624,241	82.2%	\$ 7,062,054	\$ 5,639,510	125.2%
Plan No. 2	12/31/2013	38,000,047	46,482,062	81.8%	8,482,015	7,765,947	109.2%
Plan No. 3	12/31/2013	26,767,475	35,213,555	76.0%	8,446,080	6,525,691	129.4%

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

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 FIREFIGHTER'S RELIEF AND RETIREMENT FUND (FRRF)

Plan Description

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

Firefighters in the Texarkana Fire Department are covered by the Texarkana Firefighter's Relief and Retirement Fund. The table below summarizes the membership of the fund as of December 31, 2013 the most recent biennial actuarial valuation.

<i>Group</i>	<i>Number</i>
Retiree and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	61
Current employees	
Vested	21
Nonvested	57
Total	139

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 present 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, 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 Firefighter's Relief and Retirement Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments

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

Contributions Required and Contributions Made

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

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate contribution 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 (UAAL). The number of years needed to amortize the plan's UAAL is determined using an open, level percentage of payroll method.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

The costs of administering the plan are paid 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 of 19.5% by the City. Contributions by the City at that rate satisfy the Annual Pension Cost of GASB Statement No. 207.

Annual Pension Cost

For the fiscal year ending September 30, 2014, the City of Texarkana's annual pension cost (APC) was equal to the annual required contributions and was \$787,523. Based on the results of the December 31, 2013 actuarial valuation of the plan effective July 26, 2013, the Board's actuary found that the fund has an adequate contribution arrangement based on the current level of the firefighter and the assumed 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, 2014 were based on the results of the actuarial valuation as of December 31, 2011 and as of December 31, 2013 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 valuations are shown below:

Valuation date	12/31/2011	12/31/2013
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of payroll, open	Level percent of payroll, open
Amortization period for ARC	15 years	20 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 9.19%	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%

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 Ending</u>	<u>Pension Cost (APC)</u>	<u>of APC Contributed</u>	<u>a Percentage of Payroll</u>	<u>Pension Obligation</u>
9/30/2012	\$ 804,883	100%	19.50%	0
9/30/2013	826,138	100%	19.50%	0
9/30/2014	787,523	100%	19.50%	0

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2013	\$ 30,058,082	\$ 35,519,165	84.6%	\$ 5,461,083	\$ 4,019,902	135.9%

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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:

	<u>City</u>	<u>TWU</u>
Normal costs	\$ 365,231	70,205
Amortization of unfunded actuarial accrued liability	314,571	66,476
Annual required contribution	<u>679,802</u>	<u>136,681</u>
Interest on BOY net OPEB obligation	56,064	15,291
Adjustment	<u>(54,619)</u>	<u>(22,106)</u>
Annual OPEB cost	681,247	129,866
Contributions made	<u>(409,975)</u>	<u>(38,165)</u>
Increase (decrease) in OPEB obligation	271,272	91,701
OPEB at the beginning of period	1,401,592	381,561
OPEB at the end of period	<u>\$ 1,672,864</u>	<u>473,262</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, 2014 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	9/30/2012	\$ 549,598	44.76%	1,094,700
	9/30/2013	681,927	55.00%	1,401,592
	9/30/2014	681,247	60.18%	1,672,864
TWU	9/30/2012	\$ 117,079	13.39%	288,607
	9/30/2013	122,336	24.02%	381,562
	9/30/2014	129,866	29.39%	473,262

Funding Status and Funding Progress

The funded status of the plans as of September 30, 2014 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 Accrued Liability (AAL)</i>	<i>Unfunded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
City	9/30/2012	\$ -	\$ 5,539,672	\$ 5,539,672	0%	13,099,319	42%
	9/30/2013		7,652,418	7,652,418	0%	13,682,271	56%
	9/30/2014		7,886,704	7,886,704	0%	13,405,457	59%
TWU	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%
	9/30/2014		1,130,100	1,130,100	0%	6,525,691	17%

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	10/1/2013
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 are amortized as a percent of payroll over open 30 year periods.
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 rates.
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 of service - 0.00%
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	Retirees pay the full contribution rate for coverage elected 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: <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Age</u></th> <th style="text-align: left;"><u>Male</u></th> <th style="text-align: left;"><u>Female</u></th> </tr> </thead> <tbody> <tr> <td>20</td> <td>17.90%</td> <td>17.90%</td> </tr> <tr> <td>30</td> <td>16.2</td> <td>16.2</td> </tr> <tr> <td>40</td> <td>13.1</td> <td>13.1</td> </tr> <tr> <td>50</td> <td>7.9</td> <td>7.9</td> </tr> <tr> <td>60</td> <td>1.2</td> <td>1.2</td> </tr> </tbody> </table>	<u>Age</u>	<u>Male</u>	<u>Female</u>	20	17.90%	17.90%	30	16.2	16.2	40	13.1	13.1	50	7.9	7.9	60	1.2	1.2																					
<u>Age</u>	<u>Male</u>	<u>Female</u>																																						
20	17.90%	17.90%																																						
30	16.2	16.2																																						
40	13.1	13.1																																						
50	7.9	7.9																																						
60	1.2	1.2																																						
Assumed Sick Leave Balance	Active participants assumed to have the maximum																																							
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: <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Age</u></th> <th style="text-align: left;"><u>Males</u></th> <th style="text-align: left;"><u>Females</u></th> </tr> </thead> <tbody> <tr> <td>40-44</td> <td>5.0%</td> <td>5.0%</td> </tr> <tr> <td>45-49</td> <td>6.0%</td> <td>6.0%</td> </tr> <tr> <td>50-54</td> <td>4.0%</td> <td>4.0%</td> </tr> <tr> <td>55-59</td> <td>3.0%</td> <td>3.0%</td> </tr> <tr> <td>60</td> <td>2.9%</td> <td>2.9%</td> </tr> <tr> <td>61</td> <td>2.5%</td> <td>2.5%</td> </tr> <tr> <td>62</td> <td>4.2%</td> <td>4.2%</td> </tr> <tr> <td>63</td> <td>6.6%</td> <td>6.6%</td> </tr> <tr> <td>64</td> <td>10.3%</td> <td>10.3%</td> </tr> <tr> <td>65</td> <td>17.8%</td> <td>17.8%</td> </tr> <tr> <td>66-69</td> <td>32.5%</td> <td>32.5%</td> </tr> <tr> <td>70+</td> <td>48.6%</td> <td>48.6%</td> </tr> </tbody> </table>	<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%
<u>Age</u>	<u>Males</u>	<u>Females</u>																																						
40-44	5.0%	5.0%																																						
45-49	6.0%	6.0%																																						
50-54	4.0%	4.0%																																						
55-59	3.0%	3.0%																																						
60	2.9%	2.9%																																						
61	2.5%	2.5%																																						
62	4.2%	4.2%																																						
63	6.6%	6.6%																																						
64	10.3%	10.3%																																						
65	17.8%	17.8%																																						
66-69	32.5%	32.5%																																						
70+	48.6%	48.6%																																						

NOTE 22 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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, 2014.

NOTE 23 – CLASSIFICATION OF GOVERNMENTAL FUND BALANCES

The table below presents a summary of the September 30, 2014, 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.

	<i>General</i>	<i>2009 Bond Capital Projects</i>	<i>Debt Service</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Fund Balances:					
Nonspendable for:					
Noncurrent loans	\$ -			325,693	325,693
Investment in joint venture	93,432				93,432
Restricted					
Court security and technology	340,813				340,813
Police	243,374			33,887	277,261
Health and welfare	105,261			440,086	545,347
Tourism				135,305	135,305
Capital improvements		2,515,323		4,015,065	6,530,388
Committed					
Economic development				1,112,025	1,112,025
Capital improvements	35,000				35,000
Assigned					
Police	1,885				1,885
Theatre				746,076	746,076
Insurance	102,683				102,683
Energy conservation	24,171				24,171
Economic development				196,466	196,466
Unassigned					
General fund	9,304,806				9,304,806
Debt service fund			(146,654)		(146,654)
Special revenue funds				(139,462)	(139,462)
Total Fund Balances	<u>\$ 10,251,425</u>	<u>2,515,323</u>	<u>(146,654)</u>	<u>6,865,141</u>	<u>19,485,235</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

NOTE 24 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made in compliance with Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for the year ending September 30, 2014. According to the Statement, debt issuance costs, previously amortized over the life of the debt, are now required to be recognized as expense in the period incurred. Therefore, unamortized debt issuance costs classified as deferred charges (assets) on the Statement of Net Position at September 30, 2013 have been removed. On October 1, 2013 adjustments were made in the amount of \$877,903 in the Governmental Activities, \$173,792 in the Business-Type Activities, totaling a \$1,051,695 reduction to the net position of the City of Texarkana, Texas as shown on the Statement of Activities. The adjustment for \$173,792 is also shown on the Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position.

NOTE 25 - CONTINGENT LIABILITIES

Litigation

The City of Texarkana, Arkansas applied in 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 City filed a Motion for Summary Judgment which was denied. The City believes its position in the case is sound and intends to vigorously defend the appeal of the Civil Service Commission's decision. 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 personal injury negligence claim has filed by a individual against several defendants, including a police officer employed by the City, alleging her minor child was assaulted by a gang of youths outside a Texarkana, Texas local business. The City had contracted with one of the defendants to provide law enforcement services in the shopping center where the business is located. The plaintiff's allegations of negligence indicate the defendant failed to provide adequate security and the officer was negligent in failing to prevent the alleged assault against the minor child. The City attorney maintains the police officer enjoys immunity from the claim because the Texas Tort Claims Act because he was acting as an officer of the City. The attorney expects the case has a maximum value of approximately \$2,500 and in all likelihood will be dismissed.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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, 2014, significant amounts of grant expenditures have not been audited but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

NOTE 26- 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. 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. 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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 27 – SUBSEQUENT EVENTS

The initial work on developing an agreement between the Texas and Arkansas Utilities regarding the joint project to upgrade the South Regional Wastewater Treatment Plan has begun in FY15. Upon reaching and formalizing an agreement, the engineering and design phase for the upgrade is expected to commence sometime in FY15. The design phase is estimated to cost \$1,032,500, and the estimated cost of the complete upgrade is \$15,740,000. Moving forward with this project is dependent upon both City of Texarkana, Texas and City of Texarkana, Arkansas passing sewer rate increases to support a bond issue to fund this upgrade.

In FY15, the Texas Utility began work on an agreement between the Texas Utility and the Cities of Nash, Texas and Wake Village, Texas to renovate and upgrade the Waggoner Creek Wastewater Treatment Plant that serves these cities. The first phase of this project is estimated at approximately \$2,500,000, and the design portion of the first phase should begin the second quarter of 2015.

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 2014 audit for shared costs of the Texarkana Water Utilities (business-type activities and enterprise fund) in the fiscal year 2015. The new funding ratio adopted will be 61.83% Texas and 38.17% Arkansas.

NOTE 28 – MANAGEMENT REVIEW

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through March 16, 2015, the date the financial statements were available to be issued.

