



CITY OF  
**TEXARKANA**  
TEXAS



**Comprehensive  
Annual Financial  
Report** for the year ending  
September 30, 2016

# **CITY OF TEXARKANA, TEXAS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended  
September 30, 2016**

*Prepared by:*

*Department of Finance  
Kristin Peebles, CPA  
Chief Financial Officer*

---

# Table of Contents

## INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	vii
GFOA Certificate of Achievement	xv
Principal Officials	xvi
Organizational Chart	xvii

## FINANCIAL SECTION

Independent Auditors' Report	3
Management's Discussion and Analysis	9
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	26
Statement of Activities	28
Fund Financial Statements	
Balance Sheet - Governmental Funds	30
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	31
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	33
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	35
Statement of Net Position - Proprietary Funds	36
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	38
Statement of Cash Flows - Proprietary Funds	40
Statement of Fiduciary Net Position - Fiduciary Funds	42
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	43
Notes to the Financial Statements	44
Required Supplementary Information:	
Schedule of Changes in Net Pension Liability and Related Ratios:	
TMRS Plan # 1 - Police Officers	104
TMRS Plan # 2 - Other City Employees	105
TMRS Plan # 3 - Water Utilities	106

Table of Contents Continued.

Page

Schedule of Contributions:	
TMRS Plan # 1 - Police Officers	107
TMRS Plan # 2 - Other City Employees	108
TMRS Plan # 3 - Water Utilities	109
Schedule of Changes in the City's Net Pension Liability and Related Ratios:	
Texarkana Firemen's Relief and Retirement	110
Schedule of City Contributions:	
Texarkana Firefighter's Relief and Retirement	111
Combining and Individual Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	116
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances - Nonmajor Governmental Funds	120
Schedule of Revenues, Expenditures, and Changes in	
Fund Balances - Budget and Actual:	
Housing and Community Development Fund	124
HOME Fund	125
Theatre Fund	126
Hotel/Motel Tax Fund	127
Housing Fund	128
Economic Development Fund	129
Law Enforcement Block Grant Fund	130
Law Enforcement Programs Fund	131
Brownfield Grant Fund	132
Donations Fund	133
TIRZ #1 Fund	134
TIRZ # 2 Fund	135
Rotary Splash Park Fund	136
CDBG Revolving Loans Fund	137
Supportive Housing Grant Fund	138
NEA Grant Fund	139
COC Homeless Assistance Grant Fund	140
EPA Petroleum Grant Fund	141
EPA Job Training Grant Fund	142
EPA Revolving Loan Grant Fund	143
EPA Multipurpose Grant Fund	144
Combining Statement of Net Position - Nonmajor Enterprise Funds	146
Combining Statement of Revenues, Expenses and	
Changes in Net Position - Nonmajor Enterprise Funds	147
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	148
Combining Statement of Net Position - Internal Service Funds	152
Combining Statement of Revenues, Expenses and	
Changes in Net Position - Internal Service Funds	153
Combining Statement of Cash Flows - Internal Service Funds	154
Combining Statement of Fiduciary Net Position - Agency Funds	156

Table of Contents Continued.

**Page**

Capital Assets Used in the Operation of Governmental Funds:	
Schedule by Source	159
Schedule by Function and Activity	160
Schedule of Changes by Function and Activity	162
Schedule of Changes by Function and Activity	164
Component Units - Health Center	
Balance Sheet	168
Statement of Revenues, Expenditures, and Changes in Fund Balance	169

**STATISTICAL SECTION**

Net Position by Component	174
Changes in Net Position	176
Program Revenues by Function/Program	180
Fund Balances, Governmental Funds	182
Changes in Fund Balances, Governmental Funds	184
Tax Revenue by Source, Governmental Funds	187
Assessed and Estimated Actual Value of Taxable Property	188
Direct and Overlapping Property Tax Rates	190
Principal Property Taxpayers	192
Property Tax Levies and Collections	194
Direct and Overlapping Sales Tax Rates	195
Water Sold by Type of Customer	196
Water and Sewer Rates	198
Principal Water and Sewer Revenue Payers	199
Ratios of Outstanding Debt by Type	200
Ratios of Net General Bonded Debt to Assessed Value And Net Bonded Debt Per Capita	202
Direct and Overlapping Governmental Activities Debt	205
Legal Debt Margin	206
Pledged Revenue Coverage	208
Demographic and Economic Statistics	209
Principal Employers, MSA-Texarkana, Texas and Texarkana, Arkansas	211
Full-time-Equivalent City Government Employees by Function/Program	212
Operating Indicators by Function/Program	216
Capital Assets Statistics by Function/Program	218

**SUPPLEMENTAL REPORT ON FEDERAL AWARDS**

Summary of Auditors' Results	224
Schedule of Expenditures of Federal Awards	225
Notes to Schedule of Expenditures of Federal Awards	228

Table of Contents Continued.

Page

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	229
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	233
Summary Schedule of Prior Audit Findings	239
Schedule of Findings	241

---

## **Introductory Section**

This page intentionally left blank.



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, 2016, 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, 2016. 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 37,831. 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 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. Blended component units are in substance, part of the primary government's operations, even though they are legally separate entities. The City reports the Texarkana Firemen's Relief and Retirement Fund, a blended component unit, as a fiduciary fund of the City with a December 31, 2015 year end (most recent audit). Discretely presented component units are legally separate entities and not part of the primary government's operations. The Texarkana-Bowie County Family Health Center is included in the financial statements as a discretely presented component unit. The City also participates in joint ventures with Texarkana, Arkansas to operate the Texarkana Regional Airport and the Bi-State Justice Center. Other joint ventures include the Bowie Central Appraisal District, the Texarkana Urban Transportation Study and the Texarkana Urban Transit District.

### **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. Current estimates indicate that approximately 75,000 vehicles use the area's interstate system.

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 - Texarkana is the City's newest institution of higher education, serving approximately 400 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 Fazio, Jr. and managed by Hank Haney, and City parks that have hosted a number of district and state athletic tournaments. Noted attractions in the City's parks system include: Splash Pad at Spring Lake Park, Kylee Sullivan Pet Safe Dog Park at Spring Lake Park and the new additions at Bringle Lake Park, including wilderness hiking and bike trails. Additionally, there are a multitude of outdoor activities available on one of many lakes and rivers in the region.

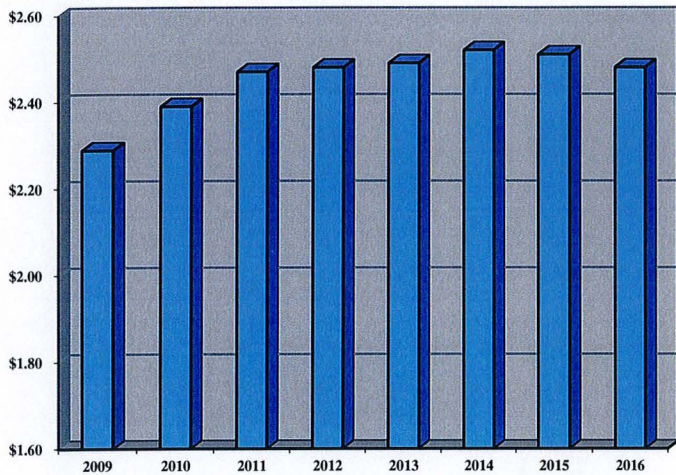
Commercial and residential building in the City has increased slightly in the past year, as reflected in reported statistics. Permits for new non-residential construction increased from last year's value of around \$7,677,525 to around \$15,543,474 this year. Permits for non-residential additions, alterations and conversions decreased from \$16,046,199 to \$10,984,243 this year. Residential permits increased from \$7,769,000 to \$7,908,627. Residential additions, alterations and conversions ended the year at \$3,818,652, an increase from last year's number of \$3,246,547. Commercial projects in progress and/or completed in 2016 include the following:

- Eagle Distributing
- Gregg Orr Auto
- Bancorp South
- Liberty Eylau ISD
- Planet Fitness
- Aspen Dental
- AT&T
- Life Net
- Villa's at Texarkana
- Excel ER
- Mt. Kirby Investments
- Collom & Carney Clinic
- Burk's Outlet
- Ironwood Grill
- Capital One Bank
- Farm Bureau Insurance
- Chicken Express
- Walmart Inc.

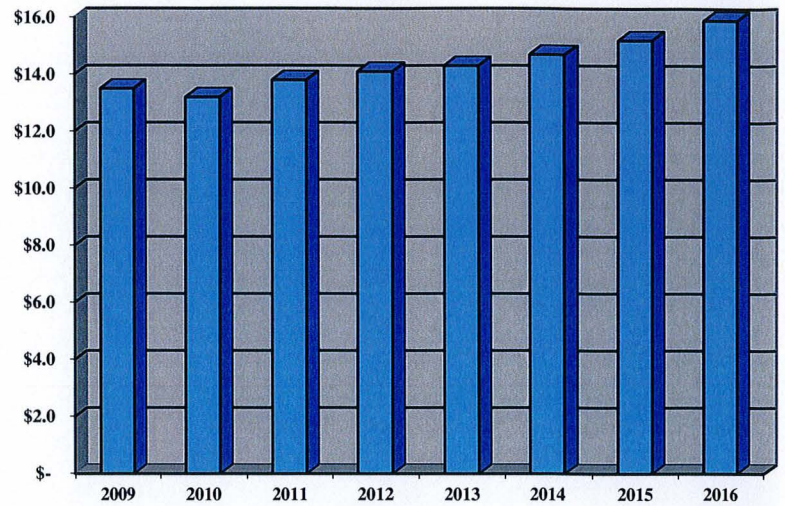
Sales taxes, property taxes, and transfers are responsible for a substantial portion of the City's general fund operating revenue budget. The overall net increase in revenues, transfers, and capital leases in fiscal year 2016 compared to the prior fiscal year was \$1,797,891. Property tax revenue increased by \$448,886 (4.2%), sales and other tax revenue increased by \$847,962 (5.6%), revenue from municipal court declined by \$352,806 (17.4%), intergovernmental revenue decreased by \$437,309 (59.0%), and other financing sources for capital leases increased by \$1,090,645 (1,256%).

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 4.6%, which was equivalent to the state rate of 4.6% and just above the national rate of 4.5%.

**Long-Term Financial Planning**

Unassigned fund balance in the general fund (38.7% of general fund expenditures) is above the reserve goal of 25.0-35.0% established by the City’s General Fund Balance Policy. The City’s unassigned fund balance at September 30, 2016 is \$12,003,407 and it represents approximately 141 days of expenditures in fund balance.

Most of the growth in the City continues to occur along and north of the I-30 corridor. One 60+ acre parcel was purchased by a medical partnership with plans for future development. South of I-30 continues to develop with an additional auto dealership and a retail center in the planning stages. Texas A&M-*Texarkana* has another building under construction on its campus. *Texarkana* ISD finished an addition to one campus and added an elementary campus. *Liberty-Eylau* ISD is in the planning stage for a new elementary campus. New development should continue to strengthen growth in the City’s property tax base and other tax collections, which comprise around eighty three percent (83 %) 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 assistance is also provided in the form of revolving loan programs.

The City collects hotel occupancy tax revenue at a rate of seven percent. This revenue is used to fund the operation and debt service of the *Texarkana* Convention Center and various other

recipients. Historical trends have shown little to no growth in hotel occupancy tax revenue for the past several years. However, revenue increased slightly this year over the prior year.

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. Recently completed projects include a portion of the Gibson Lane extension project. Projects currently underway include the extension of Pavilion Parkway and the Walton Drive box culvert drainage system. Future debt service payments on the bonds are expected to be funded by property tax revenues collected from new developments within the district.

After serving as the main wastewater treatment facility for both sides of town with nearly thirty (30) years of continuous use, the South Regional Wastewater Treatment Plant (SRWWTP) on South Stateline needs several upgrades and improvements. During the fiscal year 2017 budgeting process in 2016, Utility staff developed an initial five (5) year plan to prioritize and schedule out some of these upgrades, to make annual revenue contributions to the SRWWTP depreciation account to provide funding, and to begin completing the first of the five (5) years of projects in fiscal year 2017. During fiscal year 2017, the Utility intends to expand the initial five (5) year plan into a comprehensive ten (10) year plan that is then revised and reprioritized annually. This will allow plant improvements to be made as funds are budgeted and available with annual contributions made toward more expensive scheduled projects.

A new engineering study initiated by Riverbend Water Resources District in conjunction with area cities is underway to review recommendations regarding the possible relocation or upgrade of the Wright Patman Water Treatment Plant on New Boston Road, which is over forty (40) years old, and a preliminary recommendation is expected sometime in early fiscal year 2018. A review of the recommendations and any resulting 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**

- The City continues to move toward a more paperless operation through automated processes and new software implementation. This past year the fire department purchased IPAD tablets and Firehouse Software upgrades to implement paperless business inspections. The human resources department contracted with NeoGov to automate the Employee Development 365 process. This program will allow for an interactive goal setting and coaching process designed to engage the employee and their direct report. The building and code enforcement and public works departments have successfully implemented MyGov software for tracking permits, code violations, and other work order tasks electronically.
- A capital improvement plan was developed in this fiscal year for implementation in fiscal year 2017. The plan includes a detailed set of worksheets that provide a long-range plan for the city's capital needs and can be adjusted based on the city's goals and financial condition. The current plan outlines projects through year 2044 with a total of fifty-three (53) projects to date.
- Employee pay and benefits received special consideration in this fiscal year. The human resources department, along with an employee compensation committee, worked with PayScale Consulting of Seattle, Washington to perform a compensation study that included all authorized positions in the City. The goal of the study was to ensure payment of market competitive wages to City employees and implement a plan for future years. The City Council approved the compensation plan and adjustments in the fiscal year 2017 budget with a goal to review 1/3 of the employee population each fiscal year.
- Demolition of burned-out and/or dilapidated residential structures was allocated \$200,000 in the City's 2016 budget. The Public Works department has taken the lead on this program, and significant progress was made during this past year. An interactive inventory of all structures that are candidates for demolition has been prepared, and it is continually updated as new information becomes available. Sixty-one (61) structures have been demolished since the inception of this program in August of 2014, and the work has been accomplished with no additional staff provided to the Public Works department. Although dilapidated commercial structures remains a problem in the City,

limited financial and personnel resources have prevented the development of a similar demolition program for these properties.

- Priorities for the upcoming fiscal year include implementation of the first phase of capital improvement plan, continued support of the demolition program, annual review of the employee compensation plan, and continually working to find opportunities to mitigate rising costs of health care insurance and OPEB benefits, while still providing employees with health insurance coverage that meets the needs of our employees and their families.

### **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, 2015. This was the twenty-sixth (26th) 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.

The City also received the GFOA's Award for Distinguished Budget Presentation for its annual budget document for the fiscal year ended September 30, 2016. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

**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,

Kristin Peeples, CPA  
Chief Financial Officer

February 28, 2017

This page intentionally left blank.



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, 2015**

Executive Director/CEO

**CITY COUNCIL**

---

**BOB BRUGGEMAN**  
Mayor

**JEAN H. MATLOCK**  
Councilmember, Ward 1

**WILLIE RAY**  
Councilmember, Ward 2

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

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

**CHRISTY P. PADDOCK**  
Councilmember, Ward 5

**JOSH DAVIS**  
Councilmember, Ward 6

---

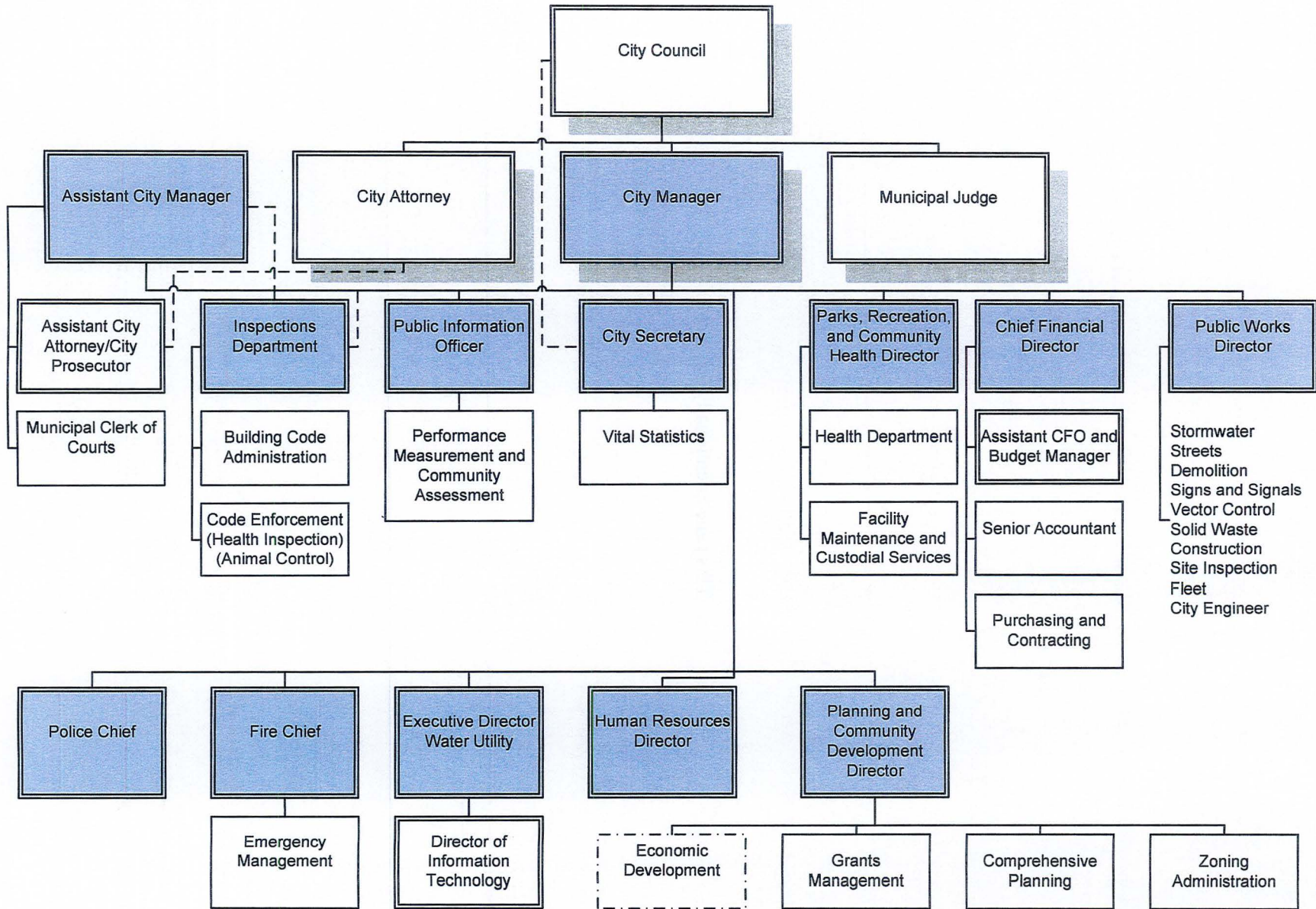
**JOHN A. WHITSON**  
City Manager, ICMA-CM

**KRISTIN PEEPLES, CPA**  
Chief Financial Officer

**JENNIFER EVANS**  
City Secretary

# City of Texarkana, Texas

October 5, 2016



This page intentionally left blank.

---

## **Financial Section**

This page intentionally left blank.



# 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, the discretely presented component unit, and the aggregate remaining fund information of the City of Texarkana, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Texarkana, Texas' basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Firemen's Relief Pension Trust Fund, a fiduciary fund of the City of Texarkana, Texas as of and for the year ended December 31, 2015 (latest report available). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Firemen's Relief Pension Trust Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

2001 MOORES LANE • TEXARKANA, TEXAS 75503 • (903) 823-2727 • FAX (903) 823-2734

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

This page intentionally left blank.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Texarkana, Texas as of September 30, 2016 and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension plan trend information on pages 9 through 22 and pages 104 through 111, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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

This page intentionally left blank.

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, 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 21, 2017, on our consideration of the City of Texarkana, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Texarkana, Texas' internal control over financial reporting and compliance.