Required Supplementary Information

CITY OF TEXARKANA, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION - *Three Year Historical Trend* September 30, 2014

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>
12/31/2011	\$ 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%
12/31/2013	32,562,187	39,624,241	82.2%	7,062,054	5,639,510	125.2%

TMRS PLAN #2 - Other City Employees

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Unit Credit</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2011	\$ 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%
12/31/2013	38,000,047	46,482,062	81.8%	8,482,015	7,765,947	109.2%

TMRS PLAN #3 - Water Utilities

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>
12/31/2011	\$ 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%
12/31/2013	26,767,475	35,213,555	76.0%	8,446,080	6,525,691	129.4%

CITY OF TEXARKANA, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION - Six Year Historical Trend September 30, 2014

TEXARKANA FIREFIGHTER'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>
12/31/09 (2) (4)	\$ 24,692,627	28,818,073	4,125,446	85.7%	3,920,128	105.2%
12/31/11 (2) (4)	26,721,817	32,246,803	5,524,986	82.9%	4,210,076	131.2%
12/31/13 (3) (4)	30,058,082	35,519,165	5,461,083	84.6%	4,019,902	135.9%

- (1) The covered payroll is based on estimated annualized salaries used in the valuation.
 (2) Reflects plan benefit provisions effective July 31, 2009.
 (3) Reflects plan provisions effective July 26, 2013.
 (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>
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%	810,110	100%
2014	19.50%		

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

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

CDBG Revolving Loans Fund - This fund was established to account for funds related to the Community Development Block Grant (CDBG) Revolving Loan grant. This program enables the City to make loans to small businesses, microenterprises, minority and women-owned businesses and consumer cooperatives that are located in an area designated for redevelopment. Loan funds may be used for projects designed to create or retain permanent jobs.

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.

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, 2014

	<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	\$ -	34,393	244,824	43,856	256,047
Investments - certificates of deposit			501,012		
Receivables (net of allowance for uncollectible):					
Property taxes					
Other taxes				148,717	
Accounts				9,047	
Other government agencies	41,586				
Accrued interest			240		
Loans	60,676	42,213			180,000
Due from other funds					
TOTAL ASSETS	<u>102,262</u>	<u>76,606</u>	<u>746,076</u>	<u>201,620</u>	<u>436,047</u>
LIABILITIES AND FUND BALANCES					
Accounts payable	333			32,929	
Contracts payable					
Due to other governments					
Due to other funds	58,769				
Unearned revenue	42,828				
Other liabilities and escrow deposits		3,003			
TOTAL LIABILITIES	<u>101,930</u>	<u>3,003</u>	<u>-</u>	<u>32,929</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - grants	332			33,386	
Unavailable revenue - property taxes					
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>332</u>	<u>-</u>	<u>-</u>	<u>33,386</u>	<u>-</u>
FUND BALANCES					
Nonspendable:					
Noncurrent loans		38,774			172,779
Restricted		34,829		135,305	263,268
Committed					
Assigned			746,076		
Unassigned					
TOTAL FUND BALANCE	<u>-</u>	<u>73,603</u>	<u>746,076</u>	<u>135,305</u>	<u>436,047</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>102,262</u>	<u>76,606</u>	<u>746,076</u>	<u>201,620</u>	<u>436,047</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>CDBG Revolving Loans</i>
799,372	1,179	13,322		206,529		11,382
500,000						
				472,709		
38,040			6,057			100,000
221						90,768
35,272						
	39,000					
<u>1,372,905</u>	<u>40,179</u>	<u>13,322</u>	<u>6,057</u>	<u>679,238</u>	<u>-</u>	<u>202,150</u>
228,275			5,150			
	19,614					
			75,025	12,001	64,716	
<u>228,275</u>	<u>19,614</u>	<u>-</u>	<u>80,175</u>	<u>12,001</u>	<u>64,716</u>	<u>-</u>
			11			
				470,771		
<u>-</u>	<u>-</u>	<u>-</u>	<u>11</u>	<u>470,771</u>	<u>-</u>	<u>-</u>
32,605						81,535
	20,565	13,322				120,615
1,112,025				196,466		
			(74,129)		(64,716)	
<u>1,144,630</u>	<u>20,565</u>	<u>13,322</u>	<u>(74,129)</u>	<u>196,466</u>	<u>(64,716)</u>	<u>202,150</u>
<u>1,372,905</u>	<u>40,179</u>	<u>13,322</u>	<u>6,057</u>	<u>679,238</u>	<u>-</u>	<u>202,150</u>

(Continued)

CITY OF TEXARKANA, TEXAS

BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS September 30, 2014

	<i>Special Revenue Funds</i>				
	<i>Supportive Housing Grant</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			1,971	3,845	26,760
Investments - certificates of deposit					
Receivables (net of allowance for uncollectible):					
Property taxes					
Other taxes					
Accounts					
Other government agencies	46,997	3,433			5
Accrued interest					
Loans					
Due from other funds					
TOTAL ASSETS	<u>46,997</u>	<u>3,433</u>	<u>1,971</u>	<u>3,845</u>	<u>26,765</u>
LIABILITIES AND FUND BALANCES					
Accounts payable					15,996
Contracts payable					
Due to other governments					
Due to other funds	42,208	4,050			
Unearned revenue					
Other liabilities and escrow deposits					
TOTAL LIABILITIES	<u>42,208</u>	<u>4,050</u>	<u>-</u>	<u>-</u>	<u>15,996</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - grants					
Unavailable revenue - property taxes					
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable:					
Noncurrent loans					
Restricted	4,789		1,971	3,845	10,769
Committed					
Assigned					
Unassigned		(617)			
TOTAL FUND BALANCE	<u>4,789</u>	<u>(617)</u>	<u>1,971</u>	<u>3,845</u>	<u>10,769</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>46,997</u>	<u>3,433</u>	<u>1,971</u>	<u>3,845</u>	<u>26,765</u>

Capital Project Funds

Total Special Revenue	2003 Bond	2005 Bond	2010 Bond	TIRZ Bond	Total Capital Projects	Total Nonmajor Governmental Fund
1,643,480	197,447	724,177		1,115,985	2,037,609	3,681,089
1,001,012				1,999,956	1,999,956	3,000,968
472,709					-	472,709
148,717					-	148,717
47,087					-	47,087
198,078					-	198,078
461					-	461
408,929					-	408,929
39,000					-	39,000
<u>3,959,473</u>	<u>197,447</u>	<u>724,177</u>	<u>-</u>	<u>3,115,941</u>	<u>4,037,565</u>	<u>7,997,038</u>
282,683					-	282,683
-	15,921			6,579	22,500	22,500
19,614					-	19,614
256,769					-	256,769
42,828					-	42,828
3,003					-	3,003
<u>604,897</u>	<u>15,921</u>	<u>-</u>	<u>-</u>	<u>6,579</u>	<u>22,500</u>	<u>627,397</u>
33,729					-	33,729
470,771					-	470,771
<u>504,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>504,500</u>
325,693					-	325,693
609,278	181,526	724,177		3,109,362	4,015,065	4,624,343
1,112,025					-	1,112,025
942,542					-	942,542
(139,462)					-	(139,462)
<u>2,850,076</u>	<u>181,526</u>	<u>724,177</u>	<u>-</u>	<u>3,109,362</u>	<u>4,015,065</u>	<u>6,865,141</u>
<u>3,959,473</u>	<u>197,447</u>	<u>724,177</u>	<u>-</u>	<u>3,115,941</u>	<u>4,037,565</u>	<u>7,997,038</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, 2014

	<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				1,093,827	
Franchise receipts					
Charges for services			65,952		
Grants and entitlements	201,559				
Investment earnings:					
Interest and dividends	62	75	4,039	1,781	9,976
Intergovernmental					
Other	650				7,082
Total revenues	<u>202,271</u>	<u>75</u>	<u>69,991</u>	<u>1,095,608</u>	<u>17,058</u>
EXPENDITURES:					
Current:					
General government	374				
Public safety					
Parks and recreation			257,233	425,309	
Health and welfare	195,923	46,335			
Capital outlay	5,974		92,183		
Total expenditures	<u>202,271</u>	<u>46,335</u>	<u>349,416</u>	<u>425,309</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(46,260)</u>	<u>(279,425)</u>	<u>670,299</u>	<u>17,058</u>
OTHER FINANCING SOURCES (USES):					
Transfers in		2,581	268,400	28	
Transfers out			(1,861)	(748,650)	
Total other financing sources (uses)	<u>-</u>	<u>2,581</u>	<u>266,539</u>	<u>(748,622)</u>	<u>-</u>
Net change in fund balances	-	(43,679)	(12,886)	(78,323)	17,058
Fund balances at beginning of year		<u>117,282</u>	<u>758,962</u>	<u>213,628</u>	<u>418,989</u>
Fund balances at end of year	<u>-</u>	<u>73,603</u>	<u>746,076</u>	<u>135,305</u>	<u>436,047</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>CDBG Revolving Loans</i>	<i>Supportive Housing Grant</i>
				312,470			
380,176							
	39,000		44,534			200,000	
5,696	4	37 7,605	5	997	19	2,282	113 348,052
<u>385,872</u>	<u>39,004</u>	<u>7,642</u>	<u>44,539</u>	<u>313,467</u>	<u>75,869</u> <u>75,888</u>	<u>202,282</u>	<u>348,165</u>
390,389				126			
	19,614	4,405	38,150				
						132	277,990
<u>390,389</u>	<u>19,614</u>	<u>4,405</u>	<u>38,150</u>	<u>126</u>	<u>16,229</u> <u>16,229</u>	<u>132</u>	<u>277,990</u>
(4,517)	19,390	3,237	6,389	313,341	59,659	202,150	70,175
(171)				(220,838)			
<u>(171)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(220,838)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(4,688)	19,390	3,237	6,389	92,503	59,659	202,150	70,175
<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>1,144,630</u>	<u>20,565</u>	<u>13,322</u>	<u>(74,129)</u>	<u>196,466</u>	<u>(64,716)</u>	<u>202,150</u>	<u>4,789</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, 2014

	<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					312,470
Taxes-other					1,093,827
Franchise receipts					380,176
Charges for services					65,952
Grants and entitlements					485,093
Investment earnings:					
Interest and dividends	12	46	6	82	25,232
Intergovernmental	23,133	91,196	10,747	37,407	518,140
Other					83,601
Total revenues	<u>23,145</u>	<u>91,242</u>	<u>10,753</u>	<u>37,489</u>	<u>2,964,491</u>
EXPENDITURES:					
Current:					
General government					390,889
Public safety					62,169
Parks and recreation					682,542
Health and welfare	20,517	25,092	5,326	26,922	598,237
Capital outlay					114,386
Total expenditures	<u>20,517</u>	<u>25,092</u>	<u>5,326</u>	<u>26,922</u>	<u>1,848,223</u>
Excess (deficiency) of revenues over expenditures	<u>2,628</u>	<u>66,150</u>	<u>5,427</u>	<u>10,567</u>	<u>1,116,268</u>
OTHER FINANCING SOURCES (USES):					
Transfers in		1,180			272,189
Transfers out					(971,520)
Total other financing sources (uses)	<u>-</u>	<u>1,180</u>	<u>-</u>	<u>-</u>	<u>(699,331)</u>
Net change in fund balances	2,628	67,330	5,427	10,567	416,937
Fund balances at beginning of year	<u>(3,245)</u>	<u>(65,359)</u>	<u>(1,582)</u>	<u>202</u>	<u>2,433,139</u>
Fund balances at end of year	<u>(617)</u>	<u>1,971</u>	<u>3,845</u>	<u>10,769</u>	<u>2,850,076</u>