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

March 21, 2017

This page intentionally left blank.

## 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, 2016. 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 \$164,167,801 (net position). Of this amount, \$144,101,327 (88%) 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 \$13,257,423 (8%). The remaining \$6,809,051 (4%) 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 \$1,652,314 during this fiscal year. The change in net position from operations of governmental activities decreased by \$578,179, while the change in net position from operations of business-type activities increased by \$2,230,493.
- Unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors, increased by \$2,144,664.
- At the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$19,371,447, an increase of \$1,971,746 from last year. \$12,003,407 of this amount or 62% of the total fund balance is available for spending at the City's discretion (unassigned fund balance).
- Within the combined governmental fund balances, \$443,314 is non-spendable for non-current loans and joint venture investments. Another \$4,030,092 is restricted, with \$2,422,336 set aside for capital projects, \$504,097 for housing projects, \$376,377 for court security and technology, \$254,513 for police narcotics operations, \$395,832 for tourism purposes, and \$76,937 for debt service. Committed fund balances represent \$1,393,489 of total fund balance with \$1,372,641 committed for economic development and an additional \$20,848 for police equipment. \$843,540 is assigned to future infrastructure projects, \$684,804 is set aside for future improvements at the Perot Theatre, \$113,525 is assigned for workman's compensation insurance, \$30,522 is assigned for energy conservation projects, and \$1,885 for police equipment, resulting in total assigned fund balances of \$1,674,276. The unassigned fund balance in the General Fund is \$12,003,407 and it can be used for any lawful purpose. It is equal to 38.7% of general fund expenditures.
- The City has approximately 141 days of expenditures in the unassigned fund balance of the general fund at year end.

- The City's total long-term liabilities increased by \$4,564,535 (5.4%) during the current fiscal year due to regularly scheduled bond and capital lease payments, offset by increases in pensions and other postemployment obligations and the addition of a long-term capital lease for public safety radio equipment.

## 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 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-seven (27) 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 and the Debt Service Fund, both of which are considered to be major funds. Data from the other twenty-five (25) 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 30 - 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 - 101 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 104 - 111 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 116 - 156 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 \$164,167,801 as of September 30, 2016. The largest portion of the City's net position (\$144,101,327 or 88%), 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 Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Current and other assets	\$ 37,186,653	37,886,875	21,013,988	19,366,103	58,200,641	57,252,978
Capital assets	126,242,320	128,274,304	66,782,514	67,186,669	193,024,834	195,460,973
Total assets	<u>163,428,973</u>	<u>166,161,179</u>	<u>87,796,502</u>	<u>86,552,772</u>	<u>251,225,475</u>	<u>252,713,951</u>
Deferred outflows of resources	10,300,339	4,280,765	1,777,097	720,318	12,077,436	5,001,083
Long-term liabilities	74,988,066	70,657,677	13,455,154	13,221,008	88,443,220	83,878,685
Other liabilities	2,703,452	4,533,015	4,981,599	5,400,082	7,685,051	9,933,097
Total liabilities	<u>77,691,518</u>	<u>75,190,692</u>	<u>18,436,753</u>	<u>18,621,090</u>	<u>96,128,271</u>	<u>93,811,782</u>

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Deferred inflows of resources	2,252,461	887,740	754,378	500,025	3,006,839	1,387,765
Net position:						
Net invested in capital assets	85,391,477	85,106,547	58,709,850	58,283,054	144,101,327	143,389,601
Restricted	4,342,782	4,277,958	8,914,641	10,183,541	13,257,423	14,461,499
Unrestricted	4,051,074	4,979,007	2,757,977	(314,620)	6,809,051	4,664,387
Total net position	<u>\$ 93,785,333</u>	<u>94,363,512</u>	<u>70,382,468</u>	<u>68,151,975</u>	<u>164,167,801</u>	<u>162,515,487</u>

An additional portion of the City's net position of \$13,257,423 (8%) 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 \$6,809,051 (4%) 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, for the government as a whole, as well as for its separate governmental activities and business-type activities.

#### **Governmental Activities:**

Total assets decreased by \$2,732,206. Cash and investments increased by \$1,406,060. Accounts receivable decreased by \$1,536,341 as a result of the large accounts receivable write off for old outstanding lot mowing and demolition receivables. Joint venture investments in the Texarkana Regional Airport, Texarkana Urban Transit District, Bi-State Justice Center, and the Bowie Central Appraisal District decreased by \$321,503. The balance of internal fund receivables decreased by \$257,659 and capital assets decreased by \$2,031,984.

Deferred outflows of resources increased by \$6,019,574. A decrease of \$464,343 resulted from amortization of deferred charges on bond refundings in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. An increase of \$6,483,917 is attributable to changes required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures.

Total liabilities increased by \$2,500,826. Liabilities recorded for Net Pension Liability and Other Post-Employment Benefits increased by \$7,069,027 as a result of the change required by GASB Statement No. 68, referenced above. This is offset by a decrease of \$2,696,662 due to regularly scheduled debt service payments and capital lease transactions. Contracts payable decreased by \$1,229,283 due to fewer ongoing capital projects in progress at year end. Accounts payable decreased by \$479,342. Accrued compensated absences, accrued payroll, due to other governments and other changes in smaller liability accounts make up the remaining decrease of \$162,914.

**Business Type Activities:**

The business type activities total assets increased \$1,243,730 as current assets increased 8.5%, and total liabilities decreased \$184,337 as other liabilities decreased 7.8%. The proprietary funds total assets increased \$888,843 while total liabilities decreased \$281,565 for the year.

**CITY OF TEXARKANA, TEXAS' CHANGES IN NET POSITION**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues						
Charges for services	\$ 2,695,040	4,025,971	16,775,322	15,448,372	19,470,362	19,474,343
Operating grants and contributions	1,628,327	1,514,552			1,628,327	1,514,552
Capital grants and contributions			39,327	118,869	39,327	118,869
General revenues:						
Property taxes	15,979,531	16,304,576			15,979,531	16,304,576
Other taxes	19,350,536	18,515,584			19,350,536	18,515,584
Other revenue	241,426	270,205	1,169,548	1,201,796	1,410,974	1,472,001
Total revenue	<u>39,894,860</u>	<u>40,630,888</u>	<u>17,984,197</u>	<u>16,769,037</u>	<u>57,879,057</u>	<u>57,399,925</u>
Expenses:						
General government	8,011,669	7,416,500			8,011,669	7,416,500
Public safety	16,396,091	16,272,709			16,396,091	16,272,709
Public works	8,881,205	7,464,975			8,881,205	7,464,975
Parks and recreation	3,446,421	3,408,188			3,446,421	3,408,188
Health and welfare	1,671,102	1,436,864			1,671,102	1,436,864
Interest on long-term debt	2,085,451	2,043,793			2,085,451	2,043,793
Water and sewer			15,734,804	15,736,026	15,734,804	15,736,026
Total expenses	<u>40,491,939</u>	<u>38,043,029</u>	<u>15,734,804</u>	<u>15,736,026</u>	<u>56,226,743</u>	<u>53,779,055</u>
Change in net position before transfers	(597,079)	2,587,859	2,249,393	1,033,011	1,652,314	3,620,870
Transfers	18,900	18,900	(18,900)	(18,900)	-	-
Change in net position	<u>(578,179)</u>	<u>2,606,759</u>	<u>2,230,493</u>	<u>1,014,111</u>	<u>1,652,314</u>	<u>3,620,870</u>
Beginning net position, as previously reported	94,363,512	102,548,682	68,151,975	70,501,426	162,515,487	173,050,108
Prior period adjustment		(10,791,929)		(3,363,562)	-	(14,155,491)
Beginning net position, as restated	<u>94,363,512</u>	<u>91,756,753</u>	<u>68,151,975</u>	<u>67,137,864</u>	<u>162,515,487</u>	<u>158,894,617</u>
Ending net position	<u>\$ 93,785,333</u>	<u>94,363,512</u>	<u>70,382,468</u>	<u>68,151,975</u>	<u>164,167,801</u>	<u>162,515,487</u>

**Total Statement of Activities**

The total result of the City’s activity is an increase in total net position of \$1,652,314 during the current fiscal year. Net position related to business-type activities increased by \$2,230,493, while net position from governmental activities decreased by \$578,179. Additional related information may be found in the governmental activities section on pages 28 – 29 of this report.

**Governmental Activities:**

Governmental activities showed a decrease in net position of \$578,179. Key elements of this change are summarized as follows:

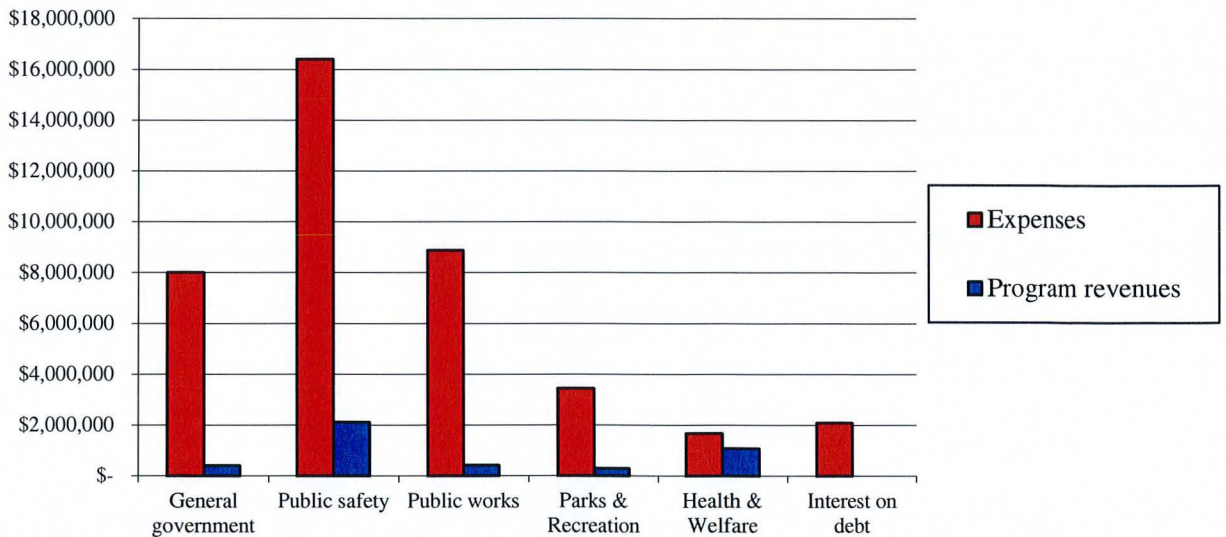
Revenues

- Charges for Services \$2,695,040
- Operating Grants and Contributions \$1,628,327
- Property Taxes \$15,979,531
- Sales and Other Taxes \$19,350,536
- Other Revenue \$241,426
- Transfers \$18,900

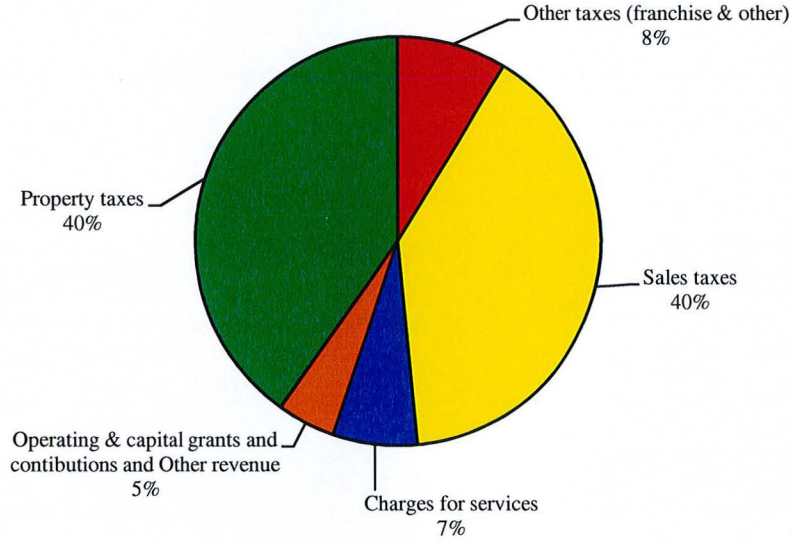
Expenses

- General Government \$8,011,669
- Public Safety \$16,396,091
- Public Works \$8,881,205
- Parks and Recreation \$3,446,421
- Health and Welfare \$1,671,102
- Interest on Long-Term Debt \$2,085,451

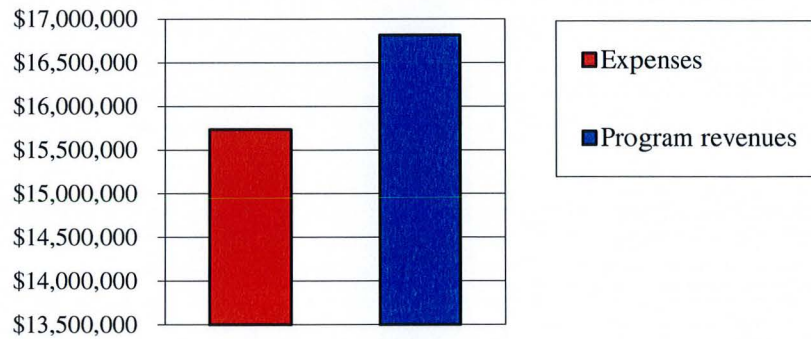
**EXPENSES AND PROGRAM REVENUES –GOVERNMENTAL ACTIVITIES**



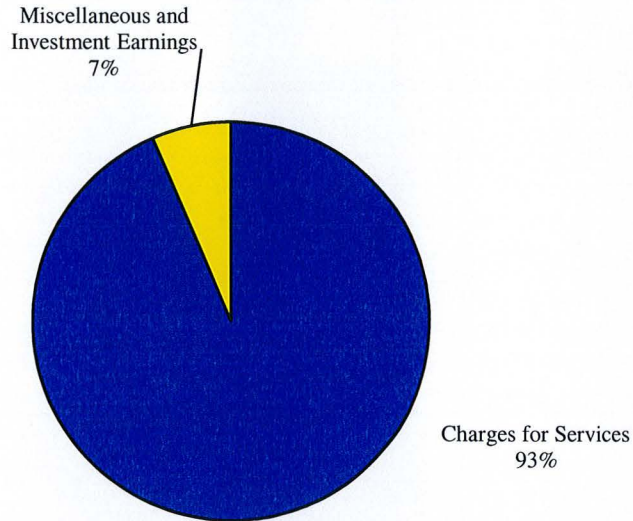
**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES**



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



## REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES



### Business Type Activities:

Business type activities had a net increase in net position of \$2,230,493. TWU had a net increase of \$1,972,834 resulting from an increase of 7.3% in operating revenue coupled with a decrease of 14.1% in non-operating expenses. The other business type funds had a combined net increase of \$257,659. Total charges for services increased by \$1,326,950, other income decreased by \$32,248, and capital contributions decreased \$79,542, yielding a net increase in revenues of \$1,215,160. Total charges for services increased 8.6% primarily from the increase in TWU water sales of \$1,221,528 as the result of the implementation of a new five-tiered water rate structure in the current year. Total expenses decreased slightly by \$1,222, and TWU operating expenses excluding depreciation increased \$589 from last year. TWU depreciation expense increased \$43,785, or 1.4%. The TWU change in net position before contributions and transfers was \$1,952,407, which was an increase of \$1,140,784 from the prior year. The change in net position before transfers was \$2,249,393, which was an increase of \$1,216,382 from last year. As a percentage of revenues, the 2016 net change in position before contributions and transfers was 12.5%, compared to 6.2% for last year.

### 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 \$19,371,447 an increase of \$1,971,746, in comparison with the prior year. This increase is due mostly to the following:

- Capital project funds decreased by \$353,108, due mostly to expenditures on several capital projects around the City, including University Avenue Phase IV, Schilling, and Bringle Ridge Drive.
- Non-major special revenue funds increased by \$707,392. This increase is attributable to property tax revenue from City collections and contributions from Bowie County in excess of expenditures in the TIRZ #1 Fund. The Hotel Occupancy Tax Fund also had an increase in tax collections compared to the prior year. The Economic Development Fund also had franchise tax revenue in excess of general operating expenditures and economic incentive payments.
- The City’s Debt Service Fund increased by a net of \$250,905, as a result of normal debt service expenditures for the year (\$5,300,856), offset by property tax and investment revenue deposited into the Fund (\$4,733,692), and transfers from other funds for debt service payments (\$818,069).
- General Fund increased by \$1,366,557 for the year due to general revenue of \$32,518,650 offset by general expenditures of \$31,000,605 and net transfers out of \$151,488.

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 \$12,003,407, while the total fund balance was \$12,909,231. 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 38.7% of the total General Fund expenditures, while total fund balance represents 41.6% of that same amount.

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 \$76,937. 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 \$5,300,856 in debt payments during this fiscal year, a decrease of \$229,737 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 2016 fiscal year, the City had combined ending fund balances in its special revenue funds of \$3,962,943, an increase in fund balance of \$707,392 due to total revenue for

special revenue funds of \$3,298,769 offset by expenditures of \$2,096,121 and net transfers out of \$495,256.

At the end of fiscal year 2016 the City had a total of four (4) capital project funds included in other governmental funds, with total fund balances of \$2,422,336, a decrease of \$353,108 from last year. These funds are all reserved for street maintenance projects, park improvements, and other miscellaneous capital projects. Expenditures in the bond funds totaled \$393,665 for the fiscal year, and involved Schilling/Bringle Ridge Drive and University Avenue Phase IV projects.

**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 2016 was \$2,757,977 for an increase of \$3,072,597 from 2015. The TWU portion was \$2,094,981, which was an increase of \$2,814,938 from the prior year. This increase consisted of a net profit of \$1,972,834 and a \$842,104 decrease in restricted funds for the year. The change in restricted funds for fiscal year 2016 consisted of a decrease of \$1,268,900 in TWU restricted accounts and an increase of \$426,796 in the amount invested in capital assets, net of the related debt. The increase in investments in capital assets for the year of \$2,134,610 was funded by several funds including the Capital Improvement Fund, Infrastructure Fund, Depreciation Fund, Technology Fund, and the Composting Fund. The net increase of \$426,796 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 \$3,018,160, an increase from last year of \$814,294 (36.95%). 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 increased by \$828,976, due to premiums received and investment earnings in excess of claims paid. The Fleet Services Fund accounts for repair and maintenance on all City vehicles, excluding TWU. Net position in the fund decreased by \$14,682, due to depreciation expense.

**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 decreased by \$2,224,948 for the calendar year of 2016 and net position totaled \$31,019,529. 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 \$136,198 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 a \$395,670 decrease.

The decrease can be summarized as follows:

- Projections for sales and other tax revenue increased by \$472,570 due to favorable sales tax revenue trends
- The original budget for municipal court revenue declined by \$559,825 based on collection history
- Lease proceeds of \$1,120,155 for the public safety radio equipment project were added to other financing sources
- Purchase orders rolled over from fiscal year 2015 were not included in the original budget estimates for fiscal year 2016. These rolled PO's include \$959,310 for public safety radio equipment and \$335,436 for SBCA fire equipment
- Other small adjustments account for the remaining \$133,824 decrease

The difference between the final amended budgeted fund balance and the actual fund balance was an increase of \$3,192,313. Factors related to this increase include:

- Bi-State Justice Center expenditures were less than predicted
- Quarterly payments to the State Comptroller were less than predicted
- Expenses related to demolition/rehabilitation of the Kress building were not realized in fiscal year 2016
- Personnel savings associated with vacancies
- Favorable property tax and sales tax revenue was higher than anticipated
- Deferred expenditures for equipment in the capital replacement schedule

### **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, 2016, amounts to \$193,024,834 (net of accumulated depreciation), compared to \$195,460,973 in 2015, a decrease of \$2,436,139. Investment in capital assets related to governmental activities (\$126,242,320) decreased by \$2,031,984, 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 \$66,782,514, a decrease of \$404,155, 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:

- University Avenue/Texas A&M - \$2,546,849
- Gibson Lane - \$211,750
- Downtown Enhancement - \$712,362
- Rollingwood Drainage - \$54,282

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Land	\$ 47,032,128	46,839,655	1,385,978	1,351,883	48,418,106	48,191,538
Buildings	14,749,828	15,372,807	1,042,532	1,025,693	15,792,360	16,398,500
Improvements other than building	3,035,587	3,254,272	52,580,243	51,987,243	55,615,830	55,241,515
Machinery and equipment	2,506,597	2,539,427	2,119,874	2,021,589	4,626,471	4,561,016
Licensed vehicles	2,975,201	3,372,143			2,975,201	3,372,143
Infrastructure	53,969,226	53,016,901			53,969,226	53,016,901
Construction in progress	1,973,753	3,879,099	1,548,402	2,345,584	3,522,155	6,224,683
Property under capital lease			8,105,485	8,454,677	8,105,485	8,454,677
<b>Total capital assets</b>	<b>\$ 126,242,320</b>	<b>128,274,304</b>	<b>66,782,514</b>	<b>67,186,669</b>	<b>193,024,834</b>	<b>195,460,973</b>

Additional information on the City's capital assets can be found in Note 6 in this report on pages 62 – 64.