Capital Projects Funds

2003 Bond	2005 Bond	2010 Bond	TIRZ Bond	Total Capital Projects	Total Nonmajor Governmental Fund
				-	312,470
				-	1,093,827
				-	380,176
				-	65,952
				-	485,093
1,421	2,206		11,717	15,344	40,576
				-	518,140
				-	83,601
<u>1,421</u>	<u>2,206</u>	<u>-</u>	<u>11,717</u>	<u>15,344</u>	<u>2,979,835</u>
				-	390,889
				-	62,169
				-	682,542
				-	598,237
446,768	18,593		1,656	467,017	581,403
<u>446,768</u>	<u>18,593</u>	<u>-</u>	<u>1,656</u>	<u>467,017</u>	<u>2,315,240</u>
<u>(445,347)</u>	<u>(16,387)</u>	<u>-</u>	<u>10,061</u>	<u>(451,673)</u>	<u>664,595</u>
				-	272,189
		(28)		(28)	(971,548)
<u>-</u>	<u>-</u>	<u>(28)</u>	<u>-</u>	<u>(28)</u>	<u>(699,359)</u>
(445,347)	(16,387)	(28)	10,061	(451,701)	(34,764)
<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>181,526</u>	<u>724,177</u>	<u>-</u>	<u>3,109,362</u>	<u>4,015,065</u>	<u>6,865,141</u> (concluded)

CITY OF TEXARKANA, TEXAS

THEATRE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	<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	\$ 87,967	82,000	65,952	(16,048)
Investment earnings:				
Interest and dividends	2,500	3,290	4,039	749
Other	4,735			-
Total revenues	<u>95,202</u>	<u>85,290</u>	<u>69,991</u>	<u>(15,299)</u>
EXPENDITURES:				
Current:				
Parks and recreation	495,072	329,200	257,233	71,967
Capital outlay		168,000	92,183	75,817
Total expenditures	<u>495,072</u>	<u>497,200</u>	<u>349,416</u>	<u>147,784</u>
Excess (deficiency) of revenues over expenditures	<u>(399,870)</u>	<u>(411,910)</u>	<u>(279,425)</u>	<u>132,485</u>
OTHER FINANCING SOURCES/USES				
Transfers in	268,400	268,400	268,400	-
Transfers out	<u>(1,861)</u>	<u>(1,861)</u>	<u>(1,861)</u>	<u>-</u>
Total other financing sources/uses	<u>266,539</u>	<u>266,539</u>	<u>266,539</u>	<u>-</u>
Net change in fund balances	(133,331)	(145,371)	(12,886)	132,485
Fund balances at beginning of year	<u>758,962</u>	<u>758,962</u>	<u>758,962</u>	<u>-</u>
Fund balances at end of year	<u>\$ 625,631</u>	<u>613,591</u>	<u>746,076</u>	<u>132,485</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, 2014**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Over (Under)</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Taxes-other	\$ 1,151,000	1,218,000	1,093,827	(124,173)
Investment earnings:				
Interest and dividends	2,400	1,600	1,781	181
Total revenues	<u>1,153,400</u>	<u>1,219,600</u>	<u>1,095,608</u>	<u>(123,992)</u>
EXPENDITURES:				
Current:				
Parks and recreation	<u>535,195</u>	<u>534,821</u>	<u>425,309</u>	<u>109,512</u>
Total expenditures	<u>535,195</u>	<u>534,821</u>	<u>425,309</u>	<u>109,512</u>
Excess of revenues over expenditures	<u>618,205</u>	<u>684,779</u>	<u>670,299</u>	<u>(14,480)</u>
OTHER FINANCING USES:				
Transfers in			28	28
Transfers out	<u>(898,828)</u>	<u>(842,430)</u>	<u>(748,650)</u>	<u>93,780</u>
Total other financing uses	<u>(898,828)</u>	<u>(842,430)</u>	<u>(748,622)</u>	<u>93,808</u>
Net change in fund balances	(280,623)	(157,651)	(78,323)	79,328
Fund balances at beginning of year	<u>213,628</u>	<u>213,628</u>	<u>213,628</u>	<u>-</u>
Fund balances at end of year	<u>\$ (66,995)</u>	<u>55,977</u>	<u>135,305</u>	<u>79,328</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, 2014**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Over (Under)</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Franchise receipts	\$ 352,000	381,000	380,176	(824)
Investment earnings:				
Interest and dividends	8,500	5,475	5,696	221
Other	1,000			-
Total revenues	<u>361,500</u>	<u>386,475</u>	<u>385,872</u>	<u>(603)</u>
EXPENDITURES:				
Current:				
General government	<u>379,029</u>	<u>508,783</u>	<u>390,389</u>	<u>118,394</u>
Total expenditures	<u>379,029</u>	<u>508,783</u>	<u>390,389</u>	<u>118,394</u>
Excess (deficiency) of revenues over expenditures	<u>(17,529)</u>	<u>(122,308)</u>	<u>(4,517)</u>	<u>117,791</u>
OTHER FINANCING USES:				
Transfers out	<u>(166,863)</u>	<u>(171)</u>	<u>(171)</u>	<u>-</u>
Total other financing uses	<u>(166,863)</u>	<u>(171)</u>	<u>(171)</u>	<u>-</u>
Net change in fund balances	(184,392)	(122,479)	(4,688)	117,791
Fund balances at beginning of year	<u>1,149,318</u>	<u>1,149,318</u>	<u>1,149,318</u>	<u>-</u>
Fund balances at end of year	<u>\$ 964,926</u>	<u>1,026,839</u>	<u>1,144,630</u>	<u>117,791</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, 2014**

	<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	\$ 45	35	37	2
Intergovernmental		7,605	7,605	-
Total revenues	<u>45</u>	<u>7,640</u>	<u>7,642</u>	<u>2</u>
EXPENDITURES:				
Current:				
Public safety		4,300	4,405	(105)
Total expenditures	<u>-</u>	<u>4,300</u>	<u>4,405</u>	<u>(105)</u>
Net change in fund balances	45	3,340	3,237	(103)
Fund balances at beginning of year	<u>10,085</u>	<u>10,085</u>	<u>10,085</u>	<u>-</u>
Fund balances at end of year	<u>\$ 10,130</u>	<u>13,425</u>	<u>13,322</u>	<u>(103)</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, 2014

	<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	\$ 154,126	133,575	44,534	(89,041)
Interest			5	5
Total revenues	<u>154,126</u>	<u>133,575</u>	<u>44,539</u>	<u>(89,036)</u>
EXPENDITURES:				
Current:				
Health and welfare	<u>79,373</u>	<u>53,057</u>	<u>38,150</u>	<u>14,907</u>
Total expenditures	<u>79,373</u>	<u>53,057</u>	<u>38,150</u>	<u>14,907</u>
Net change in fund balances	74,753	80,518	6,389	(74,129)
Fund balances at beginning of year	<u>(80,518)</u>	<u>(80,518)</u>	<u>(80,518)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (5,765)</u>	<u>-</u>	<u>(74,129)</u>	<u>(74,129)</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, 2014

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Over (Under)</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Property taxes	\$ 433,026	289,883	312,470	22,587
Investment earnings:				
Interest and dividends	450	750	997	247
Intergovernmental	236,150	77,000		(77,000)
Total revenues	<u>669,626</u>	<u>367,633</u>	<u>313,467</u>	<u>(54,166)</u>
EXPENDITURES:				
General government	<u>400</u>	<u>200</u>	<u>126</u>	<u>74</u>
Total expenditures	<u>400</u>	<u>200</u>	<u>126</u>	<u>74</u>
Excess of revenues over expenditures	<u>669,226</u>	<u>367,433</u>	<u>313,341</u>	<u>(54,240)</u>
OTHER FINANCING SOURCES/USES				
Transfers out	<u>(220,837)</u>	<u>(220,838)</u>	<u>(220,838)</u>	<u>-</u>
Total other financing sources/uses	<u>(220,837)</u>	<u>(220,838)</u>	<u>(220,838)</u>	<u>-</u>
Net change in fund balances	448,389	146,595	92,503	(54,240)
Fund balances at beginning of year	<u>103,963</u>	<u>103,963</u>	<u>103,963</u>	<u>-</u>
Fund balances at end of year	<u>\$ 552,352</u>	<u>250,558</u>	<u>196,466</u>	<u>(54,240)</u>

CITY OF TEXARKANA, TEXAS

**CDBG REVOLVING LOANS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended September 30, 2014**

	<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	\$ -	100,000	200,000	100,000
Interest			2,282	2,282
Total revenues	<u>-</u>	<u>100,000</u>	<u>202,282</u>	<u>102,282</u>
EXPENDITURES:				
Current:				
Health and welfare		100,000	132	99,868
Total expenditures	<u>-</u>	<u>100,000</u>	<u>132</u>	<u>99,868</u>
Net change in fund balances	-	-	202,150	202,150
Fund balances at beginning of year		-		-
Fund balances at end of year	<u>\$ -</u>	<u>-</u>	<u>202,150</u>	<u>202,150</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, 2014

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
ASSETS			
Current assets:			
Cash	\$ -	30,765	30,765
Receivables (net of allowance for uncollectible):			
Accounts		55,167	55,167
Due from other funds	326,531		326,531
Total current assets	<u>326,531</u>	<u>85,932</u>	<u>412,463</u>
Noncurrent assets:			
Restricted assets:			
Cash	852,064	120,257	972,321
Accounts receivable		404,656	404,656
Total noncurrent assets	<u>852,064</u>	<u>524,913</u>	<u>1,376,977</u>
TOTAL ASSETS	<u>1,178,595</u>	<u>610,845</u>	<u>1,789,440</u>
LIABILITIES			
Current liabilities:			
Accounts payable		82,524	82,524
Accrued liabilities		2,888	2,888
Due to other funds	684	279,253	279,937
Total current liabilities	<u>684</u>	<u>364,665</u>	<u>365,349</u>
Noncurrent liabilities:			
Capital improvement deposits	1,177,911	246,180	1,424,091
Total noncurrent liabilities	<u>1,177,911</u>	<u>246,180</u>	<u>1,424,091</u>
TOTAL LIABILITIES	<u>1,178,595</u>	<u>610,845</u>	<u>1,789,440</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, 2014**

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
OPERATING REVENUES			
Water sales	\$ -	1,060,391	1,060,391
Total operating revenues	<u>-</u>	<u>1,060,391</u>	<u>1,060,391</u>
OPERATING EXPENSES			
Contract water & sewer expense-International Paper	<u>-</u>	1,060,824	1,060,824
Total operating expense	<u>-</u>	<u>1,060,824</u>	<u>1,060,824</u>
Operating income (loss)	<u>-</u>	<u>(433)</u>	<u>(433)</u>
NONOPERATING REVENUES			
Interest revenue - investments	<u>-</u>	433	433
Total nonoperating revenues	<u>-</u>	<u>433</u>	<u>433</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, 2014

	<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	\$ -	1,056,844	1,056,844
Cash paid to suppliers		(982,268)	(982,268)
Cash paid to employees		(96,943)	(96,943)
Net cash provided (used) from operating activities	<u>-</u>	<u>(22,367)</u>	<u>(22,367)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(422,706)		(422,706)
Capital improvement deposits received	423,009		423,009
Interest received on capital improvement deposits	3,684		3,684
Net cash used from capital and related financing activities	<u>3,987</u>	<u>-</u>	<u>3,987</u>
Cash flows from investing activities:			
Proceeds from sale and maturities of investments			-
Interest received on investments		433	433
Net cash provided from investing activities	<u>-</u>	<u>433</u>	<u>433</u>
Net increase in cash	3,987	(21,934)	(17,947)
Cash, beginning of year	<u>848,077</u>	<u>172,956</u>	<u>1,021,033</u>
Cash, end of year	<u>\$ 852,064</u>	<u>151,022</u>	<u>1,003,086</u>

CITY OF TEXARKANA, TEXAS

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended September 30, 2014

	<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)	\$ -	(433)	(433)
Adjustments to reconcile operating income to net cash provided by operating activities:			
(Increase) decrease in assets:			
Accounts receivable		(3,602)	(3,602)
Due from other funds		55	55
Increase (decrease) in liabilities:			
Accounts payable		243	243
Accrued liabilities		1,478	1,478
Due to other funds		(20,108)	(20,108)
Total adjustments	-	(21,934)	(21,934)
Net cash provided from operating activities	\$ -	(22,367)	(22,367)

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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, 2014

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
ASSETS			
Current assets:			
Cash	\$ 1,954,798	364,035	2,318,833
Receivables (net of allowance for uncollectible):			
Accounts	7,863	18,496	26,359
Other government agencies	9,138	87	9,225
Inventory		15,291	15,291
Total current assets	<u>1,971,799</u>	<u>397,909</u>	<u>2,369,708</u>
Noncurrent assets:			
Capital assets (net of accumulated depreciation)			
Buildings		84,911	84,911
Improvements other than buildings		19,401	19,401
Machinery and equipment		25,886	25,886
Licensed vehicles		36,149	36,149
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>166,347</u>	<u>166,347</u>
TOTAL ASSETS	<u>1,971,799</u>	<u>564,256</u>	<u>2,536,055</u>
LIABILITIES			
Current liabilities:			
Accounts payable	657,843	34,649	692,492
Accrued payroll		6,828	6,828
Due to other funds	1,344		1,344
TOTAL LIABILITIES	<u>659,187</u>	<u>41,477</u>	<u>700,664</u>
NET POSITION			
Net invested in capital assets		166,347	166,347
Unrestricted	1,312,612	356,432	1,669,044
TOTAL NET POSITION	<u>\$ 1,312,612</u>	<u>522,779</u>	<u>1,835,391</u>

CITY OF TEXARKANA, TEXAS

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

INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2014

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
OPERATING REVENUES			
Charges for services	\$ 5,370,575	275,219	5,645,794
Other		17,422	17,422
Total revenues	<u>5,370,575</u>	<u>292,641</u>	<u>5,663,216</u>
OPERATING EXPENSES			
Benefit payments	5,605,765		5,605,765
Cost of sales and service		1,435,390	1,435,390
Depreciation		19,618	19,618
Total expenditures	<u>5,605,765</u>	<u>1,455,008</u>	<u>7,060,773</u>
Operating income (loss)	<u>(235,190)</u>	<u>(1,162,367)</u>	<u>(1,397,557)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	8,907	861	9,768
Total nonoperating revenues (expenses)	<u>8,907</u>	<u>861</u>	<u>9,768</u>
Income (loss) before transfers	(226,283)	(1,161,506)	(1,387,789)
Transfers in		1,417,500	1,417,500
Transfers out		(1,664)	(1,664)
Change in net position	(226,283)	254,330	28,047
Total net position - beginning	<u>1,538,895</u>	<u>268,449</u>	<u>1,807,344</u>
Total net position - ending	<u>\$ 1,312,612</u>	<u>522,779</u>	<u>1,835,391</u>

CITY OF TEXARKANA, TEXAS

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended September 30, 2014

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
Cash flows from operating activities:			
Cash received from users	\$ 1,760,504		1,760,504
Cash received from interfund services provided and used	4,123,256	1,691,892	5,815,148
Cash paid to suppliers	(5,621,004)	(1,173,355)	(6,794,359)
Cash paid to employees		(259,029)	(259,029)
Net cash provided from operating activities	<u>262,756</u>	<u>259,508</u>	<u>522,264</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	8,907	861	9,768
Net cash provided from investing activities	<u>8,907</u>	<u>861</u>	<u>9,768</u>
Net increase in cash	271,663	258,705	530,368
Cash at beginning of year	1,683,135	105,330	1,788,465
Cash at end of year	<u>1,954,798</u>	<u>364,035</u>	<u>2,318,833</u>
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities</u>			
Operating income (loss)	<u>(235,190)</u>	<u>(1,162,367)</u>	<u>(1,397,557)</u>
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities			
Depreciation		19,618	19,618
Transfers from other funds		1,417,500	1,417,500
(Increase) decrease in assets:			
Accounts receivable	12,387	(18,162)	(5,775)
Due from other government agencies	500,798	(87)	500,711
Due from other funds	(366)		(366)
Inventory		(3,527)	(3,527)
Increase (decrease) in liabilities:			
Accrued liabilities	(14,873)	6,854	(8,019)
Accrued payroll		(321)	(321)
Total adjustments	<u>497,946</u>	<u>1,421,875</u>	<u>1,919,821</u>
Net cash provided by operating activities	<u>\$ 262,756</u>	<u>259,508</u>	<u>522,264</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, 2014

	<i>Balance October 1, 2013</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance September 30, 2014</i>
POLICE EVIDENCE FUND				
Assets				
Cash	\$ 23,492	130	(6,792)	16,830
Total Assets	<u>23,492</u>	<u>130</u>	<u>(6,792)</u>	<u>16,830</u>
Liabilities				
Escrow Deposits	23,492	-	(6,662)	16,830
Total Liabilities	<u>23,492</u>	<u>-</u>	<u>(6,662)</u>	<u>16,830</u>
Net position	<u>-</u>	<u>130</u>	<u>(130)</u>	<u>-</u>
DRUG ENFORCEMENT ESCROW FUND				
Assets				
Cash	35,708	9,158	(21,222)	23,644
Total Assets	<u>35,708</u>	<u>9,158</u>	<u>(21,222)</u>	<u>23,644</u>
Liabilities				
Escrow deposits	35,708	9,005	(21,069)	23,644
Total liabilities	<u>35,708</u>	<u>9,005</u>	<u>(21,069)</u>	<u>23,644</u>
Net position	<u>-</u>	<u>153</u>	<u>(153)</u>	<u>-</u>
TOTAL ALL AGENCY FUNDS				
Assets				
Cash	59,200	9,288	(28,014)	40,474
Total assets	<u>59,200</u>	<u>9,288</u>	<u>(28,014)</u>	<u>40,474</u>
Liabilities				
Escrow deposits	59,200	9,005	(27,731)	40,474
Total liabilities	<u>59,200</u>	<u>9,005</u>	<u>(27,731)</u>	<u>40,474</u>
Net position	<u>\$ -</u>	<u>283</u>	<u>(283)</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, 2014

Governmental funds capital assets:

Land	\$ 46,766,807
Buildings	31,077,448
Improvements other than buildings	8,036,334
Infrastructure	109,136,902
Machinery and equipment	4,544,130
Licensed vehicles	9,326,729
Construction in progress	9,377,344
Total governmental funds capital assets	<u>\$ 218,265,694</u>

Investments in governmental funds capital assets by source:

General fund	\$ 138,134,253
Special revenue funds	4,240,228
Capital projects funds	75,891,213
Total governmental funds capital assets	<u>\$ 218,265,694</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, 2014

Function and activity	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>	<u>Infrastructure</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	46,766,807			
Total general government	<u>46,766,807</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		1,652,789	136,236	12,493
Fire prevention				
Fire training		791,009		
Emergency management		6,450		11,109
Total public safety	<u>-</u>	<u>14,565,217</u>	<u>303,324</u>	<u>23,602</u>
Public works				
Engineering design				
Urban transportation				
Street maintenance		488,632	368,717	103,067,579
Inspection				
Sign and signal		249,164	64,064	2,684,999
Stormwater management				129,849
Downtown enhancement				
Total public works	<u>-</u>	<u>737,796</u>	<u>432,781</u>	<u>105,882,427</u>

<u>Machinery and Equipment</u>	<u>Licensed Vehicles</u>	<u>Construction in Progress</u>	<u>Total</u>
8,985			8,985
16,958			16,958
70,567		8,781	79,348
340,605			340,605
166,667			541,410
			-
9,668			2,043,602
			244,500
			46,766,807
<u>613,450</u>	<u>-</u>	<u>8,781</u>	<u>50,042,215</u>
6,000	562,858		12,805,191
145,396	895,536		1,040,932
11,017	174,031		230,772
30,452	242,913		273,365
5,795	51,625		57,420
10,808	19,206		30,014
	80,170		80,170
15,188	15,250		30,438
14,150			14,150
23,470	56,742		80,212
14,414			14,414
	29,561		29,561
304,627	3,883,772		5,989,917
14,309	46,516		60,825
	17,424		808,433
231,179	32,175		280,913
<u>826,805</u>	<u>6,107,779</u>	<u>-</u>	<u>21,826,727</u>
81,923	65,133		147,056
6,950			6,950
887,766	2,266,759	8,939,794	116,019,247
20,355	77,481		97,836
118,310	245,136		3,361,673
310,389			440,238
		240,041	240,041
<u>1,425,693</u>	<u>2,654,509</u>	<u>9,179,835</u>	<u>120,313,041</u>

CITY OF TEXARKANA, TEXAS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION AND ACTIVITY September 30, 2014

Function and activity	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>	<u>Infrastructure</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 and recreation administration				
Parks maintenance		2,391,634	2,028,735	2,693,482
Recreational programs		60,468	3,983,926	5,740
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>13,492,360</u>	<u>7,167,127</u>	<u>2,878,581</u>
Total governmental funds capital assets	<u>\$ 46,766,807</u>	<u>31,077,448</u>	<u>8,036,334</u>	<u>109,136,902</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>Machinery and Equipment</u>	<u>Licensed Vehicles</u>	<u>Construction in Progress</u>	<u>Total</u>
	16,600		23,100
11,271	32,829		44,100
6,100			113,892
<u>17,371</u>	<u>49,429</u>	<u>-</u>	<u>181,092</u>
6,100			6,100
1,086,906	515,012	96,545	8,812,314
69,418			4,119,552
82,330			3,195,232
57,950		92,183	210,023
			173,884
			125,960
34,540			34,540
6,438			2,741,056
317,129			6,483,958
<u>1,660,811</u>	<u>515,012</u>	<u>188,728</u>	<u>25,902,619</u>
<u>4,544,130</u>	<u>9,326,729</u>	<u>9,377,344</u>	<u>218,265,694</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, 2014