**Debt Administration**

At the end of the current fiscal year the City of Texarkana, Texas had total debt outstanding of \$88,443,220. Of this amount, \$74,988,066 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 2016, this amount was \$13,455,154.

**OUTSTANDING DEBT AT YEAR END**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
General obligation bonds	\$ 22,741,681	25,298,564			22,741,681	25,298,564
Revenue bonds			3,312,876	3,727,670	3,312,876	3,727,670
Certificates of obligation	22,987,859	24,131,334			22,987,859	24,131,334
Capital leases	1,100,560	96,864	4,132,943	4,516,570	5,233,503	4,613,434
Accrued compensated absences	4,161,834	4,203,810	365,808	399,242	4,527,642	4,603,052
Net pension and other post employment obligations	23,996,132	16,927,105	5,643,527	4,577,526	29,639,659	21,504,631
<b>Total</b>	<b>\$ 74,988,066</b>	<b>70,657,677</b>	<b>13,455,154</b>	<b>13,221,008</b>	<b>88,443,220</b>	<b>83,878,685</b>

The City's total debt increased by \$4,564,535 (5.4%) during the current fiscal year. This increase is due to increases in net pension liabilities, resulting from the implementation of GASB Statement No. 68, and postemployment obligations offset by regularly scheduled debt service payments.

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

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

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's local property tax rate for this fiscal year was \$.669293 per \$100 assessed valuation of which \$.198844 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 73 – 79 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 4.6, compared to 4.8 last year. This rate is equivalent to the State rate, and just above the National rate (4.5).

Sales tax collections are projected to comprise about forty eight percent (47.2%) of the City's proposed budget for the 2017 fiscal year. Collections are budgeted to increase three percent (3.42%) over the final budgeted revenue for 2016.

Total assessed value of property within the City for the 2017 budget year (based on the 2016 certified valuation) increased by \$62,919,944 (2.5%) from last year. Current tax revenues allocated to the Debt Service Fund next year will decrease slightly from the prior year to just over twenty five percent (25.76%) of collections. The City Council has elected to increase the property tax rate to .70 per \$100 valuation for the 2017 fiscal year. Total current property tax collections across all funds (General Fund, Debt Service Fund, TIRZ 1 Fund) are expected to increase by approximately \$1,200,000 in 2017.

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

- Revenue Adjustments:
  - Increase in anticipated property tax revenue due to increased valuation \$420,692
  - Removal of original tax rate proposal of \$ 0.7423 cents to new proposal of \$ 0.70 cents
  - Increased transfer from Worker's Compensation Fund \$33,000
  - Increased transfer from Economic Development Fund \$150,000

- Expenditure Adjustments:
  - Removal of \$50,000 transfer from the General Fund to the Debt Service Fund
  
  - Addition of the following expenditures:
    - Utility costs for parks and public works \$35,241
    - Comprehensive plan \$60,000
    - Kress building demolition \$465,750
    - Annual payment for the public safety radio equipment loan \$142,517

All of the above factors were considered in preparing the City's budget for the 2016-2017 fiscal year. The adopted 2017 General Fund budget is a balanced budget. The ending combined General Fund balance is projected to be approximately twenty four and one half percent (24.5%) of budgeted expenditures.

The Texas Revenue Fund of TWU is projected to end the 2016-2017 budget year with a balance of \$3,274,672 or approximately 19% 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.

This page intentionally left blank.

---

## **Basic Financial Statements**

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF NET POSITION September 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Health
<b>ASSETS</b>				
Cash	\$ 15,609,390	1,816,410	17,425,800	353,205
Investments:				
Certificates of deposit	4,421,377	2,210,000	6,631,377	
Corporate stocks	1,000		1,000	
Receivables (net of allowance for uncollectibles):				
Property taxes	1,575,459		1,575,459	
Other taxes	561,474		561,474	
Accounts	356,538	2,336,865	2,693,403	
Other government agencies	3,704,436	66,973	3,771,409	138,832
Accrued interest	4,152	1,227	5,379	
Loans	404,980		404,980	
Internal balances	(662,996)	662,996	-	
Inventory	26,121	558,842	584,963	
Prepaid items		59,115	59,115	
Net investment in direct financing lease		13,982	13,982	
Restricted assets:				
Cash		3,904,794	3,904,794	
Investments		7,715,000	7,715,000	
Accrued interest		4,773	4,773	
Accounts receivable		205,379	205,379	
Prepaid capital improvement deposits		1,157,836	1,157,836	
Net investment in direct financing lease		299,796	299,796	
Investments in joint venture	11,184,722		11,184,722	
Capital assets (net of accumulated depreciation):				
Land	47,032,128	1,385,978	48,418,106	
Buildings	14,749,829	1,042,532	15,792,361	311,306
Improvements other than buildings	3,035,587	52,580,243	55,615,830	
Infrastructure	53,969,223		53,969,223	
Machinery and equipment	2,506,598	2,119,874	4,626,472	16,519
Licensed vehicles	2,975,202		2,975,202	
Property under capital leases		8,105,485	8,105,485	
Construction in progress	1,973,753	1,548,402	3,522,155	
<b>TOTAL ASSETS</b>	<u>163,428,973</u>	<u>87,796,502</u>	<u>251,225,475</u>	<u>819,862</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension outflows	10,127,178	1,770,081	11,897,259	
Deferred charge on refunding	173,161	7,016	180,177	
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>10,300,339</u>	<u>1,777,097</u>	<u>12,077,436</u>	<u>-</u>

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

	<i>Primary Government</i>			<i>Component</i>
	<i>Governmental</i>	<i>Business-Type</i>	<i>Total</i>	<i>Unit</i>
	<i>Activities</i>	<i>Activities</i>		<i>Health</i>
<b>LIABILITIES</b>				
Accounts payable	1,972,386	1,058,953	3,031,339	23,210
Contracts payable		142,114	142,114	
Accrued liabilities	653,997	219,795	873,792	17,532
Due to other governments	38,429		38,429	
Unearned revenue	24,811		24,811	
Accrued interest payable from restricted assets		22,360	22,360	
Customer deposits	13,829	716,289	730,118	
Capital improvement deposits		2,175,574	2,175,574	
Noncurrent contracts payable		594,129	594,129	
Other liabilities and escrow deposits		52,385	52,385	
Long-term liabilities				
Due within one year:				
Bonds payable	2,250,000	435,000	2,685,000	
Certificates of obligation	1,165,000		1,165,000	
Obligations under capital leases	195,323	395,503	590,826	
Accrued compensated absences	280,723	63,708	344,431	
Due in more than one year:				
Net pension and other postemployment liabilities	23,996,132	5,643,527	29,639,659	
Bonds payable	20,491,681	2,877,876	23,369,557	
Certificates of obligation	21,822,859		21,822,859	
Obligations under capital leases	905,237	3,737,440	4,642,677	
Accrued compensated absences	3,881,111	302,100	4,183,211	
<b>TOTAL LIABILITIES</b>	<b>77,691,518</b>	<b>18,436,753</b>	<b>96,128,271</b>	<b>40,742</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension inflows	2,252,461	754,378	3,006,839	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,252,461</b>	<b>754,378</b>	<b>3,006,839</b>	<b>-</b>
<b>NET POSITION</b>				
Net invested in capital assets	85,391,477	58,709,850	144,101,327	327,825
Restricted for:				
Court security and technology	376,377		376,377	
Law enforcement	254,513		254,513	
Health and welfare	595,747		595,747	
Tourism	395,832		395,832	
Construction		5,781,897	5,781,897	
Capital maintenance		2,354,850	2,354,850	
Debt service	297,978	777,894	1,075,872	
Capital improvements	2,422,335		2,422,335	
Unrestricted	4,051,074	2,757,977	6,809,051	451,295
<b>TOTAL NET POSITION</b>	<b>\$ 93,785,333</b>	<b>70,382,468</b>	<b>164,167,801</b>	<b>779,120</b>

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF ACTIVITIES For the Year Ended September 30, 2016

Functions/Programs	<i>Expenses</i>	<i>Program Revenues</i>		
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
<b>Primary government</b>				
Governmental activities:				
General government	\$ 8,011,669		408,024	
Public safety	16,396,091	1,838,438	274,209	
Public works	8,881,205	425,131		
Parks and recreation	3,446,421	251,368	44,422	
Health and welfare	1,671,102	180,103	901,672	
Interest on long-term debt	2,085,451			
Total governmental activities	<u>40,491,939</u>	<u>2,695,040</u>	<u>1,628,327</u>	<u>-</u>
Business-type activities:				
Water and sewer	15,734,804	16,775,322		39,327
Total business-type activities	<u>15,734,804</u>	<u>16,775,322</u>	<u>-</u>	<u>39,327</u>
Total primary government	<u>56,226,743</u>	<u>19,470,362</u>	<u>1,628,327</u>	<u>39,327</u>
<b>Component unit</b>				
Component unit - Health	996,068	271,507	783,431	
Total component unit	<u>\$ 996,068</u>	<u>271,507</u>	<u>783,431</u>	<u>-</u>

### General Revenues

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

Net position, beginning of year

Net position, end of year

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

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

<i>Primary Government</i>			<i>Component Unit</i>
<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Health</i>
(7,603,645)		(7,603,645)	
(14,283,444)		(14,283,444)	
(8,456,074)		(8,456,074)	
(3,150,631)		(3,150,631)	
(589,327)		(589,327)	
(2,085,451)		(2,085,451)	
<u>(36,168,572)</u>	<u>-</u>	<u>(36,168,572)</u>	<u>-</u>
	1,079,845	1,079,845	
<u>-</u>	<u>1,079,845</u>	<u>1,079,845</u>	<u>-</u>
<u>(36,168,572)</u>	<u>1,079,845</u>	<u>(35,088,727)</u>	<u>-</u>
			<u>58,870</u>
			<u>58,870</u>
15,979,531		15,979,531	
15,899,829		15,899,829	
1,789,518		1,789,518	
1,440,966		1,440,966	
220,223		220,223	
105,702	60,226	165,928	1,004
135,724	1,109,322	1,245,046	45,857
18,900	(18,900)	-	
<u>35,590,393</u>	<u>1,150,648</u>	<u>36,741,041</u>	<u>46,861</u>
<u>(578,179)</u>	<u>2,230,493</u>	<u>1,652,314</u>	<u>105,731</u>
<u>94,363,512</u>	<u>68,151,975</u>	<u>162,515,487</u>	<u>673,389</u>
<u>\$ 93,785,333</u>	<u>70,382,468</u>	<u>164,167,801</u>	<u>779,120</u>

# CITY OF TEXARKANA, TEXAS

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2016

	<i>General</i>	<i>Debt Service</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>ASSETS</b>				
Cash	\$ 6,698,771	14,778	5,861,221	12,574,770
Investments:				
Certificates of deposit	4,017,598		403,779	4,421,377
Corporate stocks	1,000			1,000
Receivables (net of allowance for uncollectible):				
Property taxes	43,618	15,787	659,129	718,534
Other taxes	251,405		310,069	561,474
Accounts	206,107		44,789	250,896
Other government agencies	3,549,037		154,777	3,703,814
Accrued interest	3,687		465	4,152
Loans			404,980	404,980
Due from other funds	187,537	46,372	73	233,982
Investment in joint venture	90,247		-	90,247
<b>TOTAL ASSETS</b>	<u>15,049,007</u>	<u>76,937</u>	<u>7,839,282</u>	<u>22,965,226</u>
<b>LIABILITIES</b>				
Accounts payable	1,216,913		348,141	1,565,054
Accrued payroll	643,409			643,409
Due to other governments	38,429			38,429
Due to other funds	21,759		212,223	233,982
Unearned revenue			24,811	24,811
Other liabilities and escrow deposits	13,829			13,829
<b>TOTAL LIABILITIES</b>	<u>1,934,339</u>	<u>-</u>	<u>585,175</u>	<u>2,519,514</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - charges for services	183,447			183,447
Unavailable revenue - property taxes			657,247	657,247
Unavailable revenue - other taxes			119,932	119,932
Unavailable revenue - grants	21,990		91,649	113,639
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>205,437</u>	<u>-</u>	<u>868,828</u>	<u>1,074,265</u>
<b>FUND BALANCES (DEFICIT)</b>				
Nonspendable for:				
Noncurrent loans			353,067	353,067
Investment in joint venture	90,247			90,247
Restricted	648,797	76,937	3,304,358	4,030,092
Committed	20,848		1,372,641	1,393,489
Assigned	145,932		1,528,344	1,674,276
Unassigned (deficit)				
General fund	12,003,407			12,003,407
Special revenue funds			(173,131)	(173,131)
<b>TOTAL FUND BALANCES</b>	<u>12,909,231</u>	<u>76,937</u>	<u>6,385,279</u>	<u>19,371,447</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 15,049,007</u>	<u>76,937</u>	<u>7,839,282</u>	<u>22,965,226</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, 2016

Total governmental funds balances	\$ 19,371,447
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.	126,113,504
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.	716,667
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,074,265
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.	2,355,163
Long-term liabilities, including bonds payable, are not due and payable in the current periods and therefore are not reported in the funds.	(66,940,188)
Equity interest in joint ventures are not current financial resources and therefore may not be reported in the funds.	<u>11,094,475</u>
Net position of governmental activities	<u><u>\$ 93,785,333</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, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 11,059,574	4,731,057	395,978	16,186,609
Other taxes	16,120,052		1,387,313	17,507,365
Franchise receipts	1,528,390		339,791	1,868,181
Fees and permits	579,704		-	579,704
Charges for services	802,977		65,509	868,486
Municipal court	1,671,117			1,671,117
Grants and entitlements	68,727		189,513	258,240
Interest and dividends	62,602	2,635	31,079	96,316
Intergovernmental	304,397		876,727	1,181,124
Other	321,110		53,416	374,526
Total revenues	<u>32,518,650</u>	<u>4,733,692</u>	<u>3,339,326</u>	<u>40,591,668</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,988,074		156,861	7,144,935
Public safety	14,012,525		21,002	14,033,527
Public works	5,069,600			5,069,600
Parks and recreation	1,717,212		711,356	2,428,568
Health and welfare	300,298		1,182,793	1,483,091
Capital outlay	2,718,486		417,774	3,136,260
Debt service:				
Principal retirement	173,800	3,470,000		3,643,800
Interest and fiscal charges	20,610	1,830,856		1,851,466
Total expenditures	<u>31,000,605</u>	<u>5,300,856</u>	<u>2,489,786</u>	<u>38,791,247</u>
Excess (deficiency) of revenues over expenditures	<u>1,518,045</u>	<u>(567,164)</u>	<u>849,540</u>	<u>1,800,421</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	114,464	818,069	688,777	1,621,310
Transfers out	(1,443,448)		(1,184,033)	(2,627,481)
Capital leases	1,177,496			1,177,496
Total other financing sources (uses)	<u>(151,488)</u>	<u>818,069</u>	<u>(495,256)</u>	<u>171,325</u>
Net change in fund balances	1,366,557	250,905	354,284	1,971,746
Fund balances at beginning of year	<u>11,542,674</u>	<u>(173,968)</u>	<u>6,030,995</u>	<u>17,399,701</u>
Fund balances at end of year	<u>\$ 12,909,231</u>	<u>76,937</u>	<u>6,385,279</u>	<u>19,371,447</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, 2016

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

Net change in fund balances - total governmental funds	\$ 1,971,746
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 depreciation expense exceeded capital outlays in the current period.	(1,986,016)
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.	(27,202)
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.	(754,986)
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.	(339,365)
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.	2,232,319
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.	41,976
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.	(1,949,831)
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.	556,633
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>(323,453)</u>
Change in net position of governmental activities	<u>\$ (578,179)</u>

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

This page intentionally left blank.

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended September 30, 2016

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Property taxes	\$ 10,911,964	10,802,698	\$ 11,059,574	256,876
Other taxes	15,489,793	15,962,363	16,120,052	157,689
Franchise receipts	1,570,720	1,548,280	1,528,390	(19,890)
Fees and permits	606,205	559,410	579,704	20,294
Charges for services	820,420	784,025	802,977	18,952
Municipal court	2,204,205	1,644,380	1,671,117	26,737
Grants and entitlements	104,000	61,315	68,727	7,412
Investment earnings	36,715	53,635	62,602	8,967
Intergovernmental	189,800	312,742	304,397	(8,345)
Other	605,582	509,374	321,110	(188,264)
Total revenues	<u>32,539,404</u>	<u>32,238,222</u>	<u>32,518,650</u>	<u>280,428</u>
<b>EXPENDITURES</b>				
Current:				
General government	8,680,290	7,904,021	6,988,074	915,947
Public safety	14,285,792	14,171,919	14,012,525	159,394
Public works	5,428,521	5,456,294	5,069,600	386,694
Parks and recreation	1,752,177	1,757,150	1,717,212	39,938
Health and welfare	428,033	465,166	300,298	164,868
Capital outlay	1,973,566	3,784,422	2,718,486	1,065,936
Debt service:				
Principal	65,000	175,682	173,800	1,882
Interest	4,000	20,835	20,610	225
Total expenditures	<u>32,617,379</u>	<u>33,735,489</u>	<u>31,000,605</u>	<u>2,734,884</u>
Excess (deficiency) of revenue over expenditures	<u>(77,975)</u>	<u>(1,497,267)</u>	<u>1,518,045</u>	<u>3,015,312</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	34,809	114,464	114,464	-
Transfers out	(1,386,920)	(1,563,108)	(1,443,448)	119,660
Capital leases		1,120,155	1,177,496	57,341
Total other financing sources (uses)	<u>(1,352,111)</u>	<u>(328,489)</u>	<u>(151,488)</u>	<u>177,001</u>
Net change in fund balance	(1,430,086)	(1,825,756)	1,366,557	3,192,313
Fund balances at beginning of year	<u>11,542,674</u>	<u>11,542,674</u>	<u>11,542,674</u>	<u>-</u>
Fund balance at end of year	<u>\$ 10,112,588</u>	<u>9,716,918</u>	<u>12,909,231</u>	<u>3,192,313</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, 2016

	<u>Business Type Activities - Enterprise Funds</u>			<i>Governmental Activities - Internal Service Funds</i>
	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,801,552	14,858	1,816,410	3,034,620
Investments	2,210,000		2,210,000	
Receivables (net of allowance for uncollectible):				
Accounts	2,216,241	120,624	2,336,865	245,900
Accrued interest	1,227		1,227	
Other government agencies	66,973		66,973	622
Due from other funds	87,495	64,742	152,237	
Inventory	558,842		558,842	26,121
Prepaid expenses	59,115		59,115	
Net investment in direct financing lease	13,982		13,982	
Total current assets	<u>7,015,427</u>	<u>200,224</u>	<u>7,215,651</u>	<u>3,307,263</u>
Noncurrent assets:				
Restricted assets:				
Cash	3,538,015	366,779	3,904,794	
Investments	7,115,000	600,000	7,715,000	
Accrued interest	4,205	568	4,773	
Accounts receivable		205,379	205,379	
Total restricted assets	<u>10,657,220</u>	<u>1,172,726</u>	<u>11,829,946</u>	<u>-</u>
Other noncurrent assets:				
Prepaid capital improvement deposits	1,157,836		1,157,836	
Net investment in direct financing lease	299,796		299,796	
Total other noncurrent assets	<u>1,457,632</u>	<u>-</u>	<u>1,457,632</u>	<u>-</u>
Capital assets (net of accumulated depreciation):				
Land	1,385,978		1,385,978	
Buildings	1,042,532		1,042,532	72,084
Improvements other than buildings	52,580,243		52,580,243	15,564
Machinery and equipment	2,119,874		2,119,874	19,142
Property under capital leases	8,105,485		8,105,485	
Licensed vehicles			-	22,026
Construction in progress	1,548,402		1,548,402	
Total capital assets	<u>66,782,514</u>	<u>-</u>	<u>66,782,514</u>	<u>128,816</u>
Total noncurrent assets	<u>78,897,366</u>	<u>1,172,726</u>	<u>80,070,092</u>	<u>128,816</u>
<b>TOTAL ASSETS</b>	<u>85,912,793</u>	<u>1,372,950</u>	<u>87,285,743</u>	<u>3,436,079</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension outflows	1,770,081		1,770,081	
Deferred charge on refunding	7,016		7,016	
<b>TOTAL DEFERRED OUTFLOWS ON RESOURCES</b>	<u>1,777,097</u>	<u>-</u>	<u>1,777,097</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>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	960,751	98,202	1,058,953	407,331
Construction contracts payable	142,114		142,114	
Accrued liabilities	214,414	5,381	219,795	10,588
Accrued interest	22,360		22,360	
Due to other funds	64,742	87,495	152,237	
Other payables	52,385		52,385	
Accrued compensated absences - current	63,708		63,708	
Revenue bonds - current	435,000		435,000	
Obligations under capital leases - current	395,503		395,503	
Total current liabilities	<u>2,350,977</u>	<u>191,078</u>	<u>2,542,055</u>	<u>417,919</u>
Noncurrent liabilities:				
Customer deposits	716,289		716,289	
Capital improvement deposits	993,702	1,181,872	2,175,574	
Contracts payable	594,129		594,129	
Accrued compensated absences	302,100		302,100	
Net pension and other postemployment liabilities	5,643,527		5,643,527	
Revenue bonds	2,877,876		2,877,876	
Obligations under capital leases	3,737,440		3,737,440	
Total noncurrent liabilities	<u>14,865,063</u>	<u>1,181,872</u>	<u>16,046,935</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>17,216,040</u>	<u>1,372,950</u>	<u>18,588,990</u>	<u>417,919</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension inflows	754,378		754,378	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>754,378</u>	<u>-</u>	<u>754,378</u>	<u>-</u>
<b>NET POSITION (DEFICIT)</b>				
Net invested in capital assets	58,709,850		58,709,850	128,816
Restricted for construction	5,781,897		5,781,897	
Restricted for capital maintenance	2,354,850		2,354,850	
Restricted for debt service	777,894		777,894	
Unrestricted	2,094,981		2,094,981	2,889,344
<b>TOTAL NET POSITION</b>	<u>\$ 69,719,472</u>	<u>-</u>	<u>69,719,472</u>	<u>3,018,160</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.

	662,996
Net position of business-type activities	<u>\$ 70,382,468</u>

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS For the Year Ended September 30, 2016

	<u>Business Type Activities - Enterprise Funds</u>			<i>Governmental Activities - Internal Service Funds</i>
	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	
<b>OPERATING REVENUES</b>				
Water sales	\$ 6,729,985	1,093,346	7,823,331	
Wholesale water sales	1,680,412		1,680,412	
Water connection fees	4,315		4,315	
Sewer charges	6,613,997		6,613,997	
Penalties and service charges	653,267		653,267	
Insurance contributions			-	5,777,659
Fleet services			-	147,559
Other income	1,109,322		1,109,322	
Total operating revenues	<u>16,791,298</u>	<u>1,093,346</u>	<u>17,884,644</u>	<u>5,925,218</u>
<b>OPERATING EXPENSES</b>				
Administrative	271,353		271,353	
Finance	922,403		922,403	
Customer service	483,475		483,475	
Water production	2,633,166		2,633,166	
Water distribution	692,027		692,027	
Sewer collection	699,160		699,160	
Wastewater treatment	2,530,573		2,530,573	
Environmental service	227,279		227,279	
Engineering design	277,503		277,503	
Geographical information systems	255,770		255,770	
Composting	163,094		163,094	
Operations administration	151,589		151,589	
Service center	228,115		228,115	
Safety	53,888		53,888	
Field service	328,705		328,705	
Construction oversight	578,197		578,197	
Benefit payments			-	4,955,903
Fleet services			-	1,170,713
Depreciation	3,284,242		3,284,242	18,766
Other expenses	765,620		765,620	
Contract water & sewer expense-International Paper		1,093,923	1,093,923	
Total operating expense	<u>14,546,159</u>	<u>1,093,923</u>	<u>15,640,082</u>	<u>6,145,382</u>
Operating income (loss)	<u>2,245,139</u>	<u>(577)</u>	<u>2,244,562</u>	<u>(220,164)</u>

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

	<b>Business Type Activities - Enterprise Funds</b>			<i>Governmental Activities - Internal Service Funds</i>
	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest revenue - investments	52,831	577	53,408	9,387
Interest revenue - capital leases	6,818		6,818	
Interest expense and paying agent fees	(150,875)		(150,875)	
Interest expense - capital leases	(143,507)		(143,507)	
Gain (loss) on disposal of capital assets	(57,999)		(57,999)	
Total nonoperating revenues (expenses)	<u>(292,732)</u>	<u>577</u>	<u>(292,155)</u>	<u>9,387</u>
Income before contributions and transfers	1,952,407		1,952,407	(210,777)
Capital contributions	39,327		39,327	
Transfers in			-	1,027,097
Transfers out	<u>(18,900)</u>		<u>(18,900)</u>	<u>(2,026)</u>
Change in net position	1,972,834	-	1,972,834	814,294
Total net position	<u>67,746,638</u>	<u>-</u>		<u>2,203,866</u>
Total net position, end of year	<u>69,719,472</u>	<u>-</u>		<u>3,018,160</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>257,659</u>	
Change in net position of business-type activities			<u>\$ 2,230,493</u>	

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended September 30, 2016

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Texarkana, Texas Water Utilities	Other Proprietary Funds	Total	
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$16,884,974	940,164	17,825,138	1,964,141
Cash received from interfund services provided and used			-	5,324,149
Cash paid to suppliers	(6,954,910)	(986,126)	(7,941,036)	(6,547,802)
Cash paid to employees	(4,105,719)	(109,796)	(4,215,515)	(260,686)
Net cash provided (used) from operating activities	<u>5,824,345</u>	<u>(155,758)</u>	<u>5,668,587</u>	<u>479,802</u>
<b>Cash flows from non-capital financing activities:</b>				
Transfers to other funds	(18,900)		(18,900)	(2,026)
Net cash used from non-capital financing activities	<u>(18,900)</u>	<u>-</u>	<u>(18,900)</u>	<u>(2,026)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(3,015,500)	(908,539)	(3,924,039)	
Principal paid on bonds	(415,000)		(415,000)	
Interest paid on bonds	(145,819)		(145,819)	
Principal paid on capital leases	(383,626)		(383,626)	
Interest paid on capital leases	(143,507)		(143,507)	
Principal received on direct financing leases	14,001		14,001	
Interest received on direct financing leases	6,818		6,818	
Capital improvement deposits paid	(634,324)		(634,324)	
Capital improvement deposits received	302,655	928,844	1,231,499	
Interest received on capital improvement deposits		2,550	2,550	
Proceeds from disposal of capital assets	11,517		11,517	
Net cash provided (used) from capital and related financing activities	<u>(4,402,785)</u>	<u>22,855</u>	<u>(4,379,930)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Purchase of investments	(9,825,000)	(600,570)	(10,425,570)	
Proceeds from sale and maturities of investments	3,275,000		3,275,000	
Interest received on investments	49,666	577	50,243	9,387
Net cash provided (used) from investing activities	<u>(6,500,334)</u>	<u>(599,993)</u>	<u>(7,100,327)</u>	<u>9,387</u>
Net increase (decrease) in cash	(5,097,674)	(732,896)	(5,830,570)	487,163
Cash, beginning of year	<u>10,437,241</u>	<u>1,114,533</u>	<u>11,551,774</u>	<u>2,547,457</u>
Cash, end of year	<u>\$ 5,339,567</u>	<u>381,637</u>	<u>5,721,204</u>	<u>3,034,620</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, 2016

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Texarkana, Texas Water Utilities	Other Proprietary Funds	Total	
<b><u>Reconciliation of operating income (loss) to net cash provided by operating activities</u></b>				
Operating income (loss)	\$2,245,139	(577)	2,244,562	(220,164)
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>				
Depreciation expense	3,284,242		3,284,242	18,766
Transfers from other funds				1,027,097
(Increase) decrease in assets:				
Accounts receivable	41,593	(153,182)	(111,589)	293,662
Allowance for doubtful accounts	(6,453)		(6,453)	
Due from other government agencies	57,862		57,862	42,312
Due from other funds	42,905		42,905	(9,221)
Inventory	(41,884)		(41,884)	
Prepaid expenses	(37,567)		(37,567)	
(Increase) expense in deferred outflows	(1,056,780)		(1,056,780)	
Increase (decrease) in liabilities:				
Accounts payable	16,347	39,586	55,933	
Accrued liabilities	29,847	1,250	31,097	(672,658)
Due to other funds	(54,323)	(42,835)	(97,158)	8
Due to other governments				
Accrued compensated absences	(33,434)		(33,434)	
Customer deposits	23,978		23,978	
Net pension and other postemployment liabilities	1,066,001		1,066,001	
Other payables	(7,481)		(7,481)	
Increase (decrease) in deferred inflows	254,353		254,353	
Total adjustments	3,579,206	(155,181)	3,424,025	699,966
Net cash provided from operating activities	\$5,824,345	(155,758)	5,668,587	479,802

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, 2016

	<i>Firemen's Relief Pension Trust Fund 12/31/2015</i>	<i>Agency Funds</i>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 337,297	153,028
Receivables		
Employer contributions		
Member contributions		
Interest and dividends	54,178	
Investments, at current value		
Common trust funds	20,309,786	
U.S. Treasury and Agency securities	4,415,436	
Nongovernment obligations	1,031,853	
Foreign obligations	707,609	
Small cap growth funds	1,994,553	
Common stocks	1,374,602	
Miscellaneous equities	791,334	
Alternative investments	35,649	
<b>TOTAL ASSETS</b>	<u>31,052,297</u>	<u>153,028</u>
<b>LIABILITIES</b>		
Accrued liabilities	<u>32,768</u>	<u>153,028</u>
<b>TOTAL LIABILITIES</b>	<u>32,768</u>	<u>153,028</u>
<b>NET POSITION</b>		
Net position - restricted for pension benefits	<u>31,019,529</u>	
<b>TOTAL NET POSITION</b>	<u>\$ 31,019,529</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 December 31, 2015

	<i>Firemen's Relief Pension Trust Fund 12/31/2015</i>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 795,780
Members	550,925
Total contributions	<u>1,346,705</u>
Investment income:	
Interest and dividend income	843,251
Net (depreciation) appreciation in fair value of investments	(1,559,683)
Less investment expense	<u>(269,444)</u>
Net investment (loss) income	<u>(985,876)</u>
<b>TOTAL ADDITIONS</b>	<u>360,829</u>
<b>DEDUCTIONS</b>	
Benefits paid to participants	2,007,898
Refunds and drop payments	537,435
Administrative expenses	<u>40,444</u>
<b>TOTAL DEDUCTIONS</b>	<u>2,585,777</u>
Change in net position	(2,224,948)
Net position at beginning of year	<u>33,244,477</u>
Net position at end of year	<u><u>\$ 31,019,529</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, 2016

### 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. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column of the financial statements to emphasize it is legally separate from the government.

**Blended Component Unit.** The Texarkana Firemen's Relief and Retirement Fund (plan) was established pursuant to the Texas Local Firefighter's Retirement Act of 1937. The plan is administered by a seven-member Board of Trustees (Board), which includes three members elected from and by the plan members, two representatives of the City, and two citizen members elected by the Board. The Board oversees the plan and sets policies for its operation, including appointing management and directing investments. The plan has a different year end (December 31) from the City and has separately issued financial statements. Complete financial statements for the plan can be obtained from the City finance department. The plan is reported as a fiduciary fund based on the audited financial statements as of December 31, 2015.

**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 \$112,648 towards the Health Center's operations during the year ended September 30, 2016. The Health Center does not have separately issued financial statements.

#### *B. 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.

# CITY OF TEXARKANA, TEXAS

---

## *Notes to the financial statements continued.*

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.

### **C. 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 \$1,407,197 by Texarkana, Texas and \$1,467,161 by Texarkana, Arkansas. During the Airport Authority's fiscal year ended December 31, 2015, the City of Texarkana, Texas contributed \$161,294 and the City of Texarkana, Arkansas contributed \$143,250. 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 \$9,586,843 at December 31, 2015. 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 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

# CITY OF TEXARKANA, TEXAS

---

## *Notes to the financial statements continued.*

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, 2016 was \$277,195 based on the Bi-State Justice Center's audited financial statements at December 31, 2015 (the latest available). As described in Note 18 the City has outstanding debt totaling \$1,295,000 at September 30, 2016, 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, 2016 was \$90,247 based on the Appraisal District's audited financial statements at December 31, 2015 (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.

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, 2016 was \$0 based on the Texarkana Urban Transportation Study

# CITY OF TEXARKANA, TEXAS

## *Notes to the financial statements continued.*

---

Policy Committee's audited financial records at September 30, 2016. The TUTS does not have separately issued financial statements for the year ended September 30, 2016.

### 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, 2016 was \$1,230,437 based on the Texarkana Urban Transit District's audited financial statements at September 30, 2015 (the latest available). Complete financial statements for the TUTD can be obtained from the ATCOG Finance Department in Texarkana, Texas.

### ***D. 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 unit. 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.

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.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## ***E. 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.

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.

# CITY OF TEXARKANA, TEXAS

---

## *Notes to the financial statements continued.*

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. This fund has a separate audit and has a December 31 year end.

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.

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.

## ***F. 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.

# CITY OF TEXARKANA, TEXAS

## *Notes to the financial statements continued.*

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 unit 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 93 percent of outstanding property taxes as of September 30, 2016.

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

The Texas Constitution limits the City's ad valorem tax rate for all purposes to \$2.50 per one hundred dollars of assessed valuation. Ad valorem tax revenue during the year ended September 30, 2016 was levied using a rate of \$.669293 per hundred dollars of assessed valuation, based on 100% of estimated market value, which means that the City has a tax margin of \$1.830707 per \$100 and could raise taxes up to an additional \$43,978,493 a year from the present assessed valuation of \$2,402,277,416 before the limit is reached.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

### 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:

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

# CITY OF TEXARKANA, TEXAS

## *Notes to the financial statements continued.*

“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 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:

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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, with the exception of firemen who can accrue up to 168 hours vacation and 168 hours of sick leave per year. A maximum of 200 hours of accrued vacation leave can be vested and carried forward to succeeding calendar years, with the exception of firemen who can accrue 280 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 after one year of continuous service, except in cases of involuntary separation from service. Upon retirement, employees shall receive pay for any unused vacation leave accumulated up to 240 hours. Fire operations shall receive vacation pay up to 336 hours. A summary of maximum sick leave payable is as follows:

Civil/Non-Civil Service	Hire Date	Eligible for retirement	Work Week Hours	Total Maximum Hours Accrued
Non-Civil	Prior to 1/1/10	Yes	N/A	1,440
Non-Civil	After 1/1/10	Yes	N/A	720
Civil – Police	Prior to 1/1/10	Yes	N/A	1,440
Civil – Police	After 1/1/10	Yes	N/A	720
Civil – Police	N/A	No	N/A	720
Civil – Fire	Prior to 1/1/10	Yes	56	2,016
Civil – Fire	After 1/1/10	Yes	56	1008
Civil – Fire	Prior to 1/1/10	Yes	40	1440
Civil – Fire	After 1/1/10	Yes	40	720
Civil – Fire	N/A	No	56	1,008
Civil – Fire	N/A	No	40	720

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.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## 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. Issuance 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.

**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 City Manager 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).

# CITY OF TEXARKANA, TEXAS

---

*Notes to the financial statements continued.*

**Unassigned fund balance** - The general fund is the only fund that reports a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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.

During the year ended September 30, 2016, the City adopted a general fund balance policy. The policy establishes an unassigned fund balance goal of 25-35% of general fund expenditures, exclusive of capital outlay and debt expenditures. The City will compute the percentage of unassigned fund balance after the annual audit has been presented to the City Council. In emergency situations, the City Council may appropriate unassigned fund balance even if such use decreases the fund balance below the established minimum. If unassigned fund balance falls below the goal or has a deficiency, the City will implement a plan to replenish the fund within one year or as soon as economic and budgetary conditions allow.

## **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 orders 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 City has two items that qualify for reporting in this category. They are the deferred pension outflows and the deferred charge on refunding reported in the statement of net position. The deferred pension outflows are the deferred outflows of contributions for the amount of contributions made by the City after the liability measurement date but prior to the City year end and the deferred outflows - investment experience for the difference in the projected and actual earnings on pension plan investments. The 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 that qualifies for reporting in this category. Accordingly, the item, deferred pension inflows consists of the difference in expected and actual experience and the difference in the assumption changes.

## 12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the respective retirement plan and additions to/deductions from the respective Fiduciary Net Position have been determined on the same basis as they are reported by the respective pension plan. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## 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 (\$66,940,188) difference are as follows:

General obligation bonds payable	\$ (21,105,000)
Less: Deferred charges on refunding (to be amortized as interest expense)	173,161
Add: Issuance premiums (to be amortized over life of debt)	(1,636,681)
Certificates of obligation	(22,760,000)
Add: Issuance premiums (to be amortized over life of debt)	(227,859)
Capital leases	(1,100,560)
Compensated absences	(4,161,834)
Net pension and other postemployment liabilities	(23,996,132)
Less: Deferred pension outflows	10,127,178
Add: Deferred pension inflows (to be amortized over 5 years)	<u>(2,252,461)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (66,940,188)</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

# CITY OF TEXARKANA, TEXAS

## Notes to the financial statements continued.

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 (\$1,986,016) difference are as follows:

Capital outlay	\$ 3,136,260
Amounts in capital outlay below the capitalization threshold	(140,263)
Depreciation expense	<u>(4,982,013)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,986,016)</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 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 \$2,232,319 difference are as follows:

Issuance of debt:	
Capital leases	\$ (1,177,496)
Principal repayments:	
General obligation bonds	2,092,540
Certificates of obligation	1,143,475
Capital leases	173,800
Amortization of bond premiums and discounts	<u>                    </u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 2,232,319</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 all special revenue funds. 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 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

# CITY OF TEXARKANA, TEXAS

---

*Notes to the financial statements continued.*

expenditures of any fund must be approved by the City Council. The City Council may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by an affirmative vote of a majority of the City Council. The City Charter prohibits budgeting total proposed expenditures in excess of total anticipated revenues and any unencumbered funds from prior years; therefore, expenditures may not legally exceed revenues and unencumbered fund balances from prior years. The legal level of budgetary control (i.e., the lowest level at which expenditures may not legally exceed appropriation) is the fund level.

The Council made several supplemental budgetary appropriations throughout the year. Individual amendments were not material in relation to the original appropriations. Comparison of budgeted and actual amounts as shown in the accompanying financial report includes the General Fund and Special Revenue Funds. The capital budget ordinances which encompass the 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.

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

The expenditures in the Housing and Community Development Fund exceeded appropriations by \$15,300. The expenditures in the Hotel/Motel Tax Fund exceeded appropriations by \$27,234. The expenditures in the COC Homeless Assistance Grant Fund exceeded appropriations by \$105,650. The expenditures in the EPA Petroleum Grant Fund exceeded appropriations by \$5,290.