Function and activity	Governmental Funds Capital Assets 9/30/2013	Additions
General government		
City manager	\$ 8,985	
Quality assurance	29,158	
Municipal court	70,567	8,781
Finance administration	335,401	5,204
Purchasing	541,410	
Accounting	11,635	
Building maintenance	2,033,934	9,668
Economic development	244,500	
Other - unclassified	45,755,321	20,432
Total general government	49,030,911	44,085
Public safety		
Police administration	12,630,401	174,790
Patrol division	1,300,997	19,647
Services division	273,062	
Criminal investigation	316,966	
Commercial vehicle enforcement	57,420	
Code enforcement	39,386	10,808
Animal control	80,170	
Special operations	30,438	
Narcotics	14,150	
Narcotics operations	12,000	68,212
Law enforcement	14,414	
Fire administration	29,561	
Fire operations	4,754,227	1,417,123
Fire prevention	60,825	
Fire training	808,433	
Emergency management	280,913	
Total public safety	20,703,363	1,690,580
Public works		
Engineering design	174,361	
Urban transportation		
Street maintenance	112,447,930	4,740,130
Inspection	91,040	
Sign and signal	3,368,806	15,453
Stormwater management	372,282	67,956
Downtown enhancement		240,041
Total public works	116,454,419	5,063,580

<u>Deductions</u>	<u>Transfers</u>	<u>Governmental Funds Capital Assets 9/30/2014</u>
		8,985
	(12,200)	16,958
		79,348
		340,605
		541,410
(11,635)		-
		2,043,602
		244,500
	991,054	46,766,807
<u>(11,635)</u>	<u>978,854</u>	<u>50,042,215</u>
		12,805,191
(279,712)		1,040,932
(42,290)		230,772
(43,601)		273,365
		57,420
(20,180)		30,014
		80,170
		30,438
		14,150
		80,212
		14,414
		29,561
(181,433)		5,989,917
		60,825
		808,433
		280,913
<u>(567,216)</u>	<u>-</u>	<u>21,826,727</u>
	(27,305)	147,056
	6,950	6,950
(177,759)	(991,054)	116,019,247
(13,559)	20,355	97,836
(22,586)		3,361,673
		440,238
		240,041
<u>(213,904)</u>	<u>(991,054)</u>	<u>120,313,041</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, 2014

Function and activity	<i>Governmental Funds Capital Assets 9/30/2013</i>	<i>Additions</i>
Health and welfare		
Community development	60,580	
Environmental services	44,100	
Farmers' market	107,792	
Total health and welfare	<u>212,472</u>	<u>-</u>
Parks and recreation		
Parks and recreation administration		
Parks maintenance	6,848,135	2,023,408
Recreational programs	4,108,217	11,335
Perot Theatre	3,195,232	
Perot Theatre building maintenance	117,840	92,183
Senior citizens programs	173,884	
Beverly Center	125,960	
Sports Promotion	12,540	22,000
Library	2,741,056	
Convention Center	6,483,958	
Total parks and recreation	<u>23,806,822</u>	<u>2,148,926</u>
Total governmental funds capital assets	<u>210,207,987</u>	<u>8,947,171</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><i>Deductions</i></u>	<u><i>Transfers</i></u>	<i>Governmental Funds Capital Assets 9/30/2014</i>
(37,480)		23,100
		44,100
<u>(37,480)</u>	<u>6,100</u>	<u>113,892</u>
	<u>6,100</u>	<u>181,092</u>
	6,100	6,100
(59,229)		8,812,314
		4,119,552
		3,195,232
		210,023
		173,884
		125,960
		34,540
		2,741,056
<u>(59,229)</u>	<u>6,100</u>	<u>6,483,958</u>
	<u>6,100</u>	<u>25,902,619</u>
<u>(889,464)</u>	<u>-</u>	<u>218,265,694</u>

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Component Units

CITY OF TEXARKANA, TEXAS

BALANCE SHEET COMPONENT UNITS September 30, 2014

	<i>Health</i>	<i>Public Library</i>
ASSETS		
Cash	\$ 243,672	705,898
Investments		536,746
Receivables (net of allowance for uncollectible):		
Other government agencies	153,421	65,737
Prepaid items		17,500
TOTAL ASSETS	<u>\$ 397,093</u>	<u>1,325,881</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 26,482	5,798
Accrued payroll	15,402	12,573
Deferred revenue	89,837	
TOTAL LIABILITIES	<u>131,721</u>	<u>18,371</u>
Fund Balances:		
Nonspendable:		
Prepaid items		17,500
Permanent principal		10,000
Restricted		143,797
Committed		223,895
Assigned		205,911
Unassigned	265,372	706,407
TOTAL FUND BALANCES	<u>265,372</u>	<u>1,307,510</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 397,093</u>	<u>1,325,881</u>

CITY OF TEXARKANA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE COMPONENT UNITS For the Year Ended September 30, 2014

	<u>Health</u>	<u>Public Library</u>
REVENUES		
Charges for services	\$ 259,130	33,907
Grants and entitlements	650,195	28,270
Donations		22,208
Investment earnings:		
Interest and dividends	1,076	13,806
Net increase in fair value of investments		12,632
Intergovernmental	149,945	824,767
Other	147	
Total revenues	<u>1,060,493</u>	<u>935,590</u>
EXPENDITURES		
Current:		
Culture and recreation		783,486
Health and welfare	1,027,588	
Capital outlay		5,923
Total expenditures	<u>1,027,588</u>	<u>789,409</u>
Net change in fund balance	32,905	146,181
Fund balance at beginning of year	<u>232,467</u>	<u>1,161,329</u>
Fund balance at end of year	<u>\$ 265,372</u>	<u>1,307,510</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 Ten Fiscal Years
Schedule 1
 (accrual basis of accounting)

	<i>Fiscal Year</i>				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities:					
Net invested in capital assets	\$ 74,294,428	75,882,325	76,103,232	76,349,021	75,187,833
Restricted	2,276,875	3,858,131	3,808,754	3,955,059	4,597,610
Unrestricted	<u>12,354,500</u>	<u>10,442,284</u>	<u>16,623,006</u>	<u>14,341,579</u>	<u>16,619,162</u>
Total governmental activities net position	<u><u>88,925,803</u></u>	<u><u>90,182,740</u></u>	<u><u>96,534,992</u></u>	<u><u>94,645,659</u></u>	<u><u>96,404,605</u></u>
Business-type activities:					
Net invested in capital assets	52,418,769	53,583,586	55,838,951	57,848,213	57,582,403
Restricted	7,530,857	7,524,832	8,176,712	6,458,586	7,646,353
Unrestricted	<u>6,064,248</u>	<u>7,207,285</u>	<u>6,079,546</u>	<u>5,662,181</u>	<u>4,777,364</u>
Total business-type activities net position	<u><u>66,013,874</u></u>	<u><u>68,315,703</u></u>	<u><u>70,095,209</u></u>	<u><u>69,968,980</u></u>	<u><u>70,006,120</u></u>
Primary government					
Net invested in capital assets	126,713,197	129,465,911	131,942,183	134,197,234	132,770,236
Restricted	9,807,732	11,382,963	11,985,466	10,413,645	12,243,963
Unrestricted	<u>18,418,748</u>	<u>17,649,569</u>	<u>22,702,552</u>	<u>20,003,760</u>	<u>21,396,526</u>
Total primary government net position	<u><u>\$ 154,939,677</u></u>	<u><u>158,498,443</u></u>	<u><u>166,630,201</u></u>	<u><u>164,614,639</u></u>	<u><u>166,410,725</u></u>

Unaudited - see accompanying auditors' report

<i>Fiscal Year</i>				
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
75,989,018	73,083,340	77,541,533	82,719,452	83,155,796
3,527,351	22,377,550	16,346,523	13,196,487	8,118,578
16,705,965	395,143	5,992,540	5,815,734	11,274,308
<u>96,222,334</u>	<u>95,856,033</u>	<u>99,880,596</u>	<u>101,731,673</u>	<u>102,548,682</u>
56,910,208	58,447,526	59,671,961	58,503,625	57,691,676
9,365,905	9,068,969	6,302,773	8,744,657	10,809,056
4,719,398	4,782,683	4,317,249	2,932,377	2,000,694
<u>70,995,511</u>	<u>72,299,178</u>	<u>70,291,983</u>	<u>70,180,659</u>	<u>70,501,426</u>
132,899,226	131,530,866	137,213,494	141,223,077	140,847,472
12,893,256	31,446,519	22,649,296	21,941,144	18,927,634
21,425,363	5,177,826	10,309,789	8,748,111	13,275,002
<u>167,217,845</u>	<u>168,155,211</u>	<u>170,172,579</u>	<u>171,912,332</u>	<u>173,050,108</u>

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Changes in Net Position

Last Ten 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	<u>13,147,935</u>	<u>13,348,455</u>	<u>13,931,868</u>	<u>15,361,311</u>
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><u>42,297,995</u></u>	<u><u>44,337,883</u></u>	<u><u>45,866,604</u></u>	<u><u>48,616,408</u></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><u>\$ 17,018,591</u></u>	<u><u>18,479,072</u></u>	<u><u>19,034,427</u></u>	<u><u>19,276,656</u></u>

Unaudited -see accompanying auditors' report

<i>Fiscal Year</i>					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
6,677,826	6,009,327	5,523,459	5,984,631	6,797,714	7,114,857
16,495,996	17,460,252	17,142,327	17,624,401	16,886,838	16,681,701
6,755,059	7,271,760	7,117,788	7,461,167	7,498,517	7,545,126
2,755,050	2,906,975	3,027,226	2,918,560	3,379,678	3,012,271
1,724,892	1,630,227	1,659,584	2,451,906	2,335,011	1,915,780
1,868,860	2,246,394	2,747,460	2,593,982	2,167,516	2,262,532
<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>	<u>38,532,267</u>
<u>16,166,206</u>	<u>16,154,126</u>	<u>15,592,718</u>	<u>15,840,902</u>	<u>15,813,999</u>	<u>15,841,333</u>
<u>16,166,206</u>	<u>16,154,126</u>	<u>15,592,718</u>	<u>15,840,902</u>	<u>15,813,999</u>	<u>15,841,333</u>
<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>	<u>54,373,600</u>
978,806	1,057,194	957,111	583,956	981,567	887,114
2,148,979	1,735,896	1,619,345	1,725,816	1,698,464	1,733,651
572,359	678,445	645,522	581,768	748,273	756,869
2,513,783	1,552,787	1,133,876	2,467,647	1,851,104	1,323,001
	293,158			566,142	808,174
<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>5,508,809</u>
15,184,072	15,259,196	16,030,015	16,136,042	15,642,192	15,198,786
	199,074			39,387	38,071
<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>15,236,857</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>	<u>20,745,666</u>

(Continued)