### ***1. RESTRICTED BY ENABLING LEGISLATION***

The government-wide Statement of Net Position reports restricted net position, of which \$395,832 is restricted by enabling legislation. This amount consists of unspent hotel/motel taxes.

### ***2. DEFICIT FUND EQUITY***

The Housing and Community Development Fund had a deficit fund balance of \$64,173. The Brownfield Grant Fund had a deficit fund balance of \$74,368. The Supportive Housing Fund had a deficit fund balance of \$4,719. The COC Homeless Grant Fund had a deficit balance of \$25,671. The EPA Petroleum Grant Fund had a deficit balance of \$217. The EPA Revolving Loan Grant Fund had a deficit balance of \$3,983.

### ***3. 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:

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

<i>Fund</i>	<i>Amount</i>
General Fund	\$ 167,714
Housing and Community Development Fund	56,125
EPA Revolving Loan Fund	47,546
EPA Multipurpose Grant Fund	86,146
Theatre Fund	4,409
Capital Replacement Fund	184,082
Total	<u>\$ 546,022</u>

## NOTE 4 - DEPOSITS AND INVESTMENTS

### Interest Rate Risk

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

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

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.

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

<u>Portfolio Segment</u>	<u>Range of Portfolio Assets</u>
Equity Securities (*1)	40-75%
Fixed Income Securities	25-60%
Cash Equivalents	0-20%

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

The Firemen's Relief and Pension plan's investment policy requires that foreign equity investments cannot exceed 25% of the total portfolio and prohibits investment in any security payable in foreign currency.

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, which are exposed to interest rate risk.

As of December 31, 2015, the City's Firefighter's Relief and Pension fund had the following debt security investments and maturities:

<i><u>Investment Type</u></i>	<i><u>Fair Value</u></i>	<i><u>Investment Maturities (in Years)</u></i>			
		<i><u>Less Than 1</u></i>	<i><u>1-5</u></i>	<i><u>6-10</u></i>	<i><u>More Than 10</u></i>
<i><b>Fire Pension Fund:</b></i>					
U.S. Treasury & Agency securities	\$ 4,415,436	33,024	2,183,964	543,546	1,654,902
Nongovernment obligations	1,031,853	-	331,513	392,143	308,197
Foreign obligations	707,609	-	596,067	111,542	-
	<u>\$ 6,154,898</u>	<u>33,024</u>	<u>3,111,544</u>	<u>1,047,231</u>	<u>1,963,099</u>

## 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 and the component unit's categorizable bank deposits of \$20,999,223, none were uninsured and uncollateralized. Of the enterprise fund's \$15,704,547, none were uninsured and uncollateralized at September 30, 2016.

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 \$1,000, 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

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

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.

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

<u>Investment Type</u>	<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Cash and certificates of deposit	Guaranty Bank	\$ 16,753,832	45.85%
Certificates of deposit	Farmers Bank and Trust	5,885,000	16.10%
Certificates of deposit	Texas Security	4,040,000	11.06%
Cash	Wells Fargo Bank	3,007,679	8.23%
Cash	Southside Bank	2,526,058	6.91%
Certificates of deposit	Third Coast	2,400,000	6.57%
Cash and certificates of deposit	Commercial National Bank	1,923,371	5.26%

## 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 December 31, 2015, the City's Firemen's Relief and Pension fund had fixed income securities of \$707,609 invested in foreign obligations with Seacrest Investment Management, LLC. The Seacrest investments are comprised of the following investments at December 31, 2015:

	<u>Fair Value</u>
Asia	\$ -
Austria	23,945
Canada	117,359
Europe	84,892
Germany	
Indonesia	49,925
Latin America	
Mexico	48,128
Netherlands	57,435
Phillipines	82,336
Sweden	44,782
Turkey	34,829
Venezuela	106,039
Supranational	57,939
Total	<u>\$ 707,609</u>

# 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:

	<i>General</i>	<i>Debt Service</i>	<i>Texarkana, Texas Water Utilities</i>	<i>Nonmajor and Other Funds</i>	<i>Total</i>
Receivables:					
Property taxes	\$ 659,805	238,817		685,708	1,584,330
Other taxes	251,405			310,070	561,475
Accounts	208,607		2,300,134	411,314	2,920,055
Intergovernmental	3,549,037		66,973	155,399	3,771,409
Interest	3,687		1,227	465	5,379
Loans				1,272,885	1,272,885
Gross receivables	<u>4,672,541</u>	<u>238,817</u>	<u>2,368,334</u>	<u>2,835,841</u>	<u>10,115,533</u>
Less: allowance for uncollectibles	<u>618,687</u>	<u>223,030</u>	<u>83,893</u>	<u>894,486</u>	<u>1,820,096</u>
Net total receivables	<u>\$ 4,053,854</u>	<u>15,787</u>	<u>2,284,441</u>	<u>1,941,355</u>	<u>8,295,437</u>

## NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 was as follows:

	<i>Balance October 1, 2015</i>	<i>Additions</i>	<i>Deletions</i>	<i>Transfers</i>	<i>Balance September 30, 2016</i>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 46,839,655			192,473	47,032,128
Construction in progress	3,879,099	1,676,622		(3,581,968)	1,973,753
Total capital assets, not being depreciated	<u>50,718,754</u>	<u>1,676,622</u>	<u>-</u>	<u>(3,389,495)</u>	<u>49,005,881</u>
Capital assets, being depreciated:					
Buildings	31,654,185	38,081			31,692,266
Improvements other than buildings	8,477,242	6,600		41,773	8,525,615
Infrastructure	118,726,701	669,642		3,308,497	122,704,840
Machinery and equipment	4,777,927	384,348	(13,278)		5,148,997
Licensed vehicles	9,255,137	220,702	(458,134)	39,225	9,056,930
Total capital assets, being depreciated	<u>172,891,192</u>	<u>1,319,373</u>	<u>(471,412)</u>	<u>3,389,495</u>	<u>177,128,648</u>
Less accumulated depreciation for:					
Buildings	(16,281,378)	(661,059)			(16,942,437)
Improvements other than buildings	(5,222,970)	(267,058)			(5,490,028)
Infrastructure	(65,709,800)	(3,025,817)			(68,735,617)
Machinery and equipment	(2,238,500)	(413,488)	9,589		(2,642,399)
Licensed vehicles	(5,882,994)	(633,357)	434,623		(6,081,728)
Total accumulated depreciation	<u>(95,335,642)</u>	<u>(5,000,779)</u>	<u>444,212</u>	<u>-</u>	<u>(99,892,209)</u>
Total capital assets, being depreciated, net	<u>77,555,550</u>	<u>(3,681,406)</u>	<u>(27,200)</u>	<u>3,389,495</u>	<u>77,236,439</u>
Governmental capital assets, net	<u>\$ 128,274,304</u>	<u>(2,004,784)</u>	<u>(27,200)</u>	<u>-</u>	<u>126,242,320</u>

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<i>Balance October 1, 2015</i>	<i>Additions</i>	<i>Deletions</i>	<i>Transfers</i>	<i>Balance September 30, 2016</i>
<b>Business-type activities</b>					
Capital assets, not being depreciated:					
Land	\$ 1,351,883			34,095	1,385,978
Construction in progress	2,345,584	3,126,875	(177,267)	(3,746,790)	1,548,402
Total capital assets, not being depreciated	<u>3,697,467</u>	<u>3,126,875</u>	<u>(177,267)</u>	<u>(3,712,695)</u>	<u>2,934,380</u>
Capital assets, being depreciated:					
Buildings	3,453,883		(72,132)	118,785	3,500,536
Improvements other than buildings	92,261,480		(68,716)	2,881,624	95,074,388
Machinery and equipment	10,940,236		(674,151)	705,113	10,971,198
Property under capital lease	20,625,529			7,173	20,632,702
Water rights	287,572				287,572
Total capital assets, being depreciated	<u>127,568,700</u>	<u>-</u>	<u>(814,999)</u>	<u>3,712,695</u>	<u>130,466,396</u>
Less accumulated depreciation for:					
Buildings	(2,428,190)	(57,345)	27,531		(2,458,004)
Improvements other than buildings	(40,274,237)	(2,268,854)	48,946		(42,494,145)
Machinery and equipment	(8,918,647)	(601,678)	669,001		(8,851,324)
Property under capital lease	(12,170,852)	(356,365)			(12,527,217)
Water rights	(287,572)				(287,572)
Total accumulated depreciation	<u>(64,079,498)</u>	<u>(3,284,242)</u>	<u>745,478</u>	<u>-</u>	<u>(66,618,262)</u>
Total capital assets, being depreciated, net	<u>63,489,202</u>	<u>(3,284,242)</u>	<u>(69,521)</u>	<u>3,712,695</u>	<u>63,848,134</u>
Business-type capital assets, net	<u>\$ 67,186,669</u>	<u>(157,367)</u>	<u>(246,788)</u>	<u>-</u>	<u>66,782,514</u>

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

Governmental activities	
General government	\$ 272,199
Public safety	781,016
Public works	3,201,760
Parks and recreation	727,038
Capital assets held by the City's internal service funds charged to the various functions based on their usage of the assets	<u>18,766</u>
Total depreciation expense - governmental activities	<u>\$ 5,000,779</u>
Business-type activities:	
Water and sewer	<u>\$ 3,284,242</u>
Total depreciation expense - business-type activities	<u>\$ 3,284,242</u>

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## Discretely Presented Component Unit

Activity for the Health Center for the year ended September 30, 2016 was as follows:

	<i>Balance October 1, 2015</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance Sept. 30, 2016</i>
Capital assets, being depreciated:				
Buildings	\$ 1,257,145	28,583		1,285,728
Improvements other than buildings	42,841			42,841
Machinery and equipment	12,827	17,275		30,102
Total capital assets, being depreciated	<u>1,312,813</u>	<u>45,858</u>	<u>-</u>	<u>1,358,671</u>
Less accumulated depreciation for:				
Buildings	(945,651)	(28,771)		(974,422)
Improvements other than buildings	(42,841)			(42,841)
Machinery and equipment	(12,827)	(756)		(13,583)
Total accumulated depreciation	<u>(1,001,319)</u>	<u>(29,527)</u>	<u>-</u>	<u>(1,030,846)</u>
Total capital assets, being depreciated, net	<u>\$ 311,494</u>	<u>16,331</u>	<u>-</u>	<u>327,825</u>

## **NOTE 7 - CONSTRUCTION PROJECTS**

As of September 30, 2016, the City had the following commitments with respect to unfinished capital projects.

	<i>Project Authorization</i>	<i>Expended Through 9/30/2016</i>	<i>Required Future Financing</i>
Yarborough Court	\$ 26,503	6,489	20,014
Welcome Sign	87,043	7,264	79,779
Rochelle Additions	35,600	35,600	-
Kress Building	465,750	9,192	456,558
Farmer's Market & Public Space Infrastructure	25,000	25,000	-
Summer Glenn Acres Drive	242,000	7,000	235,000
Linear Park	616,562	107,774	508,789
Fleet Vehicles	713,411	713,411	
Motorola Equipment	1,120,154	1,055,817	64,337
Gibson Extension to 989	2,000,000	6,207	1,993,793
Total	<u>\$ 5,332,023</u>	<u>1,973,753</u>	<u>3,358,270</u>

### Business-type activities construction projects

In fiscal year 2016, work was performed on several utility projects from various utility accounts such as capital improvement, infrastructure, depreciation, compost, technology and equipment acquisition.

Texas capital improvement account expenditures totaled \$722,798. \$46,937 was spent for an eight-inch meter and vault installed at TexAmericas Center during the year. The Pleasant Grove elevated water storage tank was repainted for \$211,444. \$23,894 was spent on the TX DOT McKnight Road water relocation project, and \$32,437 was expended on various water system improvements. 2008 Annexation sewer expenditures were

# CITY OF TEXARKANA, TEXAS

## Notes to the financial statements continued.

\$97,433. Olive and West 10<sup>th</sup> Street sewer was replaced costing \$51,407, and \$80,761 was spent for sewer manholes during the year. A commercial building was purchased at 808 Olive to house the IT and GIS Divisions of the utility with \$118,805 expended during the year for the Texas Utility share. \$33,440 was expended for telemetry improvements to eight lift stations. \$26,240 was spent on various other sewer improvements for the year.

Texas infrastructure account expenditures were \$837,412. The South Stateline sewer trunk main replacement was completed during the year with the current year cost of \$591,312 and at a total cost of \$1,154,097. \$38,470 and \$59,606 was expended for the Waggoner Creek sewer trunk main and sewer plant upgrade engineering, respectively. \$48,700 was spent on the first phase of the Flower Acres Road sewer project, and the current year cost of the TX DOT water and sewer relocation was \$98,236. The Texas A&M East project was completed during the year at a current year cost of \$1,088 and at a total project cost of \$274,774.

For the year, the South Regional Wastewater Depreciation account expenses were \$312,653 of which the Texas share was \$196,205. Compost account expenses for the fiscal year were \$409,257 of which \$257,100 was paid from the Texas Utility. Millwood depreciation account shared expenses totaled \$34,562, of which the Texas share was \$13,791. The largest expense was for the replacement for a filter effluent control. North Texarkana Wastewater Treatment Plant projects totaled \$20,272 for the year and the Texas Utility share was \$12,366.

Technology account expenses totaled \$491,980 for the year with the Texas portion costing \$310,529. The expenses included fiber optic projects totaling \$52,540 and \$57,576 for Bowie County digital imagery.

Equipment account expenses were \$298,322 of which \$191,084 was from the Texas Utility, including the purchase of fleet vehicles, portable utility pumps, analog mobile radio replacements, utility trailers, chop saws, pipe locators, a scissor lift, a mini track hoe a hydraulic power pack, furniture and equipment, etc.

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

The composition of interfund balances as of September 30, 2016 is as follows:

#### Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 187,537
Debt Service	General	21,686
Debt Service	Nonmajor governmental fund	24,686
Nonmajor governmental fund	General	73
Total		<u>\$ 233,982</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:

\$8,689 To reclassify deposits between the General Fund and the TIRZ #1 Fund (nonmajor governmental fund).

# CITY OF TEXARKANA, TEXAS

## Notes to the financial statements continued.

\$4,719	To reimburse the General Fund for expenditures paid for the Supportive Housing Fund (nonmajor governmental fund).
\$51,210	To reimburse the General Fund for expenditures paid for the Housing and Community Development Fund (nonmajor governmental fund).
\$217	To reimburse the General Fund for expenditures paid on behalf of the EPA Petroleum Grant Fund (nonmajor governmental fund).
\$4,874	To reimburse the General Fund for expenditures paid on behalf of the EPA Revolving Loan Fund (nonmajor governmental fund).
\$2,237	To reimburse the General Fund for expenditures paid on behalf of the EPA Multi-Purpose Fund (nonmajor governmental fund).
\$41,210	To reimburse the General Fund for expenditures paid on behalf of the COC Homeless Assistance Fund (nonmajor governmental fund).
\$74,368	To reimburse the General Fund for expenditures paid for the Brownfield Grant Fund (nonmajor governmental fund).
\$13	To reimburse the General Fund for expenditures paid for the NEA Grant Fund (nonmajor governmental fund).
\$21,686	To reclassify deposits between the Debt Service Fund and the General Fund.
\$24,686	To reclassify deposits between the TIRZ #1 Fund (nonmajor governmental fund) and the Debt Service Fund.
\$73	To reimburse the 2009 Bond Fund (nonmajor governmental fund) for expenditures paid for the General Fund.

### Interfund transfers:

<i>Transfer in:</i>	<i>Transfer Out:</i>				<i>Total</i>
	<i>General Fund</i>	<i>Nonmajor Governmental</i>	<i>Fleet Internal Service</i>	<i>Texarkana, Texas Water Utilities</i>	
General fund	\$ -	93,538	2,026	18,900	114,464
Debt service		818,069			818,069
Nonmajor governmental funds	416,381	272,396			688,777
Fleet services (internal service)	1,027,067	30			1,027,097
Total transfers in	<u>\$ 1,443,448</u>	<u>1,184,033</u>	<u>2,026</u>	<u>18,900</u>	<u>2,648,407</u>

Transfers maybe 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

# CITY OF TEXARKANA, TEXAS

---

## *Notes to the financial statements continued.*

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:

\$77,684	Funds were transferred from the Economic Development fund (nonmajor governmental fund) to the General fund for Downtown Enhancement Project.
\$12,000	Funds were transferred from the TIRZ fund (nonmajor governmental fund) to the General fund to cover expenses.
\$1,971	Funds were transferred from the EPA Job Training fund (nonmajor governmental fund) to the General fund to correct fund balance.
\$1,335	Funds were transferred from the Theatre fund (nonmajor governmental fund) to the General fund for expenses.
\$547	Funds were transferred from the Economic Development fund (nonmajor governmental fund) to the General fund.
\$2,026	Funds were transferred from the Fleet Services fund (internal service fund) to the General fund for various expenses.
\$562,832	Funds were transferred from the Hotel/Motel Tax fund (nonmajor governmental fund) to the Debt Service fund for debt service payments.
\$255,238	Funds were transferred from the TIRZ #1 fund (nonmajor governmental fund) to the Debt Service fund for principal and interest payment on bonds.
\$11,534	Funds were transferred from the General fund to the Supportive Housing fund (nonmajor governmental fund) to correct fund balance.
\$217,697	Funds were transferred from the General Fund to Housing and Community Development fund (nonmajor governmental fund) for grant costs.
\$15,164	Funds were transferred from the General fund to the EPA Revolving Loan fund (nonmajor governmental fund) to cover salary expenses.
\$30,926	Funds were transferred from the General fund to the EPA Multi-purpose fund (nonmajor governmental fund) to cover grant admin costs.
\$78,835	Funds were transferred from the General Fund to the Hotel/Motel fund (nonmajor governmental fund) to cover expenses.
\$46,113	Funds were transferred from the General fund to the COC Homeless Assistance fund (nonmajor governmental fund) to cover salary expenses.

# CITY OF TEXARKANA, TEXAS

## *Notes to the financial statements continued.*

- \$1,317 Funds were transferred from the General fund to the EPA Hazardous grant fund (nonmajor governmental fund) to cover grant admin costs.
- \$14,794 Funds were transferred from the General fund to the NEA grant fund (nonmajor governmental fund) to cover salaries and admin costs.
- \$272,396 Funds were transferred from the Hotel/Motel fund (nonmajor governmental fund) to the Theatre fund (nonmajor governmental fund) for the quarterly budget amount for the Perot Theatre.
- \$1,027,067 Funds were also transferred from the General Fund to the Fleet Services fund (internal service fund) to cover fuel and maintenance.
- \$30 Funds were transferred from the EPA Multipurpose fund (nonmajor governmental fund) to Fleet Services fund (internal service fund) to cover admin costs.
- \$18,900 A transfer of \$18,900 was made to the General Fund for 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 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 seven other cities as of September 30, 2016.

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

# CITY OF TEXARKANA, TEXAS

---

*Notes to the financial statements continued.*

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 \$463,746 and \$600,234 for 2016 and 2015, respectively.

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

A water system agreement entered into on December 1, 1982 and amended on October 15, 1985, with the City of Texarkana, Arkansas provides for the sale of water taken from the Millwood Reservoir and processed in the Millwood Water Treatment Facilities. The agreement further provides that the City of Texarkana, Arkansas will sell treated water to Texarkana, Texas, at the cost per one thousand gallons of water supplied to it as shall be computed to be the cost to Texarkana, Arkansas. The Texarkana, Texas Water Utilities made total transfers to the Texarkana, Arkansas Water Utilities for water purchases of \$702,992 and \$597,130 for 2016 and 2015, 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 \$417,507 and \$416,735 for 2016 and 2015, respectively. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

---

## **South Regional Wastewater Facilities**

A wastewater agreement dated March 1, 1983 was entered into between the City of Texarkana, Arkansas and the City of Texarkana, Texas. The agreement is a supplement to the previous agreement and provides that the City of Texarkana, Texas will process the wastewater from the City of Texarkana, Arkansas and charge the City of Texarkana, Arkansas the same amount per one thousand gallons as the computed cost to the City of Texarkana, Texas for wastewater treatment. The calculation of cost for retail customers billed on the City Rate Ordinance is based on the metered retail water sales of each City to the total retail water sales for both Cities. The cost for contract customers is based on metered wastewater treated in combination with the retail customers for each City to the total for both Cities.