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION
Changes in Net Position
Last Ten 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>	<u>2014</u>
(30,063,756)	(32,207,455)	(32,861,990)	(33,675,460)	(33,219,724)	(33,023,458)
<u>(982,134)</u>	<u>(695,856)</u>	<u>437,297</u>	<u>295,140</u>	<u>(132,420)</u>	<u>(604,476)</u>
<u><u>(31,045,890)</u></u>	<u><u>(32,903,311)</u></u>	<u><u>(32,424,693)</u></u>	<u><u>(33,380,320)</u></u>	<u><u>(33,352,144)</u></u>	<u><u>(33,627,934)</u></u>
13,346,908	13,584,920	13,655,104	15,577,638	15,763,817	16,450,285
13,392,204	13,148,821	13,800,353	14,114,271	14,326,770	14,735,398
2,196,103	2,197,528	2,070,004	2,002,603	2,005,690	2,006,662
1,183,855	1,379,404	1,278,680	1,264,118	1,351,583	1,248,856
198,386	243,935	211,155	186,700	170,967	88,788
1,486,346	1,451,676	1,211,493	1,235,793	365,470	169,481
<u>18,900</u>	<u>18,900</u>	<u>268,900</u>	<u>3,318,900</u>	<u>1,086,504</u>	<u>18,900</u>
<u><u>31,822,702</u></u>	<u><u>32,025,184</u></u>	<u><u>32,495,689</u></u>	<u><u>37,700,023</u></u>	<u><u>35,070,801</u></u>	<u><u>34,718,370</u></u>
94,880	48,472	65,121	50,601	38,346	62,088
943,294	1,655,675	1,070,149	965,964	1,069,254	1,055,847
<u>(18,900)</u>	<u>(18,900)</u>	<u>(268,900)</u>	<u>(3,318,900)</u>	<u>(1,086,504)</u>	<u>(18,900)</u>
<u><u>1,019,274</u></u>	<u><u>1,685,247</u></u>	<u><u>866,370</u></u>	<u><u>(2,302,335)</u></u>	<u><u>21,096</u></u>	<u><u>1,099,035</u></u>
1,758,946	(182,271)	(366,301)	4,024,563	1,851,077	1,694,912
<u>37,140</u>	<u>989,391</u>	<u>1,303,667</u>	<u>(2,007,195)</u>	<u>(111,324)</u>	<u>494,559</u>
<u><u>1,796,086</u></u>	<u><u>807,120</u></u>	<u><u>937,366</u></u>	<u><u>2,017,368</u></u>	<u><u>1,739,753</u></u>	<u><u>2,189,471</u></u>

(Concluded)

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Program Revenues by Function/ Program

Last Ten Fiscal Years

Schedule 3

(accrual basis of accounting)

	<i>Program Revenues</i>				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Function/ Program					
Governmental activities:					
General government	\$ 816,697	1,035,897	1,231,574	1,565,525	1,436,165
Public safety	1,758,076	1,831,168	2,019,494	2,153,738	2,991,916
Public works	283,348	313,885	444,022	671,838	446,057
Parks and Recreation	156,632	167,308	199,088	167,696	238,500
Health and welfare	685,117	778,225	806,544	687,289	1,101,289
Subtotal governmental activities	<u>3,699,870</u>	<u>4,126,483</u>	<u>4,700,722</u>	<u>5,246,086</u>	<u>6,213,927</u>
<i>Business-type activities:</i>					
Water and sewer	<u>13,318,721</u>	<u>14,352,589</u>	<u>14,333,705</u>	<u>14,030,570</u>	<u>15,184,072</u>
Subtotal business-type activities	<u>13,318,721</u>	<u>14,352,589</u>	<u>14,333,705</u>	<u>14,030,570</u>	<u>15,184,072</u>
Total primary government	<u>\$ 17,018,591</u>	<u>\$ 18,479,072</u>	<u>19,034,427</u>	<u>19,276,656</u>	<u>21,397,999</u>

Unaudited -see accompanying auditors' report

Program Revenues

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
1,385,662	1,049,720	750,688	1,145,219	1,061,405
2,604,636	2,112,675	2,321,374	1,988,390	2,252,465
509,842	223,836	332,797	680,520	979,029
296,044	315,563	527,139	365,251	355,000
521,296	654,060	1,427,189	1,666,170	860,910
<u>5,317,480</u>	<u>4,355,854</u>	<u>5,359,187</u>	<u>5,845,550</u>	<u>5,508,809</u>
<u>15,458,270</u>	<u>16,030,015</u>	<u>16,136,042</u>	<u>15,681,579</u>	<u>15,236,857</u>
<u>15,458,270</u>	<u>16,030,015</u>	<u>16,136,042</u>	<u>15,681,579</u>	<u>15,236,857</u>
<u>20,775,750</u>	<u>20,385,869</u>	<u>21,495,229</u>	<u>21,527,129</u>	<u>20,745,666</u>

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION
Fund Balances, Governmental Funds
Last Ten 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>	<u>2009</u>
General Fund					
Reserved	\$ 332,751	384,658	425,905	491,130	372,368
Unreserved	985,581	732,852	504,565	205,066	551,949
Nonspendable					
Restricted					
Committed					
Assigned					
Unassigned	<u>1,977,402</u>	<u>1,985,615</u>	<u>2,990,900</u>	<u>3,595,302</u>	<u>4,245,301</u>
Total General Fund	<u><u>3,295,734</u></u>	<u><u>3,103,125</u></u>	<u><u>3,921,370</u></u>	<u><u>4,291,498</u></u>	<u><u>5,169,618</u></u>
All Other Governmental Funds					
Reserved	24,685,615	21,604,607	12,395,257	7,093,884	4,356,314
Unreserved, designated for					
Convention center			469,717	827,949	1,183,828
Unreserved					
Special revenue fund	246,959	564,945	1,474,430	1,757,441	2,400,757
Debt service fund	1,410,722	1,588,486	1,779,458	1,748,284	1,707,982
Capital projects fund	2,950,060	1,345,965	1,841,743	786,593	622,126
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					
Debt service fund					
Capital projects fund					
Total all other governmental funds	<u><u>\$ 29,293,356</u></u>	<u><u>25,104,003</u></u>	<u><u>17,960,605</u></u>	<u><u>12,214,151</u></u>	<u><u>10,271,007</u></u>

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

Unaudited -see accompanying auditors' report

<i>Fiscal Year</i>				
<u>2010</u>	<u>2011*</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
379,637				
1,550,244				
	93,257	101,081	98,990	93,432
	499,889	478,043	330,049	689,448
				35,000
	2,172,462	462,852	36,021	128,739
3,371,709	2,785,910	7,808,993	10,327,257	9,304,806
<u>5,301,590</u>	<u>5,551,518</u>	<u>8,850,969</u>	<u>10,792,317</u>	<u>10,251,425</u>
25,434,284				
201,975				
2,369,474				
1,538,656				
469,315				
	638,311	310,426	261,448	325,693
	1,309,318	854,290	499,913	4,624,343
	670,992	318,394		
	19,599,146	14,388,271	12,070,107	2,515,323
	1,911,341	1,751,275	1,149,318	1,112,025
	697,434	1,371,484	862,925	942,542
	(23,568)	(338,733)	(340,465)	(139,462)
			(104,606)	(146,654)
		(741,393)		
<u>30,013,704</u>	<u>24,802,974</u>	<u>17,914,014</u>	<u>14,398,640</u>	<u>9,233,810</u>

CITY OF TEXARKANA, TEXAS

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

	<i>Fiscal Year</i>			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
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%

Unaudited -see accompanying auditors' report

Fiscal Year

<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
30,037,456	30,258,026	30,846,064	33,042,265	33,432,131	33,976,724
395,834	395,511	200,558	185,615	245,003	241,751
677,603	846,054	760,200	622,632	1,175,867	560,530
2,051,942	1,648,799	1,723,251	1,715,643	1,631,182	1,652,149
1,182,928	1,013,367	766,275	1,999,673	794,466	626,421
173,039	233,463	199,616	178,533	167,813	79,017
507,715	677,714	289,924	321,621	1,092,352	1,518,657
		780,731			
935,364	467,527	335,346	288,508	647,550	447,449
<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>	<u>39,102,698</u>
6,326,081	5,638,878	5,167,206	5,687,089	6,096,316	5,778,132
15,178,168	16,291,717	15,479,970	15,729,556	15,370,410	14,913,921
4,036,371	4,004,301	4,077,566	3,815,722	3,843,357	4,085,840
2,159,831	2,282,880	2,342,064	2,133,616	2,393,470	2,234,747
1,497,632	1,419,374	1,483,147	2,272,270	2,144,737	1,727,656
9,609	16,448	11,134			
3,650,301	6,115,692	6,859,040	12,141,083	4,651,366	8,921,568
2,685,087	2,552,290	3,472,228	3,788,802	3,780,647	3,747,283
1,502,725	1,897,567	2,415,565	2,301,087	2,182,138	2,047,350
	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>43,456,497</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>	<u>(4,353,799)</u>
488,197	593,911	1,510,273	4,277,448	4,472,167	995,874
(469,297)	(752,978)	(1,065,120)	(2,406,073)	(4,630,978)	(2,392,810)
	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	45,013
	(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>(1,351,923)</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>	<u>(5,705,722)</u>
12.5%	12.9%	17.1%	16.9%	16.6%	16.8%

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION
Tax Revenue by Source, Governmental Funds
Last Ten 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
2014	15,993,035	14,735,398	2,006,662	1,241,629	33,976,724
Percentage change	1.46%	2.85%	0.05%	-7.14%	1.63%

Unaudited - see accompanying auditors' report

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Assessed and Estimated Actual Value of Taxable Property

(per \$100 of assessed value)

Last Ten Fiscal Years

Schedule 7

Fiscal Year	Tax Roll Year	Personal Property Assessed Value	Real Property Assessed Value	Total Property Assessed Value	Tax Rate (1)	Total Tax Levy	Tax Distribution		
							General Fund	Debt Service	TIRZ #1
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	0.669293	15,479,476	6,833,090	3,446,289	80,927
2013	2012	366,695,306	2,130,026,677	2,496,721,983	0.669293	15,599,509	10,280,076	5,146,278	173,155
2014	2013	\$ 369,660,911	2,156,931,065	2,526,591,976	0.669293	15,886,117	10,364,103	5,075,614	446,400

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>	
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
2014	0.436613	0.213842	0.018838	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
1.6200	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
1.339	0.47361	0.105267	1.26102	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>2014</u>	
		<u>2013 Assessed Valuation (1) (2)</u>	<u>Percentage of Total Assessed Valuation</u>
Christus Health ArkLaTex	1	\$ 104,776,012	4.15%
GG&A Central Mall Partners	2	31,647,469	1.25%
Arden Texarkana LLC	3	22,541,394	0.89%
AEP Southwestern Electric Power Co	4	20,192,059	0.80%
LPG Apartments LP	5	16,038,301	0.63%
Waggoner Creek Crossing LP	6	13,971,453	0.55%
Arklatex Real Estate	7	13,352,450	0.53%
Walmart Store #01-2123	8	12,520,277	0.50%
Orr, William Gregg	9	11,041,448	0.44%
Valor Telecom of Texas LP	10	10,566,949	0.42%
Candle Corporation of America			
Merchant Holding Dev LLC			
Lowe's Companies			
Home Depot USA, Inc.			
Target Corp.			
Total principal taxpayers		\$ 256,647,812	10.16%

(1) Net of exemptions

(2) Source - Bowie Central Appraisal District

Unaudited - see accompanying auditors' report

<i>2005</i>		
<u><i>Rank</i></u>	<u><i>2004 Assessed Valuation (1) (2)</i></u>	<u><i>Percentage of Total Assessed Valuation</i></u>
1	\$ 28,720,116	1.57%
2	26,929,663	1.48%
3	19,833,042	1.09%
5	18,336,384	1.01%
4	19,534,295	1.07%
6	16,396,222	0.90%
7	15,530,991	0.85%
8	13,205,502	0.72%
9	12,643,232	0.69%
10	12,493,665	0.69%
	<u>\$ 183,623,112</u>	<u>10.07%</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>
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%	304,184	15,422,048	99.63%
2013	2012	15,599,509	15,256,890	97.80%	296,341	15,561,074	99.75%
2014	2013	15,886,117	15,514,090	97.66%		15,810,431	99.52%

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

Source - Bowie Central Appraisal District.