The agreement further provides that, when the indebtedness of the City of Texarkana, Texas incurred in connection with the acquisition and construction of the wastewater treatment facility has been discharged, the City of Texarkana, Texas will convey to the City of Texarkana, Arkansas an undivided interest in the system facilities used to serve Arkansas. Texarkana, Arkansas' undivided interest in the facilities shall be a pro rata portion of the total payments on bond obligations made on the system by both Texarkana, Texas and Texarkana, Arkansas. 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 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 2016 and 2015, the Texarkana, Texas Water Utilities made transfers to the Texarkana, Arkansas Water Utilities for debt service in the amounts of \$109,626 for each year. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease between the Utilities and all transactions between them are eliminated in combination.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

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

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

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

In fiscal year 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 2016 and 2015, the Texas Utility received payments of \$20,819 and \$20,673, respectively, 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.

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

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

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

Both of these contracts were extended on February 13, 2007 and in effect until December 31, 2026.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## **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. At this time, the contract remains in full force and effect, with the U. S. Government continuing to invoice the City, and the City remitting, an annual M & O fee of \$613.

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. A preliminary payment estimate provided by the U. S. Army Corps of Engineers (Corps) is \$1,510,529 per year for 50 years, revising the estimate contained in the agreement with a final payment undetermined at this time pending evaluation by the Corps of cost associated with implementing the total operating rule curve storage space under the contract.

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

### ***MILLWOOD RESERVOIR***

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

On May 14, 1986, in anticipation of the start-up of the Millwood Water Treatment Plant, the City of Texarkana, Arkansas entered into an agreement with Southwest Arkansas Water District to actually 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 for a period of 50 years with the final payment being due in 2036. From 1986 through June 2012, 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 \$154,947 and \$153,181 for fiscal year 2016 and 2015, respectively. These amounts are

# CITY OF TEXARKANA, TEXAS

## *Notes to the financial statements continued.*

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 a new contract with SWAWD to take an additional 10MGD of the 45MGD in reserve. Texarkana, Texas was not a party to this contract, so Texarkana, Arkansas bears the cost of purchasing this capacity. The Corps of Engineers determined the cost of this additional water to be \$539,511, plus interest, with payments beginning in July 2012. The final payment for these water rights was made on March 11, 2016. In fiscal year 2012, a new restricted cash account, the Millwood Water Rights account, was setup to receive transfers from the Arkansas Revenue Fund account to pay the monthly cost of the additional 10MGD as well as to accumulate funds sufficient to cover the full principal cost of purchasing the remaining 35MGD of the 50MGD reserved in Millwood. During fiscal year 2016, Texarkana, Arkansas entered a new contract with SWAWD to purchase these additional 35MGD of water rights, and, subsequently on June 6, 2016, a lump sum payment of \$1,889,238 was made to SWAWD as payment in full for the final 35MGD of the 50MGD reserved. On June 7, 2016, Texarkana, Arkansas entered a contract with SWAWD to purchase the remaining balance of available water storage capacity in Millwood of 99.8MGD, with 5MGD being reserved by SWAWD to satisfy easements for the raw water canal crossing the landowner properties. The cost of this additional 99.8MGD of water rights is \$15,355,379, plus interest for 50 years with annual payments of \$541,522 beginning in January 2017.

### **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 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 prior years, the capital assets and corresponding liability of \$792,172 were recorded in the financial statements. The Utility recorded capital contributions of \$39,327 and \$40,315 for the amount “forgiven” under the contract terms for fiscal year 2016 and 2015, respectively. The remaining liability under this contract is \$633,863.

### **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, 2016:

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

<u>Ending September 30:</u>	<i>Governmental Activities</i>	<i>Enterprise Funds</i>
2017	\$ 217,112	797,588
2018	205,005	797,399
2019	205,006	796,455
2020	171,021	794,754
2021	171,021	125,111
2022-2026	<u>199,524</u>	<u>2,724,423</u>
Total minimum lease payments	1,168,689	6,035,730
Less:		
Unexpended funds		(772,912)
Amounts representing interest	(68,129)	<u>(1,129,875)</u>
Present value of minimum lease payments	<u>\$ 1,100,560</u>	<u>4,132,943</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	<u>2,234,544</u>
Total	<u>\$ 12,933,145</u>

## NOTE 17 - LONG-TERM OBLIGATIONS

### General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City has dedicated 25.76% 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, 2016 are as follows:

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2016</u>
<b>General obligation bonds:</b>			
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	\$ 1,580,000

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2016</u>
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	7,185,000
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	12,340,000
Total general obligation bonds		<u>\$ 28,340,000</u>	<u>21,105,000</u>

Annual requirements to amortize general obligation bonds outstanding at September 30, 2016 are as follows:

<u>Requirements Year Ending September 30</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,315,000	562,144	2,877,144
2021	2,135,000	463,344	2,598,344
2022-2026	8,435,000	926,019	9,361,019
2027-2031	1,435,000	22,422	1,457,422
Total	<u>\$ 21,105,000</u>	<u>4,113,401</u>	<u>25,218,401</u>

## Certificates of Obligation

The City issues certificates of obligation to fund construction projects and acquire capital assets. Certificates of obligation are direct obligations and pledge the full faith and credit of the City. Certificates of obligation at September 30, 2016 are as follows:

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2016</u>
<b>Certificates of obligation:</b>			
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	\$13,590,000

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2016</u>
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	5,500,000
Combination Tax and Revenue Certificates of Obligation, Series 2012 used for street and drainage improvements, constructing, improving and equipping park and recreational facilities - due serially in varying amounts through February 1, 2035.	0.50% - 3.500%	4,115,000	3,670,000
Total certificates of obligation		<u>\$ 28,535,000</u>	<u>22,760,000</u>

Annual requirements to amortize certificates of obligations outstanding at September 30, 2016 are as follows:

<u>Requirements Year Ending September 30</u>	<u>Certificates of Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,310,000	783,417	2,093,417
2021	1,365,000	730,940	2,095,940
2022-2026	7,745,000	2,753,269	10,498,269
2027-2031	7,745,000	903,122	8,648,122
2032-2036	950,000	67,618	1,017,618
Total	<u>\$ 22,760,000</u>	<u>7,893,755</u>	<u>30,653,755</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, 2016 are as follows:

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2016</u>
<b>Revenue bonds:</b> Waterworks and Sanitary Sewer System Revenue Bonds Series 2004 net of bond premium of \$5,213 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	1,180,213

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2016</u>
Waterworks and Sanitary Sewer System Revenue Bonds, Series 2005 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	200,000
Waterworks and Sanitary Sewer System Revenue Bonds, Series 2013 net of bond discount of \$17,337 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>1,932,663</u>
Total Texarkana, Texas Water Utilities		<u>\$ 6,505,000</u>	<u>3,312,876</u>

Annual requirements to amortize revenue bonds outstanding at September 30, 2016 are as follows:

<i>Requirements Year Ending September 30</i>	<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 434,793	131,159	565,952
2018	244,793	115,819	360,612
2019	249,793	107,169	356,962
2020	259,793	97,663	357,456
2021	269,793	87,588	357,381
2022-2026	900,948	303,396	1,204,344
2027-2031	649,851	166,750	816,601
2032-2033	303,112	22,424	325,536
Total	<u>\$ 3,312,876</u>	<u>1,031,968</u>	<u>4,344,844</u>

The Utility has pledged future water customer revenues, net of specified operating expenses, to repay \$6.505 million in water system revenue bonds issued in 2004, 2005, and 2013. Proceeds from the bonds provided financing for the water and wastewater facility improvements and updates. The bonds are payable solely from water customer net revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 4% of net revenues. The total principal and interest remaining to be paid on the bonds is \$4,344,844. Principal and interest paid for the current year and total customer net revenues were \$579,788 and \$16,791,298, respectively.

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

## Changes in long-term liabilities

The following is a summary of changes in long-term liabilities for the year ended September 30, 2016:

	<i>Balance October 1, 2015</i>	<i>Additions</i>	<i>Retirements/ Deductions</i>	<i>Balance September 30, 2016</i>	<i>Long-term Balance</i>	<i>Due Within One Year</i>
<b>Governmental activities:</b>						
General obligation bonds	\$ 23,450,000		(2,345,000)	21,105,000	18,855,000	2,250,000
Issuance premiums	1,848,564		(211,883)	1,636,681	1,636,681	
Total general obligation bonds	<u>25,298,564</u>	<u>-</u>	<u>(2,556,883)</u>	<u>22,741,681</u>	<u>20,491,681</u>	<u>2,250,000</u>
Certificates of obligation	23,885,000		(1,125,000)	22,760,000	21,595,000	1,165,000
Issuance premiums	246,334		(18,475)	227,859	227,859	
Total certificates of obligation	<u>24,131,334</u>	<u>-</u>	<u>(1,143,475)</u>	<u>22,987,859</u>	<u>21,822,859</u>	<u>1,165,000</u>
Capital leases	96,864	1,177,496	(173,800)	1,100,560	905,237	195,323
Net pension and other postemploy- ment liabilities	16,927,105	13,113,638	(6,044,611)	23,996,132	23,996,132	
Accrued compensated absences	4,203,810	971,261	(1,013,237)	4,161,834	3,881,111	280,723
Governmental activity Long-term liabilities	<u>\$ 70,657,677</u>	<u>15,262,395</u>	<u>(10,932,006)</u>	<u>74,988,066</u>	<u>71,097,020</u>	<u>3,891,046</u>

	<i>Balance October 1, 2015</i>	<i>Additions</i>	<i>Retirements/ Deductions</i>	<i>Balance September 30, 2016</i>	<i>Long-term Balance</i>	<i>Due Within One Year</i>
<b>Business-type activities:</b>						
Revenue bonds	\$ 3,740,000		(415,000)	3,325,000	2,890,000	435,000
Issuance premiums	(12,330)		206	(12,124)	(12,124)	
Total revenue bonds	<u>3,727,670</u>	<u>-</u>	<u>(414,794)</u>	<u>3,312,876</u>	<u>2,877,876</u>	<u>435,000</u>
Capital leases	4,516,570		(383,627)	4,132,943	3,737,440	395,503
Net pension and other post- employment liabilities	4,577,526	2,661,433	(1,595,432)	5,643,527	5,643,527	
Accrued compensated absences	399,242	282,558	(315,992)	365,808	302,100	63,708
Business-type activity Long-term liabilities	<u>\$ 13,221,008</u>	<u>2,943,991</u>	<u>(2,709,845)</u>	<u>13,455,154</u>	<u>12,560,943</u>	<u>894,211</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, \$65,354 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.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

---

## **NOTE 18 - CONDUIT DEBT**

The City issued \$2,430,000 in Combination Tax and Revenue Certificates of Obligation, Series 2008 dated February 1, 2008. The stated maturity date of the debt is February 1, 2023, with an interest rate of 3.660% per annum. The certificates were issued by the City on behalf of the Bi-State Justice Center. The purpose of the debt is to pay contractual obligations for improvements to the Bi-State Criminal Justice Center and professional services rendered in connection therewith. The payments are made by the Bi-State Justice Center directly to the paying agent. The City has no responsibility for the repayment of the debt beyond its participation in the BSJC joint venture. The balance outstanding at September 30, 2016 is \$1,295,000.

## **NOTE 19 - RISK MANAGEMENT**

The City's workers' compensation insurance coverage is obtained through the Texas Municipal League Intergovernmental Risk Pool (TML Pool). The TML Pool was established by the various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. Losses under a stated amount for workers' compensation that are incurred by TML members are paid with TML Pool funds. Claims in excess of this limit are paid under terms of insurance policies obtained by the TML Pool. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board or by the State Board of Insurance of Texas. Such rates are estimated to include all claims expected to occur during the policy period, including claims incurred but not reported. The TML has established claims reserves for each of the types of insurance offered. Thus, although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contributed rate for subsequent years. Members are also entitled to returns of contributions if actual results are more favorable than estimated. For the year ended September 30, 2016, the City contributed \$259,374 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 \$29,505,080 for major structures, primarily those used by the public and those located in a cluster to provide protection from catastrophic losses, as well as \$8,587,900 of contents coverage.

The City maintains liability insurance coverage of \$1,315,100 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

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

company, Beacon Risk Strategies, LLC. Beacon, Risk Strategies, LLC is offered through the Third Party Administrator, Blue Advantage of Arkansas. Each participating fund makes payments to the Employee Benefit Fund based upon the computed monthly amount determined by the administrator of the plan. Employees pay a portion of their costs and an amount for dependents and the City pays for the remainder of employees' coverage. Costs are recognized by the City in the Employee Benefit Fund when claims are filed and processed according to the City of Texarkana's plan document by Blue Advantage Administrators of Arkansas. Estimated costs incurred but not billed at year end are accrued.

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

	<u>Year Ended</u> <u>September 30, 2016</u>	<u>Year Ended</u> <u>September 30, 2015</u>
Unpaid claims, October 1	\$ 312,800	\$ 346,150
Incurred claims	2,797,618	3,820,776
Claim payments	<u>(2,894,967)</u>	<u>(3,854,126)</u>
Unpaid claims, September 30	<u>\$ 215,451</u>	<u>\$ 312,800</u>

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

## **NOTE 20 - EMPLOYEE RETIREMENT SYSTEMS**

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

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

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

#### **1. Plan Description**

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS ACT, Subtitle G, Title 8, Texas Government Code (The TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

All eligible employees of the City, excluding firefighters, are required to participate in TMRS.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## 2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

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

Plan provisions for the City were as follows:

	<u>Plan No. 1</u>	<u>Plan No. 2</u>	<u>Plan No. 3</u>
Employee deposit rate	7%	7%	7%
City current matching ratio	2-1	2-1	2-1
Updated Service Credit:			
Rate	100T	100T	100T
Year effective	1998R	1992R	1992R
Annuity Increase	70%	70%	70%
Annuity Increase year effective	1998R	1992R	1992R
Military service credit effective date	Oct. 1988	Oct. 1988	Oct. 1988
Vesting	5 yrs.	5 yrs.	5 yrs.
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age	5 yrs/age 60, 20 yrs/any age	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	June 1995	June 1995	June 1995

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>Plan No. 1</u>	<u>Plan No. 2</u>	<u>Plan No. 3</u>
Inactive employees or beneficiaries currently receiving benefits	68	163	99
Inactive employees entitled to but not yet receiving benefits	32	107	41
Active employees	87	214	151
Total	<u>187</u>	<u>484</u>	<u>291</u>

## 3. Contributions

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

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Employees for the City of Texarkana, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Texarkana, Texas were as follows in calendar years 2015 and 2016.

	<u>Plan No. 1</u>	<u>Plan No. 2</u>	<u>Plan No. 3</u>
City Contribution Rate:			
2015	17.38%	15.82%	16.71%
2016	16.76%	15.48%	15.83%

The City's contributions to TMRS for the year ended September 30, 2016 were \$898,144, \$1,237,191 and \$1,016,326 for Plan No. 1, Plan No. 2, and Plan No. 3, respectively, and were equal to the required contributions.

#### **4. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

##### *Actuarial assumptions*

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry

# CITY OF TEXARKANA, TEXAS

## *Notes to the financial statements continued.*

Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic equity	17.50%	4.55%
International equity	17.50%	6.10%
Core fixed income	10.00%	1.00%
Non-core fixed income	20.00%	3.65%
Real return	10.00%	4.03%
Real estate	10.00%	5.00%
Absolute return	10.00%	4.00%
Private equity	5.00%	8.00%
Total	<u>100.00%</u>	

### ***Discount Rate***

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

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

## CHANGES IN NET PENSION LIABILITY PLAN NO. 1

	<i><b>Total Pension Liability</b></i>	<i><b>Plan Fiduciary Net Position</b></i>	<i><b>Net Pension Liability</b></i>
Balance at 12/31/2014	\$ 40,954,105	36,160,309	4,793,796
Changes for the year:			
Service cost	969,892		969,892
Interest	2,842,733		2,842,733
Change of benefit terms	-		-
Difference between expected and actual experience	(710,991)		(710,991)
Changes of assumptions	(72,483)		(72,483)
Contributions - employer		966,327	(966,327)
Contributions - employee		389,200	(389,200)
Net investment income		53,356	(53,356)
Benefit payments, including refunds of employee contributions	(1,657,168)	(1,657,168)	-
Administrative expense	-	(32,500)	32,500
Other changes		(1,605)	1,605
Net changes	1,371,983	(282,390)	1,654,373
Balance at 12/31/2015	\$ 42,326,088	35,877,919	6,448,169

## CHANGES IN NET PENSION LIABILITY PLAN NO. 2

	<i><b>Total Pension Liability</b></i>	<i><b>Plan Fiduciary Net Position</b></i>	<i><b>Net Pension Liability</b></i>
Balance at 12/31/2014	\$ 45,991,573	40,252,331	5,739,242
Changes for the year:			
Service cost	1,300,193		1,300,193
Interest	3,180,026		3,180,026
Change of benefit terms	-		-
Difference between expected and actual experience	(507,874)		(507,874)
Changes of assumptions	238,953		238,953
Contributions - employer		1,248,098	(1,248,098)
Contributions - employee		551,597	(551,597)
Net investment income		59,293	(59,293)
Benefit payments, including refunds of employee contributions	(2,277,497)	(2,277,497)	-
Administrative expense		(36,119)	36,119
Other changes		(1,784)	1,784
Net changes	1,933,801	(456,412)	2,390,213
Balance at 12/31/2015	\$ 47,925,374	39,795,919	8,129,455

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

## CHANGES IN NET PENSION LIABILITY PLAN NO. 3

	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balance at 12/31/2014	\$ 23,548,595	19,615,353	3,933,242
Changes for the year:			
Service cost	663,135		663,135
Interest	1,643,709		1,643,709
Change of benefit terms	-		-
Difference between expected and actual experience	(497,533)		(497,533)
Changes of assumptions	100,711		100,711
Contributions - employer		713,523	(713,523)
Contributions - employee		298,901	(298,901)
Net investment income		29,037	(29,037)
Benefit payments, including refunds of employee contributions	(948,775)	(948,775)	-
Administrative expense		(17,687)	17,687
Other changes		(872)	872
Net changes	961,247	74,127	887,120
Balance at 12/31/2015	\$ 24,509,842	19,689,480	4,820,362

### *Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the City calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% point lower (5.75%) or 1% point higher (7.75%) than the current rate:

	<i>1% Decrease in Discount Rate (5.75%)</i>	<i>Discount Rate (6.75%)</i>	<i>1% Increase in Discount Rate (7.75%)</i>
City's net pension liability:			
Plan No. 1	\$ 12,914,452	\$ 6,448,169	\$ 1,212,311
Plan No. 2	14,582,805	8,129,455	2,832,067
Plan No. 3	8,291,845	4,820,362	1,049,986

### *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

### **5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2016, the City recognized pension expense of \$1,281,778, \$1,597,004, and \$744,388 in Plan No. 1, Plan No. 2 and Plan No. 3, respectively.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## SCHEDULE OF OUTFLOWS AND INFLOWS PLAN NO. 1

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Net difference between projected and actual earnings on pension plan investments	\$ 2,247,705	
Changes in actuarial assumptions		60,735
Differences between expected and actual experience		1,039,633
Contributions made after December 31, 2015 but before September 30, 2016	638,955	
Total	<u>\$ 2,886,660</u>	<u>1,100,368</u>

## SCHEDULE OF OUTFLOWS AND INFLOWS PLAN NO. 2

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Net difference between projected and actual earnings on pension plan investments	\$ 2,498,687	
Changes of assumptions		575,176
Differences between expected and actual experience		(169,692)
Contributions made after December 31, 2015 but before September 30, 2016	857,894	
Total	<u>\$ 3,356,581</u>	<u>405,484</u>

## SCHEDULE OF OUTFLOWS AND INFLOWS PLAN NO. 3

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Net difference between projected and actual earnings on pension plan investments	\$ 1,220,965	
Changes of assumptions	78,959	
Differences between expected and actual experience		754,378
Contributions made after December 31, 2015 but before September 30, 2016	470,157	
Total	<u>\$ 1,770,081</u>	<u>754,378</u>

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Plan No. 1</u>	<u>Plan No. 2</u>	<u>Plan No. 3</u>
2016	\$ 355,470	443,611	95,663
2017	355,470	484,592	95,663
2018	355,470	614,231	138,523
2019	267,000	550,769	215,697
2020	(164,490)	-	-
Thereafter	(21,583)	-	-
Total	<u>\$ 1,147,337</u>	<u>2,093,203</u>	<u>545,546</u>

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

### **A. General Information about the Retirement Plan**

#### **1. Plan Description**

The City contributes to the retirement plan for firefighters in the Texarkana Fire Department known as the Texarkana Firemen's Relief and Retirement fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Texarkana Firemen's Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained in writing from the Texarkana Firemen's Relief and Retirement Fund at P.O. Box 6083, Longview, TX 75608. See that report for all information about the plan fiduciary net position.