Unaudited -see accompanying auditors' report

CITY OF TEXARKANA, TEXAS

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>
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%
2014	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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Residential	1,029,450	1,020,361	944,028	937,401	914,376
Commercial	799,087	722,743	664,667	652,537	585,553
Member Cities	1,005,885	1,012,144	905,547	936,941	916,698
Wholesale	<u>726,797</u>	<u>752,482</u>	<u>723,824</u>	<u>683,562</u>	<u>676,645</u>
Total	<u>3,561,219</u>	<u>3,507,730</u>	<u>3,238,066</u>	<u>3,210,441</u>	<u>3,093,272</u>

Total Direct Rate per 1,000 Gallons

Residential	\$ 2.35	2.43	2.48	2.59	3.01
Commercial	1.77	1.83	1.87	1.95	2.26
Member Cities	0.58	0.64	0.67	0.64	0.98

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
926,250	1,164,446	1,141,614	1,027,446	1,417,354
596,290	735,020	769,874	717,174	991,064
928,052	1,014,877	1,071,608	952,637	874,055
<u>717,840</u>	<u>683,856</u>	<u>650,888</u>	<u>958,491</u>	<u>948,195</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>	<u><u>4,230,668</u></u>
3.01	3.01	3.01	3.01	3.01
2.26	2.26	2.26	2.26	2.26
0.77	0.65	0.83	0.7308	0.7448

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				
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
2014	8.15	3.01	10.52	3.77
Commercial				
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
2014	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>Rank (1)</i>	<i>2014</i>		<i>Rank (1)</i>	<i>2005</i>	
		<i>Water & Sewer Revenue</i>	<i>Percentage of Total Water & Sewer Revenue</i>		<i>Water & Sewer Revenue</i>	<i>Percentage of Total Water & Sewer Revenue</i>
Federal Correctional Institute	1	\$ 589,762	5.31%	1	\$ 727,044	7.32%
Christus St Michael Hospital	2	313,155	2.82%	5	166,268	1.67%
Wadley Hospital	3	138,823	1.25%	3	238,451	2.40%
Texarkana Housing Authority	4	211,091	1.90%	4	199,936	2.01%
Texarkana Texas ISD	5	145,066	1.31%			
Brighton Manor/Westridge/Park Apts.	6	354,731	3.20%			
City of Texarkana, Texas	7	74,943	0.68%			
Texarkana College	8	68,186	0.61%			
LaSalle Southwest Corrections	9	98,738	0.89%			
River Crossing Apartments	10	80,508	0.73%			
Alcoa				2	254,954	2.56%
Civigenics Texas Inc.				6	131,026	1.32%
IP Sawmill				7	40,865	0.41%
Woodlands Apts.				8	70,993	0.71%
Liberty-Eyalu ISD				9	72,049	0.72%
Summerhill Woods Apartments				10	63,584	0.64%
Totals		<u>\$ 2,075,003</u>	18.70%		<u>\$ 1,965,170</u>	19.76%

(1) Ranking is computed based on consumption (number of gallons), not revenue.

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>
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 (5)	15,808,814	42,125,475	860,000		86,295
2013 (6)(7)	27,636,147	27,263,094			46,935
2014	27,290,448	25,964,808			54,177

- (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.
(5) The City issued \$4,115,000 in Certificates of Obligation in 2012.
(6) The City issued \$14,550,000 in General Obligation Refunding Bonds in 2013.
(7) The City issued \$2,200,000 in Revenue Bonds in 2013.

Unaudited - see accompanying auditors' report

Business-type Activities

<i>Water Revenue Bonds</i>	<i>Capital Leases</i>	<i>Total Primary Government</i>	<i>Percentage of Personal Income(2)</i>	<i>Per Capita(2)</i>
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	7.59%	1,769
4,132,463	4,734,592	62,176,488	7.15%	1,666

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>
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
2014	37,332	2,526,591,976	57,387,719

Notes:

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

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

Unaudited - see accompanying auditors' report

<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>
1,410,722	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
0	4,132,463	53,255,256	2.11	1,427

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CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Direct and Overlapping Governmental Activities Debt

September 30, 2014

Schedule 17

<u>Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Percentage of Debt Applicable to City of Texarkana</u>	<u>Amount Applicable to City of Texarkana</u>
Direct:			
City of Texarkana, Texas	\$ 53,309,433	100.00%	<u>\$ 53,309,433</u>
Overlapping:			
Texarkana Independent School District	34,684,462	60.01%	20,814,146
Bowie County	39,800,000	38.95%	15,502,100
Liberty-Eylau Independent School District	6,800,000	37.93%	2,579,240
Pleasant Grove School District	34,219,998	71.19%	24,361,217
Red Lick Independent School District	5,385,000	8.03%	<u>432,416</u>
Subtotal - Overlapping debt			<u>63,689,119</u>
Total direct and overlapping			<u>\$ 116,998,552</u>
Per capita overlapping debt			<u>\$ 3,134</u>

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

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

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION Legal Debt Margin Last Ten 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.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>1,997,924,581</u>	<u>1,998,210,887</u>	<u>2,104,527,844</u>	<u>2,127,490,741</u>	<u>2,130,026,677</u>	<u>2,156,931,065</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>	<u>539,232,766</u>
(4)	16,509,387	15,108,573	15,808,814	27,636,147	27,290,448
<u>-</u>	<u>(1,538,656)</u>	<u>(670,992)</u>	<u>(318,397)</u>	<u>-</u>	<u>-</u>
(4)	14,970,731	14,437,581	15,490,417	27,636,147	27,290,448
<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>	<u>511,942,318</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>
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
2014	15,269,056	11,064,894	4,204,162	559,088	7.52

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>
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
2014	37,332 (7)	37 (7)	24,118 (7)	5.8 (7)	900,373,176

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>2014</i>			<i>2005 (2)</i>		
	<i>Employees</i>	<i>Rank</i>	<i>Percentage of Total MSA Employment (1)</i>	<i>Employees</i>	<i>Rank</i>	<i>Percentage of Total MSA Employment</i>
Red River Army Depot & Tenants	5,300	1	9.33%			
Christus St. Michael Health Care	1,900	2	3.35%			
Cooper Tire & Rubber	1,860	3	3.27%			
Wal-Mart/Sam's	1,100	5	1.94%			
Domtar (fr. Georgia Pacific)	975	4	1.72%			
International Paper	900	6	1.58%			
Wadley Regional Medical Ctr	850	7	1.50%			
Texarkana Texas ISD	795	8	1.40%			
Texarkana AR ISD	785	9	1.38%			
Southern Refrigerated Transport	750	10	1.32%			
City of Texarkana, Texas	615	11	1.08%			
Collom & Carney Clinic	550	12	0.97%			
Total	16,380		28.84%			

Source:

Chamber of Commerce, Texas Workforce Commission LMI Tracer

Notes:

(1) MSA employment for 2014 is 56,800

(2) Employment information not available for 2005.

Unaudited - see accompanying auditors' report

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

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

Last Ten Fiscal Years

Schedule 22

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government				
Purchasing- General Services	4	4	4	4
Finance / Accounting	7	7	7	6
Building Maintenance	3	3	3	3
City Manager	3	3	3	1
City Secretary	3	3	3	1
Research and Vital Statistics				2
Human Resources	3	3	3	5
City Attorney	3.5	3.5	3.5	2.0
Municipal Court	7	7	7	7.5
Quality Assurance	0	0	0	0
Marketing	0	0	0	0
Public safety				
Police Administration	4	7	3	3
Uniform Services- Patrol	69	67	66	74
Support Services	14	6	12	11
Criminal Investigation	19.5	20.5	18.5	17.5
CMV Enforcement Unit	0	0	0	0
Narcotics	4	6	4	2
Fire Administration	3	3	3	3
Fire Operations	72	72	72	72
Fire Prevention	5	4	4	4
Fire Training	2	2	2	2
Emergency Management	2	2	2	2
Public works				
Public Works Administration	3	3	3	2
Engineering	6	6	7	7
Engineering & Infrastructure Administration				2
Street Maintenance	38	38	38	38
Building Inspection	6	6	7	7
Sign and Signal	6	6	6	6
P&Z/Comm & PW Administration	2	2	2	0
Code Enforcement	0	0	0	0
Stormwater Management	0	0	0	0
Health and welfare				
Community Development	4	4	4	3
Environmental Services				3
Environmental Health Services	2	2	2	2
Demolition	4	4	4	4
Animal Control	2	2	2	2

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
3	3	3	3	0	0
5	6	6	6	8	8
3	3	3	3	3	2
1	1	1	1	1	2
1	2	2	2	2	3
2	2	2	2	2	3
4	5	4	4	4	4
0	0	0	0	0	0
8.5	8	9	8	8.5	7.5
0	1	1	1	1	0
0	1	2	2	1.5	1
7	7	5	11	9	8
65	69	72	66	63	62
9	10	31.5	31.5	32	31
18.5	18.5	0	0	0	0
0	2	2	2	0	0
3	4	3	0	0	0
3	3	3	2	3	4
72	72	72	73	72	70
4	4	4	0	5	6
2	2	2	0	0	0
2	2	2	2	0	0
0	0	0	0	0	0
7	7	7	7	4	4
2	2	2	2	2	2
38	38	38	38	32	30
7	7	7	7	7	6
6	6	6	6	6	5
2	2	2	2	1.5	0
3	3	3	3	3	3
0	0	0	2	2	2
3	3	3	3.5	5	5
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	0	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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Parks and recreation				
Parks Administration	3	3	3	2
Parks Maintenance	26.5	23	23	24
Recreational Programs	7.5	8	5.5	5.5
Senior Citizen Programs	2.5	2	2.5	2.5
Community Center / Weed & Seed	2	2	3	3
Library	12.5	12.5	12.5	12.5
Teen Court	1.5	1.5	1.5	1
Veterans Affairs	0.5	0.5	0.5	0.5
Family Health Center				
Administration	4	4	3	5
Community	6	6	4	6
WIC	7	7	7	7
Reproductive	8	7	7	7
TB	1	1	1	0
Public Health Response	4	5	5	2
Tobacco	0	0	0	0
Diabetes	0	0	0	0
Central Records - Dispatch	53	53	53	54
MPO	2.5	2.5	2.5	2.5
Fleet	10	10	10	11
Total	<u>452.5</u>	<u>444.0</u>	<u>439.0</u>	<u>443.5</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
2	2	2	2	2	2
24	19	19	19	20	21
5.5	3.5	3.5	3.5	3	3
2.5	1	1	1	1	1
3	1	1	1	1	1
12.5	16	16	16	12.5	13.5
1	1	0	0	0	0
0.5	1	1	1	0.5	0.5
4	4	3.15	3	4	4
5	6	1.5	2	1	1
5	7	7	7	6	7
6	7	10.95	8	5	4
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	1	2	1
54	53	53	54	41	38
2.5	3	3	3	1.5	3
9	8	6	6	6	4
<u>423.5</u>	<u>432.0</u>	<u>431.6</u>	<u>422.5</u>	<u>389.0</u>	<u>377.5</u>