#### **2. Benefits Provided**

Firefighters in the Texarkana Fire Department are covered by the Texarkana Firemen's Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. Firefighters become eligible for normal service retirement at age 50 with 20 years of service. If a terminated firefighter has a vested benefit but is not eligible for normal retirement, his benefit is deferred until the month after the date he would have first satisfied both age and service requirements for normal retirement if he had remained a Texarkana firefighter. The present plan effective October 1, 2014 provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity equal to 3.09% of Highest 36-Month Average Salary for each year of service.

A retiring firefighter who is at least age 52.5 with at least 22.5 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 36-Month Average

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Salary as if he had terminated employment on his selected RETRO DROP benefit calculation date, which is no earlier than the later of the date he meets the RETRO DROP eligibility requirements and the date three years preceding the date he actually retires. Upon retirement, the member will receive, in addition to his monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date he retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

### 3. Members Covered by the Fund

In the December 31, 2015 actuarial valuation, the following numbers of members were covered by the Fund:

Retirees and beneficiaries currently receiving benefits	67
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>79</u>
Total	<u><u>146</u></u>

### 4. Funding Policy

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

The funding policy of the Texarkana Firemen's Relief and Retirement Fund requires contributions equal to 13.5% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City currently contributes according to an agreement between the City and the Fund's board of trustees. The City's contribution rate to the Fund is 19.5% of payroll and has been at that rate since October 2009. The December 31, 2015 actuarial valuation includes the assumption that the City contribution rate will be 19.5% at least as long as the UAAL amortization period. The costs of administering the plan are paid from the Fund assets.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. The board selects and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the year ending December 31, 2015, the money-weighted rate of return on pension plan investments was -3.07%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying that the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

contribution agreement. 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 contributions 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 actuarially determined using an open, level percentage of payroll method.

## **B. Net Pension Liability**

The City of Texarkana's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by a special study based on the actuarial valuation as of December 31, 2015.

Total pension liability	\$ 37,889,368
Plan fiduciary net position	<u>31,019,529</u>
City's net pension liability	<u>\$ 6,869,839</u>
Plan fiduciary net position as a percentage of the total pension liability	81.9%

### **1. Actuarial Assumptions**

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.25%, plus promotion, step and longevity increases that vary by service
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables for males and for females (sex distinct) projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.57%) and by adding expected inflation (3.25%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.07% for adverse deviation. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Net Real Rate of Return</i>
Equities		
Large/all cap domestic	23%	5.64%
Small/mid cap domestic	9%	6.14%
International developed	14%	6.14%
Emerging markets	6%	7.64%
Specialty		
Income opportunity	10%	3.84%
Real estate	3%	4.14%
Master limited part.	4%	7.64%
Global convertibles	5%	3.14%

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Net Real Rate of Return</i>
Fixed income		
Domestic core	15%	1.14%
Domestic high yield	8%	2.64%
Global	3%	1.64%
Cash	0%	0.10%
Total	100.0%	
Weighted Average		4.57%

## 2. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the special study based on the December 31, 2015 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 16 years. Because of the 16-year amortization period of the UAAL with the lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

## 3. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City of Texarkana, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<i>1% Decrease (6.75%)</i>	<i>Current Discount Rate (7.75%)</i>	<i>1% Increase (8.75%)</i>
City's Net Pension Liability	\$ 10,910,129	6,869,839	3,438,039

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## 4. Plan Fiduciary Net Position

The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

## C. Changes in the Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Amounts as of September 30, 2015 <sup>1</sup>	\$ 37,527,657	33,244,477	4,283,180
Changes for the year:			
Service cost	905,833		905,833
Interest	2,879,964		2,879,964
Differences between expected and actual experience	(827,723)		(827,723)
Contributions by the city		795,780	(795,780)
Contributions by the firefighter		550,925	(550,925)
Net investment income		(1,001,621)	1,001,621
Benefit payments	(2,545,333)	(2,545,333)	-
Administrative expenses		(24,699)	24,699
Assumption changes	(51,030)		(51,030)
Net changes	361,711	(2,224,948)	2,586,659
Amounts as of September 30, 2016 <sup>2</sup>	<u>\$ 37,889,368</u>	<u>31,019,529</u>	<u>6,869,839</u>

<sup>1</sup> Measurements for the fiscal year ended September 30, 2015 were taken as of December 31, 2014.

<sup>2</sup> Measurements for the fiscal year ended September 30, 2016 were taken as of December 31, 2015.

## D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City's GASB 68 pension expense was \$1,467,110. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

The components of pension expense for the fiscal year ended September 30, 2016 are as follows:

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Service cost	\$ 905,833
Interest	2,879,964
Firefighter contributions	(550,925)
Projected earnings on pension plan investments	(2,529,043)
Amortization of differences between projected and actual earnings on plan investments	868,726
Amortization of changes of assumptions	(7,674)
Amortization of differences between expected and actual experience	(124,470)
Pension plan administrative expenses	24,699
Total pension expense	<u>\$ 1,467,110</u>

At September 30, 2016, the City reported deferred outflows of resources related to the Fire Pension plan from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Net difference between projected and actual earnings on pension plan investments	\$ 3,312,310	
Changes of assumptions		43,356
Differences between expected and actual experience		703,253
Contributions made after December 31, 2015 but before September 30, 2016	571,627	
Total	<u>\$ 3,883,937</u>	<u>\$ 746,609</u>

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

<i>Year Ended September 30</i>	<i>Net of Deferred Outflows Minus Deferred Inflows</i>
2017	\$ 736,582
2018	736,582
2019	736,582
2020	573,988
2021	(132,144)
Thereafter	(85,889)
Total	<u>\$ 2,565,701</u>

## 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

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

leave balance in item 2 can only be used for healthcare it is required to be included as another post-employment benefit (OPEB).

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

## **Funding Policy**

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

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

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

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

	<u>City</u>	<u>TWU</u>
Normal costs	\$ 461,119	107,529
Amortization of unfunded actuarial accrued liability	392,736	101,634
Annual required contribution	<u>853,855</u>	<u>209,163</u>
Interest on BOY net OPEB obligation	84,435	26,155
Adjustment	<u>(81,445)</u>	<u>(37,813)</u>
Annual OPEB cost	856,845	197,505
Contributions made	<u>(419,063)</u>	<u>(18,624)</u>
Increase (decrease) in OPEB obligation	437,782	178,881
OPEB at the beginning of period	2,110,887	644,284
OPEB at the end of period	<u>\$ 2,548,669</u>	<u>823,165</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, 2016 and the two preceding years were as follows:

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

<i>Plan</i>	<i>Year Ended</i>	<i>Annual OPEB Cost</i>	<i>Percentage of OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
City	9/30/2014	\$ 681,247	60.18%	1,672,864
	9/30/2015	857,085	48.89%	2,110,887
	9/30/2016	856,845	48.91%	2,548,669
TWU	9/30/2014	129,866	29.39%	473,262
	9/30/2015	197,040	13.20%	644,284
	9/30/2016	197,505	9.43%	823,165

## Funding Status and Funding Progress

The funded status of the plans as of September 30, 2016 was as follows:

### 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	9/30/2014	\$ -	7,886,704	7,886,704	0%	13,405,457	59%
	9/30/2015		9,882,392	9,882,392	0%	13,326,982	74%
	9/30/2016		9,882,392	9,882,392	0%	13,831,340	71%
TWU	9/30/2014		1,130,100	1,130,100	0%	6,525,691	17%
	9/30/2015		1,726,186	1,726,186	0%	6,643,748	26%
	9/30/2016		1,726,186	1,726,186	0%	6,523,106	26%

## 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:

# CITY OF TEXARKANA, TEXAS

## *Notes to the financial statements continued.*

---

Valuation date	10/1/2015
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 cost method. The period used to determine amortization costs for the initial unfunded actuarial accrued liability is a level period for 30 years on an open basis.
Actuarial value of assets	The plan is not prefunded.
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 all actives employed prior to January 1, 2010, who currently have healthcare coverage will continue with the same coverage.  25% of City employees  and 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	7.50% for FY2015 grading to 4.00% in FY2022 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.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

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

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 Mortality																																							
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 leave balance accrued at time of retirement. Retirees use actual sick leave balances.																																							
Participation Assumption	100% of all employees who are eligible for retiree medical benefits are assumed to elect medical coverage in retirement.																																							
Marriage Assumption	For actives it is assumed that husbands are two years older than their wives. 25% of active participants making it to retirement are assumed to be married and elect spouse medical coverage.																																							
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%																																						

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

## NOTE 22 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City's plan was amended effective January 1, 1997 to provide that all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

The City has delegated administrative and investment responsibilities to a third party administrator, ICMA Retirement Corporation, and as such, the plan assets do not meet the requirements for inclusion in the City's financial statements at September 30, 2016.

## NOTE 23 – CLASSIFICATION OF GOVERNMENTAL FUND BALANCES

The table below presents a summary of the September 30, 2016, governmental fund balances by fund type and specific purpose. With the exception of nonspendable fund balances, fund balance is presented based on specific purpose. For the general fund, special revenue funds, debt service fund and capital projects funds, the specific purpose of the fund balance is determined by the governmental function for which the funds are restricted, committed, assigned or unassigned.

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable for:				
Noncurrent loans	\$ -		353,067	353,067
Investment in joint venture	90,247			90,247
Restricted				
Court security and technology	376,377			376,377
Police	214,838		39,675	254,513
Health and welfare	57,582		446,515	504,097
Debt service fund		76,937		76,937
Tourism			395,832	395,832
Capital improvements			2,422,336	2,422,336
Committed				
Police	20,848			20,848
Economic development			1,372,641	1,372,641
Assigned				
Police	1,885			1,885
Theatre			684,804	684,804
Insurance	113,525			113,525
Energy conservation	30,522			30,522
Economic development			843,540	843,540
Unassigned				
General fund	12,003,407			12,003,407
Special revenue funds			(173,131)	(173,131)
Total Fund Balances	<u>\$ 12,909,231</u>	<u>76,937</u>	<u>6,385,279</u>	<u>19,371,447</u>

# CITY OF TEXARKANA, TEXAS

---

*Notes to the financial statements continued.*

## NOTE 24 - 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 by Texarkana, Arkansas was denied by court order dated July 6, 2012, while other claims later added but not included in the 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, contests the issues raised by Texarkana, Arkansas. In compliance with the federal court order, the City of Texarkana, Texas promptly 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. While there appear to be no allegations or claims for damages asserted by Texarkana, Arkansas, the City attorney asserts that evaluating the likelihood of an unfavorable outcome is premature and an estimate of the amount or range of potential loss cannot be made at this time.

A civil rights complaint has been filed against a police officer of the City, the City and the City police department arising from the officer's lawful use of force which resulted in the death of an individual. The suit was filed January 29, 2016 and depositions will be taken during March 2017 and a motion for summary judgment will be filed on behalf of the officer and argued to the federal court in June 2017. The TML-retained attorney for the City maintains there is a high degree of likelihood the case will be dismissed. This claim is insured through Texas Municipal League – Intergovernmental Risk Pool.

A personal injury lawsuit was filed against the City of Texarkana, Texas, et al, stemming from an accident that occurred August 20, 2015 at an intersection in Texarkana, Arkansas where a Texarkana Water Utility vehicle operated by a Utility employee struck a school bus. The TML-retained attorney for the City estimates a range of potential loss to be \$10,000-\$15,000.

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, 2016, 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.

### Other Matters

During fiscal year 2015, the City of Texarkana, Texas expressed its interest to the U.S. Army Corps of Engineers (Corps) in obtaining an additional 120,000 acre feet of water storage space in Lake Wright Patman

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

pursuant to its April 16, 1968 agreement with the Corps. The City anticipates that the Corps will eventually raise the lake level to the ultimate operating rule curve that will then provide this additional water storage space. Operating the lake at the ultimate rule curve is contingent upon the Corps performing the necessary environmental impact studies, completing work to address the condition of the dam, completing required improvements to the lake, and converting the storage space from flood control to municipal and industrial water supply use. A preliminary annual payment estimate provided by the Corps is \$1,510,529 for fifty years, and a preliminary cost estimate for increased M&O cost related to the additional water rights is \$68,503. At the current time, the final payment amounts and the likelihood that the Corps will complete all the work required to make this additional water storage available are unknown. In fiscal year 2017, Corps discussions with Texarkana, Texas official and Riverbend Water Resource District regarding Wright Patman End State contract implementation resulted in initiation of a draft Scope of Work (SOW) for a Cultural Resources Survey (CRS) from which the related cultural survey actual scope of work, updated cost estimates and actual requirement can later be developed.

## **NOTE 25- SUBSEQUENT PRONOUNCEMENTS**

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

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued in June 2015 will be effective for the year ending September 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OBEB) included in the general purpose external reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple –Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirement for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. The scope of this Statement includes OPEB plans – defined benefit and defined contribution – administered through trusts that meet specified criteria detailed in the Statement. The Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015 will be effective for the fiscal year ending September 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OBEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit OPEB, this Statement identifies

# CITY OF TEXARKANA, TEXAS

---

*Notes to the financial statements continued.*

the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information required about defined benefit OPEB are also addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.

Statement No. 77, *Tax Abatement Disclosures*, issued August 2015 will be effective for the fiscal year ending September 30, 2017. This Statement requires disclosure of tax abatement information about (a) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The Statement requires governments that enter into tax abatement agreements to disclose brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, the types of commitments made by tax abatement recipients, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. For tax abatement agreements of other governments, a reporting government should disclose the names of the governments that entered into the agreements, the specific taxes being abated and the gross dollar amount of the taxes abated during the period. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, issued December 2015 will be effective for the fiscal year ending September 30, 2017. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

Statement No. 81, *Irrevocable Split-Interest Agreements*, issued in March 2016 will be effective for the year ending September 30, 2017. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by provided recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, issued March 2016 will be effective for the fiscal year ending September 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and*

# CITY OF TEXARKANA, TEXAS

---

## *Notes to the financial statements continued.*

*Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016 will be effective for the fiscal year ending September 30, 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable.

### **NOTE 26 – SUBSEQUENT EVENTS**

On October 15, 2016, the City issued \$9,090,000 general obligation refunding bonds, series 2016. The bonds are being issued in part to pay and discharge in full the City of Texarkana, Texas, Waterworks and Sanitary Sewer System Revenue Bonds, Series 2004 the City of Texarkana, Texas, General Obligation Refunding Bonds, Series 2006 and the City of Texarkana, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2009. The interest rate on the bonds ranges from 2.000% to 3.000%.

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 2016 audit for shared costs of the Texarkana Water Utilities (business-type activities and enterprise fund) in the fiscal year 2017. The new funding ratio adopted will be 62.63% Texas and 37.37% Arkansas.

### **NOTE 27 – MANAGEMENT REVIEW**

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through March 21, 2017, the date the financial statements were available to be issued.

**This page intentionally left blank.**

---

## **Required Supplementary Information**

# CITY OF TEXARKANA, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2016

### TMRS PLAN #1 - Police Officers

#### *SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS LAST 10 YEARS*

	<b>Actuarial Valuation 12/31/2014</b>	<b>Actuarial Valuation 12/31/2015</b>
1. Total Pension Liability		
a. Service cost	\$ 968,730	\$ 969,892
b. Interest	2,746,753	2,842,733
c. Changes of benefit provisions		
d. Differences between expected and actual experience	(647,060)	(710,991)
e. Changes of assumptions		(72,483)
f. Benefit payments	<u>(1,738,559)</u>	<u>(1,657,168)</u>
g. Net Change in Total Pension Liability	1,329,864	1,371,983
h. Total Pension Liability - Beginning	<u>39,624,241</u>	<u>40,954,105</u>
i. Total Pension Liability - Ending	<u>\$ 40,954,105</u>	<u>42,326,088</u>
2. Plan Fiduciary Net Position		
a. Contributions by the City	988,531	966,327
b. Contributions by the Employees	381,042	389,200
c. Net investment income	1,977,814	53,356
d. Benefit payments	(1,738,559)	(1,657,168)
e. Administrative Expenses	(20,649)	(32,500)
f. Other	<u>(1,698)</u>	<u>(1,605)</u>
g. Net Change in Plan Fiduciary Net Position	1,586,481	(282,390)
h. Plan Fiduciary Net Position - Beginning	<u>34,573,828</u>	<u>36,160,309</u>
i. Plan Fiduciary Net Position - Ending	<u>\$ 36,160,309</u>	<u>35,877,919</u>
3. City's Net Pension Liability - Ending [Item 1(i)-2(i)]	\$ 4,793,796	6,448,169
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.3%	84.8%
5. Covered Payroll for Year (Estimated)	\$ 5,443,456	5,554,938
6. City's Net Pension Liability as a Percentage of Covered Payroll	88.1%	116.08%

This pension schedule is intended to present information for 10 years. Additional information will be displayed as it becomes available.

# CITY OF TEXARKANA, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2016

### TMRS PLAN #2 - Other City Employees

#### ***SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS LAST 10 YEARS***

	<b>Actuarial Valuation 12/31/2014</b>	<b>Actuarial Valuation 12/31/2015</b>
<b>1. Total Pension Liability</b>		
a. Service cost	\$ 1,199,684	1,300,193
b. Interest	3,070,141	3,180,026
c. Changes of benefit provisions		
d. Differences between expected and actual experience	(470,023)	(507,874)
e. Changes of assumptions		238,953
f. Benefit payments	(2,135,093)	(2,277,497)
g. Net Change in Total Pension Liability	1,664,709	1,933,801
h. Total Pension Liability - Beginning	44,326,864	45,991,573
i. Total Pension Liability - Ending	<u>\$ 45,991,573</u>	<u>47,925,374</u>
<b>2. Plan Fiduciary Net Position</b>		
a. Contributions by the City	1,182,575	1,248,098
b. Contributions by the Employees	526,260	551,597
c. Net investment income	2,202,368	59,293
d. Benefit payments	(2,135,093)	(2,277,497)
e. Administrative Expenses	(22,995)	(36,119)
f. Other	(1,891)	(1,784)
g. Net Change in Plan Fiduciary Net Position	1,751,224	(456,412)
h. Plan Fiduciary Net Position - Beginning	38,501,107	40,252,331
i. Plan Fiduciary Net Position - Ending	<u>\$ 40,252,331</u>	<u>39,795,919</u>
<b>3. City's Net Pension Liability - Ending [Item 1(i)-2(i)]</b>	<b>\$ 5,739,242</b>	<b>8,129,455</b>
<b>4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>87.5%</b>	<b>83.04%</b>
<b>5. Covered Payroll for Year (Estimated)</b>	<b>\$ 7,517,730</b>	<b>7,879,962</b>
<b>6. City's Net Pension Liability as a Percentage of Covered Payroll</b>	<b>76.3%</b>	<b>103.17%</b>

This pension schedule is intended to present information for 10 years. Additional information will be displayed as it becomes available.