CITY OF TEXARKANA, TEXAS

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

	2005	2006	2007	2008
Function/Program				
General government				
Birth certificate requests	5,713	5,333	5,740	5,695
Public safety				
Police				
Commissioned officers	93	93	94	94
Calls for service	42,392	43,814	44,456	43,554
Total citations issued	9,656	13,440	13,922	8,879
Custody arrests	2,898	3,106	3,739	4,032
Fire				
Firefighters	76	79	79	79
Responses- Fire	279	362	250	281
Responses- EMS/Rescue	951	999	1,295	1,357
Responses- Other	1,005	973	963	1,139
Inspections	4,197	4,083	4,217	3,983
Public works				
Street resurfacing (miles)	(1)	(1)	(1)	(1)
Building permits issued	611	938	663	484
Building permits (\$)	61,734,325	61,978,494	48,621,881	76,804,888
Water				
Average daily consumption (millions of gallons)	8.429	8.881	10.29	10.938
Raw water production (millions of gallons)	11.204	10.840	11.849	11.882
Wastewater				
Average daily sewage treatment (millions of gallons)				
South Regional Plant	8.782	8.065	10.348	10.762
Wagner Creek Plant	1.443	1.204	1.088	1.190
Airlines				
Scheduled airline arrivals and departures per day	18	18	10	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

<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
5,278	6,138	5,937	5,832	5,758	6,056
94	100	99	99	96	95
45,673	43,518	42,407	42,625	38,712	41,556
11,606	10,536	11,003	12,993	10,558	12,507
5,085	4,010	4,105	4,125	3,243	2,383
79	78	78	78	77	78
250	256	306	258	259	220
1,494	1,479	1,478	1,770	1,753	1,871
978	1,098	1,062	1,088	1,109	1,022
3,988	2,837	2,867	3,910	3,950	3,950
(1)	(1)	1.5	(1)	(1)	(1)
1,188	768	591	559	577	443
44,937,572	49,115,042	63,049,176	43,348,566	40,844,204	37,317,875
10.255	11.207	9.518	11.201	12.368	11.467
11.978	13.949	10.61	11.74	12.997	12.062
10.524	10.778	8.328	7.514	6.642	8.062
1.257	1.253	0.747	1.116	1.3	1.678
(1)	(1)	(1)	4	10	6
			60,000	66,338	68,674

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Capital Asset Statistics by Function/ Program

Last Ten Fiscal Years

Schedule 24

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government				
Buildings	2	2	2	2
Public safety				
Police Stations	1	1	1	1
Number of vehicles	66	68	69	72
Fire Stations	5	5	5	5
Fire Apparatus	8	9	9	9
Other motorized vehicles	5	6	6	6
Public works				
Buildings	3	3	3	3
Streets (miles)	254	(1)	(1)	(1)
Paved alleys	5	(1)	(1)	(1)
Unpaved alleys	15	(1)	(1)	(1)
Storm sewers	29.5	(1)	(1)	(1)
Streetlights	(1)	(1)	(1)	(1)
Parks and recreation				
Parks	12	12	15	14
Park acreage developed	533	533	500	500
Park acreage partially developed	1,454	1,454	1,330	1,330
Playgrounds	20	20	19	20
Swimming pools	1	1	0	0
Tennis courts	6	6	6	6
Baseball diamonds	8	8	8	8
Softball diamonds	11	11	10	10
Recreation centers	1	1	2	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	4	4
Soccer fields	9	9	8	10
Restroom facilities	13	13	14	15
Boat ramp	1	1	1	1
Splash pad	0	0	0	0
Perot Theatre	1	1	1	1

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
2	4	4	4	4	4
1	1	1	1	1	1
63	69	62	80	80	72
5	5	5	5	5	5
9	9	10	10	10	7
6	6	10	16	16	8
3	2	2	2	4	4
(1)	(1)	(1)	257	259	260
(1)	(1)	(1)	8	8	8
(1)	(1)	(1)	15	15	15
(1)	(1)	(1)	30	31	31
(1)	(1)	(1)	3,150	3,200	3,200
14	12	12	12	12	12
500	500	500	587	587	587
1,330	1,330	1,330	1,330	1,330	1,330
20	26	26	27	26	24
0	0	0	0	0	0
6	4	4	4	4	4
8	8	8	8	8	8
10	10	10	10	10	10
2	2	2	2	2	1
1	1	1	1	1	1
19	19	19	19	19	19
8	8	8	8	8	8
4	4	5	10	10	10
10	12	13	13	12	10
17	17	17	17	17	18
1	1	2	2	2	2
0	0	0	1	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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Library				
Number of libraries	1	1	1	1
Health and Welfare				
Buildings	1	1	1	1
Water				
Water mains (miles)	451	448	460	462
Water connections	12,708	12,813	12,893	13,032
Fire hydrants	1,807	1,846	1,906	1,963
Plant capacity (million gallons per day)	18	18	18	18
Wastewater				
Sanitary sewer mains (miles)	311	315	323	329
Sewer connections	12,051	12,166	12,364	12,512
Sewer plant capacity (millions gallons per day)	18	18	18	20
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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
1	1	1	1	1	1
1	1	1	1	1	1
473	479	484	504	479	483
12,951	12,937	12,962	13,119	13,133	13,170
2,013	2,051	2,079	2,172	2,115	2,139
18	18	18	18	18	18
330	328	340	343	340	337
12,418	12,436	12,435	12,518	12,584	12,622
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, 2014

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 2014-01
Noncompliance Material to Financial Statements	None
Significant Deficiencies in Internal Controls over Major Programs	None
Material Weaknesses Involving Significant Deficiencies over Major Programs	None
Type of Report on Compliance with Major Programs	Unqualified Opinion
Findings for Federal Awards as Defined in OMB Circular A-133	None
Major Federal Programs	11.300 U. S. Department of Commerce – EDA Morris Lane Construction 14.218 U. S. Department of Housing and Urban Development – Community Development Block Grants 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, 2014

Grant Title	CFDA Number	Grant Program/ Number	Grant Expenditures
U.S. Department of Housing and Urban Development			
Community Development Block Grant-Entitlement (CDBG)	14.218	B11-MC-48-1000	\$ 50,175
CDBG Revolving Loan Fund	14.218	B11-MC-48-1000	100,132
			<u>150,307</u>
<i>Passed Through the Texas Dept of Housing & Comm Affairs</i>			
HOME - Home Buyer Assistance	14.239	1001200	2,581
HOME - Housing Reconstruction	14.239	100198	4,376
			<u>6,957</u>
Supportive Housing Program - SNAP HPAC IHP	14.261	TX-029886TO7100	<u>277,991</u>
TOTAL U.S. DEPT OF HOUSING & URBAN DEVELOPMENT			<u>435,255</u>
U.S. Department of Commerce			
EDA Morris Lane Construction	11.300	08-01-04288	<u>808,174</u>
TOTAL U.S. DEPT OF COMMERCE			<u>808,174</u>
U.S. Department of Transportation			
Selective Traffic Enforcement Prog (STEP)	20.600	587XXF6013	<u>17,582</u>
Federal Transit Capital & Operating Assistance Formula Grant			
<i>Passed Through Texas Department of Transportation</i>	20.205/20.505	50-13XF0017	254,772
<i>Passed Through Arkansas Highway Transportation Department</i>	20.205	50-13XF0017	54,043
			<u>308,815</u>
TOTAL U.S. DEPT OF TRANSPORTATION			<u>326,397</u>
U. S. Department of Homeland Security			
Homeland Security Grant	97.073	11SHSP	31,502
<i>Passed Through Office of the Governor's</i>			
Emergency Management Performance Grant	97.042	10TX-EMPG-0208	<u>41,642</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>73,144</u>

(continued)

CITY OF TEXARKANA, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2014

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	79,963
RLSS/LPHS	93.991	2012-039511	98,254
Preventive Health and Health Serv Blk Grant	93.268	2012-039681	<u>130,252</u>
TOTAL U.S. DEPARTMENT OF HEALTH			<u>308,469</u>
U.S. Department of Agriculture			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	2011-037230-001	<u>380,514</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>380,514</u>
Corporation for National Security and Community Service			
Retired Senior Volunteer Program Greater Texarkana RSVP - Action	94.002	U-05SRWTX010	<u>42,910</u>
TOTAL CORPORATION FOR NATIONAL SECURITY AND COMMUNITY SERVICE			<u>42,910</u>
Environmental Protection Agency			
Brownfield Hazard & Petroleum	66.818	BF-00F19501 - Hazardous	38,726
Brownfield Hazard & Petroleum	66.818	BF-00F20201 - Petroleum	20,431
EPA Revolving Loan Fund	66.818	BF-00F62501	5,326
EPA Revolving Loan Fund	66.818	BF-00F62801	37,197
EPA Job Training Grant	66.818	JT 00F47301	<u>25,092</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>126,772</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 2,501,635</u>

(concluded)

CITY OF TEXARKANA, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS September 30, 2014

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, 2014. 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, 2014, 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, 2013 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, 2014, 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 March 16, 2015.

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 weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies, in internal 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 # 2014-01.

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

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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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Texarkana, Texas, in a separate letter dated March 16, 2015.

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.

Holliday, Lemons, & Cox, P.C.

March 16, 2015

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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 a direct and material effect on each of City of Texarkana, Texas' major federal programs for the year ended September 30, 2014. City of Texarkana, Texas' major federal programs for the year ended September 30, 2014. City of Texarkana, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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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Opinion on Each Major Federal Program

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 major federal programs for the year ended September 30, 2014.

Other Matters

We noted certain matters that we reported to management of the City of Texarkana, Texas, in a separate letter dated March 16, 2015.

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.

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

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

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

Holliday, Lemons, & Cox, P.C.

March 16, 2015

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CITY OF TEXARKANA, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended September 30, 2014

Reference 2013-01 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 2014-01.

Reference 2013-02 Community Development Block Grant and Community Development Block Grant (ARRA) - Reporting

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, 2014

Financial Policies, Procedures, and Application of Accounting Principles

Reference 2014-01

Condition

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

1. Transfers between funds were not balanced at year end. The following differences were noted:
 - a. Between the General Fund and the Technology Fund - \$171
 - b. Between the Economic Development Fund and the Technology Fund - \$171
2. TIRZ revenue in the amount of \$470,771 was not received within 60 days and required reclassification to deferred revenue.
3. The Economic Development Fund issued loans during the current year. The noncurrent portion of these loans was not reserved and required reclassification in the amount of \$32,605.
4. Deferred revenue in the amount of \$8,906 was recorded in the Employee Benefit fund and required reclassification to Refund of Contributions. This fund is an accrual basis fund, which should not have deferred revenue.
5. TWU payments in the amount of \$127,980 were received but not recorded.
6. Accrued claims payable of \$213,691 were not recorded in the Economic Development fund.
7. Contracts payable of \$127,462 were reclassified from accrued claims payable.

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, 2014

Financial Policies, Procedures, and Application of Accounting Principles

Reference 2014-01 (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. Changes have already been made to the "Transfer To and From" worksheet to point out variances more clearly.
2. A deferral column will be added to the TIRZ worksheet.
3. A non-current column will be added to the Loans Receivable worksheet.
4. Changes have been made to the Accrued Revenue worksheet to indicate accrual basis funds that need to be reviewed at year end for proper income accrual.
5. Finance department will work with our software vendor to request changes to allow credit balances to be carried on Accounts Receivable customer accounts.
6. Although this was an unusual transaction due to timing, the standard invoice review process will include a consideration of posting to the proper fiscal year after the usual 60 day consideration period.
7. The Construction in Progress worksheet will be cross-referenced to the Contracts payable worksheet at the end of the fiscal year.

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