# CITY OF TEXARKANA, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION September 30, 2016

### TMRS PLAN #3 - Water Utilities

#### *SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS LAST 10 YEARS*

	<b>Actuarial Valuation 12/31/2014</b>	<b>Actuarial Valuation 12/31/2015</b>
1. Total Pension Liability		
a. Service cost	\$ 641,973	\$ 663,135
b. Interest	1,594,823	1,643,709
c. Changes of benefit provisions		
d. Differences between expected and actual experience	(635,746)	(497,533)
e. Changes of assumptions		100,711
f. Benefit payments	<u>(1,029,300)</u>	<u>(948,775)</u>
g. Net Change in Total Pension Liability	571,750	961,247
h. Total Pension Liability - Beginning	<u>22,976,845</u>	<u>23,548,595</u>
i. Total Pension Liability - Ending	<u>\$ 23,548,595</u>	<u>24,509,842</u>
2. Plan Fiduciary Net Position		
a. Contributions by the City	767,302	713,523
b. Contributions by the Employees	303,453	298,901
c. Net investment income	1,059,822	29,037
d. Benefit payments	(1,029,300)	(948,775)
e. Administrative Expenses	(11,065)	(17,687)
f. Other	<u>(910)</u>	<u>(872)</u>
g. Net Change in Plan Fiduciary Net Position	1,089,302	74,127
h. Plan Fiduciary Net Position - Beginning	<u>18,526,049</u>	<u>19,615,352</u>
i. Plan Fiduciary Net Position - Ending	<u>\$ 19,615,351</u>	<u>19,689,479</u>
3. City's Net Pension Liability - Ending [Item 1(i)-2(i)]	\$ 3,933,244	4,820,363
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.3%	80.33%
5. Covered Payroll for Year (Estimated)	\$ 4,277,720	4,137,776
6. City's Net Pension Liability as a Percentage of Covered Payroll	91.9%	116.50%

This pension schedule is intended to present information for 10 years. Additional information will be displayed as it becomes available.

# CITY OF TEXARKANA, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION September 30, 2016

### TMRS PLAN #1 - Police Officers

#### *SCHEDULE OF CONTRIBUTIONS LAST 10 FISCAL YEARS*

	<u>2015</u>	<u>2016</u>
Actuarially determined contributions	\$ 937,617	\$ 898,144
Contributions in relation to the actuarially determined contributions	<u>937,617</u>	<u>898,144</u>
Contribution deficiency	<u>\$ -</u>	<u>-</u>
Covered employee payroll	\$ 5,337,623	5,303,689
Contributions as a percentage of covered employee payroll	17.57%	16.93%

This pension schedule is intended to present information for 10 years. Additional information will be displayed as it becomes available.

#### *NOTES TO SCHEDULE OF CONTRIBUTIONS*

##### **Valuation Date:**

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

##### **Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level Percentage of Payroll, Closed

Remaining Amortization

28 years

Period

Asset Valuation Method

10 Year smoothed market; 15% soft corridor

Inflation

2.5%

Salary Increases

3.50% to 10.5% including inflation

Investment Rate of Return

6.75%

Retirement Age

Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014

Mortality

RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

##### **Other Information:**

Notes

There were no benefit changes during the year.

# CITY OF TEXARKANA, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION September 30, 2016

### TMRS PLAN #2 - Other City Employees

#### *SCHEDULE OF CONTRIBUTIONS LAST 10 FISCAL YEARS*

	<u>2015</u>	<u>2016</u>
Actuarially determined contributions	\$ 1,212,706	\$ 1,178,109
Contributions in relation to the actuarially determined contributions	<u>1,212,589</u>	<u>1,177,930</u>
Contribution deficiency	<u>\$ 117</u>	<u>179</u>
Covered employee payroll	\$ 7,675,943	7,566,064
Contributions as a percentage of covered employee payroll	15.80%	15.57%

This pension schedule is intended to present information for 10 years. Additional information will be displayed as it becomes available.

#### *NOTES TO SCHEDULE OF CONTRIBUTIONS*

##### **Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

##### **Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

##### **Other Information:**

Notes There were no benefit changes during the year.

# CITY OF TEXARKANA, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION September 30, 2016

### TMRS PLAN #3 - Water Utilities

#### *SCHEDULE OF CONTRIBUTIONS LAST 10 FISCAL YEARS*

	<u>2015</u>	<u>2016</u>
Actuarially determined contributions	\$ 726,542	\$ 665,287
Contributions in relation to the actuarially determined contributions	<u>726,542</u>	<u>665,287</u>
Contribution deficiency	<u>\$ -</u>	<u>-</u>
Covered employee payroll	\$ 4,277,720	4,137,776
Contributions as a percentage of covered employee payroll	16.98%	16.08%

This pension schedule is intended to present information for 10 years. Additional information will be displayed as it becomes available.

#### **NOTES TO SCHEDULE OF CONTRIBUTIONS**

##### **Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

##### **Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

##### **Other Information:**

Notes There were no benefit changes during the year.

# CITY OF TEXARKANA, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2016

### TEXARKANA FIREFIGHTER'S RELIEF AND RETIREMENT

#### *SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS<sup>1</sup>*

	<b>Fiscal Year Ending 9/30/2015</b>	<b>Fiscal Year Ending 9/30/2016</b>
1. Total Pension Liability		
a. Service cost	\$ 840,561	\$ 905,833
b. Interest	2,767,672	2,879,964
c. Changes of benefit provisions		
d. Differences between expected and actual experience		(827,723)
e. Changes of assumptions		(51,030)
f. Benefit payments	(1,903,832)	(2,545,333)
g. Net Change in Total Pension Liability	1,704,401	361,711
h. Total Pension Liability - Beginning	35,823,256	37,527,657
i. Total Pension Liability - Ending	<u>37,527,657</u> <sup>2</sup>	<u>37,889,368</u>
2. Plan Fiduciary Net Position		
a. Contributions by the City	790,379	795,780
b. Contributions by the firefighters	547,186	550,925
c. Net investment income	1,658,552	(1,001,621)
d. Benefit payments	(1,903,832)	(2,545,333)
e. Administrative Expenses	(42,978)	(24,699)
f. Other		
g. Net Change in Plan Fiduciary Net Position	1,049,307	(2,224,948)
h. Plan Fiduciary Net Position - Beginning	32,195,170	33,244,477
i. Plan Fiduciary Net Position - Ending	<u>33,244,477</u>	<u>31,019,529</u>
3. City's Net Pension Liability - Ending [Item 1(i)-2(i)]	4,283,180	6,869,839
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.6%	81.9%
5. Covered Payroll for Year (Estimated)	4,160,599	4,080,926
6. City's Net Pension Liability as a Percentage of Covered Payroll	102.9%	168.3%

Notes to schedule:

<sup>1</sup> The measurement date is December 31, nine months prior to the fiscal year end. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only available information is shown. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

<sup>2</sup> Determined from the total pension liability in the special study as of December 31, 2013 using the roll forward procedure allowed for GASB 68.

# CITY OF TEXARKANA, TEXAS

---

## REQUIRED SUPPLEMENTARY INFORMATION September 30, 2016

### TEXARKANA FIREFIGHTER'S RELIEF AND RETIREMENT

#### *SCHEDULE OF CITY CONTRIBUTIONS FOR LAST 10 FISCAL YEARS<sup>1</sup>*

<sup>1</sup> A schedule of City contributions is not required because the City contributions to the Fund are neither actuarially determined nor statutorily nor contractually established.

**This page intentionally left blank.**

---

## **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.

**Donation Fund** - This fund includes grant awards and donations given for community projects through the Texarkana, Texas Planning & Community Development Department. Programs funded from these grant awards and donations include: Texarkana, Texas Farmers Market, Believe in Beverly Campaign, City-Wide Cleanups and the Texarkana Arts & Historic District.

**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.

**TIRZ # 2 Fund** - This fund was established to help finance the cost of public improvements needed to promote developing or redeveloping a specific geographic area that would otherwise not attract significant private investment "but for" the Zone. Tax Increment Reinvestment Zones are regulated and monitored by the City and Chapter 311 of the Tax Code.

---

**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 Grant 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.

**NEA Grant Fund** - This fund was established to account for the activity related to the National Endowment for the Arts awarded to the City of Texarkana, Texas to support the Texarkana Perot Theatre Restoration and Art Park Project.

**COC Homeless Assistance Grant Fund** - This fund was established by the City of Texarkana, Texas in the partnership with the Texarkana Friendship Center, Inc. and the Randy Sam's Outreach Shelter to administer a comprehensive rapid-rehousing program for the homeless. This program serves 50 homeless clients per year, as well as their immediate family members all of whom will be housed in scatter site housing.

**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 7<sup>th</sup> 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.

**2009 Bond Fund** – This fund was established to accumulate bond proceeds and allocate project expenditures as presented in the bond issuance.

**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, 2016

	<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>	<i>Economic Development</i>
<b>ASSETS</b>						
Cash	\$ 217,832	46,019	299,038	227,098	259,510	1,331,835
Investments - certificates of deposit			403,779			
Receivables (net of allowance for uncollectible):						
Property taxes						
Other taxes				310,069		
Accounts				9,046		35,743
Other government agencies	65,978			586		
Accrued interest			465			
Loans	24,811	17,976			180,000	84,998
Due from other funds						
<b>TOTAL ASSETS</b>	<u>308,621</u>	<u>63,995</u>	<u>703,282</u>	<u>546,799</u>	<u>439,510</u>	<u>1,452,576</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts payable	230,795		18,478	31,035		4,160
Contracts payable						
Due to other funds	51,210					
Unearned revenue	24,811					
<b>TOTAL LIABILITIES</b>	<u>306,816</u>	<u>-</u>	<u>18,478</u>	<u>31,035</u>	<u>-</u>	<u>4,160</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - grants	65,978					
Unavailable revenue - other taxes				119,932		
Unavailable revenue - property taxes						
<b>TOTAL DEFERRED INFLOWS</b>	<u>65,978</u>	<u>-</u>	<u>-</u>	<u>119,932</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Noncurrent loans		15,595			179,100	75,775
Restricted		48,400		395,832	260,410	
Committed						1,372,641
Assigned			684,804			
Unassigned	(64,173)					
<b>TOTAL FUND BALANCE</b>	<u>(64,173)</u>	<u>63,995</u>	<u>684,804</u>	<u>395,832</u>	<u>439,510</u>	<u>1,448,416</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>308,621</u>	<u>63,995</u>	<u>703,282</u>	<u>546,799</u>	<u>439,510</u>	<u>1,452,576</u>

*Special Revenue Funds*

<i>Law Enforcement Block Grant</i>	<i>Law Enforcement Programs</i>	<i>Brownfield Grant</i>	<i>Donation</i>	<i>TIRZ #1</i>	<i>TIRZ #2</i>	<i>Rotary Splash Park</i>	<i>CDBG Revolving Loans</i>	<i>Supportive Housing Grant</i>
15,052	25,664		9,764	875,030	3	350	112,741	
				659,129				
							97,195	
<u>15,052</u>	<u>25,664</u>	<u>-</u>	<u>9,764</u>	<u>1,534,159</u>	<u>3</u>	<u>350</u>	<u>209,936</u>	<u>-</u>
1,042								
		74,368		33,375				4,719
<u>1,042</u>	<u>-</u>	<u>74,368</u>	<u>-</u>	<u>33,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,719</u>
				657,247				
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>657,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
14,010	25,664		9,764			350	82,597	
				843,537	3			
		(74,368)					127,339	(4,719)
<u>14,010</u>	<u>25,664</u>	<u>(74,368)</u>	<u>9,764</u>	<u>843,537</u>	<u>3</u>	<u>350</u>	<u>209,936</u>	<u>(4,719)</u>
<u>15,052</u>	<u>25,664</u>	<u>-</u>	<u>9,764</u>	<u>1,534,159</u>	<u>3</u>	<u>350</u>	<u>209,936</u>	<u>-</u>

(Continued)

# CITY OF TEXARKANA, TEXAS

## BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS September 30, 2016

	<i>Special Revenue Funds</i>					
	<i>NEA Grant</i>	<i>COC Homeless Assistance Grant</i>	<i>EPA Petroleum Grant</i>	<i>EPA Job Training Grant</i>	<i>EPA Revolving Loan Grant</i>	<i>EPA Multipurpose Grant</i>
<b>ASSETS</b>						
Cash	13	18,719			400	(110)
Investments - certificates of deposit						
Receivables (net of allowance for uncollectible):						
Property taxes						
Other taxes						
Accounts						
Other government agencies		25,671			2,817	59,725
Accrued interest						
Loans						
Due from other funds						
<b>TOTAL ASSETS</b>	<u>13</u>	<u>44,390</u>	<u>-</u>	<u>-</u>	<u>3,217</u>	<u>59,615</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts payable		3,180			2,326	57,125
Contracts payable						
Due to other funds	13	41,210	217		4,874	2,237
Unearned revenue						
<b>TOTAL LIABILITIES</b>	<u>13</u>	<u>44,390</u>	<u>217</u>	<u>-</u>	<u>7,200</u>	<u>59,362</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - grants		25,671				
Unavailable revenue - property taxes						
<b>TOTAL DEFERRED INFLOWS</b>	<u>-</u>	<u>25,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Noncurrent loans						
Restricted						253
Committed						
Assigned						
Unassigned		(25,671)	(217)		(3,983)	
<b>TOTAL FUND BALANCE</b>	<u>-</u>	<u>(25,671)</u>	<u>(217)</u>	<u>-</u>	<u>(3,983)</u>	<u>253</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>13</u>	<u>44,390</u>	<u>-</u>	<u>-</u>	<u>3,217</u>	<u>59,615</u>

**Capital Project Funds**

<i>Total Special Revenue</i>	<i>2003 Bond</i>	<i>2005 Bond</i>	<i>2009 Bond</i>	<i>TIRZ Bond</i>	<i>Total Capital Projects</i>	<i>Total Nonmajor Governmental Fund</i>
3,438,958	4,070	512,914	1,025	1,904,254	2,422,263	5,861,221
403,779					-	403,779
659,129					-	659,129
310,069					-	310,069
44,789					-	44,789
154,777					-	154,777
465					-	465
404,980					-	404,980
-			73		73	73
<u>5,416,946</u>	<u>4,070</u>	<u>512,914</u>	<u>1,098</u>	<u>1,904,254</u>	<u>2,422,336</u>	<u>7,839,282</u>
348,141					-	348,141
-					-	-
212,223					-	212,223
24,811					-	24,811
<u>585,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>585,175</u>
91,649					-	91,649
119,932					-	119,932
657,247					-	657,247
<u>868,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>868,828</u>
353,067					-	353,067
754,683	4,070	512,914	1,098	1,904,254	2,422,336	3,177,019
1,372,641					-	1,372,641
1,528,344					-	1,528,344
(45,792)					-	(45,792)
<u>3,962,943</u>	<u>4,070</u>	<u>512,914</u>	<u>1,098</u>	<u>1,904,254</u>	<u>2,422,336</u>	<u>6,385,279</u>
<u>5,416,946</u>	<u>4,070</u>	<u>512,914</u>	<u>1,098</u>	<u>1,904,254</u>	<u>2,422,336</u>	<u>7,839,282</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, 2016

	<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>	<i>Economic Development</i>
<b>REVENUES:</b>						
Property taxes						
Taxes-other				1,387,313		
Franchise receipts						339,791
Charges for services			65,509			
Grants and entitlements	156,559					
Investment earnings:						
Interest and dividends		149	4,442	698	856	10,378
Intergovernmental						
Other		690		6,423	900	
Total revenues	<u>156,559</u>	<u>839</u>	<u>69,951</u>	<u>1,394,434</u>	<u>1,756</u>	<u>350,169</u>
<b>EXPENDITURES:</b>						
Current:						
General government						156,650
Public safety						
Parks and recreation			300,285	396,277		
Health and welfare	438,429					
Capital outlay			4,108			
Total expenditures	<u>438,429</u>	<u>-</u>	<u>304,393</u>	<u>396,277</u>	<u>-</u>	<u>156,650</u>
Excess (deficiency) of revenues over expenditures	<u>(281,870)</u>	<u>839</u>	<u>(234,442)</u>	<u>998,157</u>	<u>1,756</u>	<u>193,519</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	217,697		272,397	78,835		
Transfers out			(1,335)	(835,228)		(78,231)
Total other financing sources (uses)	<u>217,697</u>	<u>-</u>	<u>271,062</u>	<u>(756,393)</u>	<u>-</u>	<u>(78,231)</u>
Net change in fund balances	(64,173)	839	36,620	241,764	1,756	115,288
Fund balances at beginning of year	-	63,156	648,184	154,068	437,754	1,333,128
Fund balances at end of year	<u>(64,173)</u>	<u>63,995</u>	<u>684,804</u>	<u>395,832</u>	<u>439,510</u>	<u>1,448,416</u>

*Special Revenue Funds*

<i>Law Enforcement Block Grant</i>	<i>Law Enforcement Programs</i>	<i>Brownfield Grant</i>	<i>Donations</i>	<i>TIRZ #1</i>	<i>TIRZ #2</i>	<i>Rotary Splash Park</i>	<i>CDBG Revolving Loans</i>	<i>Supportive Housing Grant</i>
				395,978				
29,608		3,346						
6	68 7,210		34	2,219 258,123	3	4	3,957	
<u>29,614</u>	<u>7,278</u>	<u>3,346</u>	<u>13,111</u> <u>13,145</u>	<u>656,320</u>	<u>3</u>	<u>4</u>	<u>3,957</u>	<u>-</u>
				211				
15,689	400	4,913						
			4,794 3,176			16,825		
<u>15,689</u>	<u>400</u>	<u>4,913</u>	<u>7,970</u>	<u>211</u>	<u>-</u>	<u>16,825</u>	<u>-</u>	<u>-</u>
<u>13,925</u>	<u>6,878</u>	<u>(1,567)</u>	<u>5,175</u>	<u>656,109</u>	<u>3</u>	<u>(16,821)</u>	<u>3,957</u>	<u>-</u>
		1,317						11,534
<u>-</u>	<u>-</u>	<u>1,317</u>	<u>-</u>	<u>(267,238)</u> <u>(267,238)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,534</u>
13,925	6,878	(250)	5,175	388,871	3	(16,821)	3,957	11,534
85	18,786	(74,118)	4,589	454,666	-	17,171	205,979	(16,253)
<u>14,010</u>	<u>25,664</u>	<u>(74,368)</u>	<u>9,764</u>	<u>843,537</u>	<u>3</u>	<u>350</u>	<u>209,936</u>	<u>(4,719)</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, 2016

	<i>Special Revenue Funds</i>					
	<i>COC</i>		<i>EPA</i>	<i>EPA</i>		
	<i>NEA</i>	<i>Homeless</i>	<i>EPA</i>	<i>Job</i>	<i>EPA</i>	
	<i>Grant</i>	<i>Assistance</i>	<i>Petroleum</i>	<i>Training</i>	<i>Revolving</i>	<i>EPA</i>
	<i>Grant</i>	<i>Grant</i>	<i>Grant</i>	<i>Grant</i>	<i>Loan</i>	<i>Multipurpose</i>
	<i>Grant</i>	<i>Grant</i>	<i>Grant</i>	<i>Grant</i>	<i>Grant</i>	<i>Grant</i>
<b>REVENUES:</b>						
Property taxes						
Taxes-other						
Franchise receipts						
Charges for services						
Grants and entitlements						
Investment earnings:						
Interest and dividends						
Intergovernmental		452,701	69,169		8,474	81,050
Other						
Total revenues	-	452,701	69,169	-	8,474	81,050
<b>EXPENDITURES:</b>						
Current:						
General government						
Public safety						
Parks and recreation	14,794					
Health and welfare		524,485	68,769		23,854	122,462
Capital outlay						
Total expenditures	14,794	524,485	68,769	-	23,854	122,462
Excess (deficiency) of revenues over expenditures	(14,794)	(71,784)	400	-	(15,380)	(41,412)
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	14,794	46,113			15,164	30,926
Transfers out				(1,971)		(30)
Total other financing sources (uses)	14,794	46,113	-	(1,971)	15,164	30,896
Net change in fund balances	-	(25,671)	400	(1,971)	(216)	(10,516)
Fund balances at beginning of year	-	-	(617)	1,971	(3,767)	10,769
Fund balances at end of year	-	(25,671)	(217)	-	(3,983)	253

**Capital Projects Funds**

<b>Total Special Revenue</b>	<b>2003 Bond</b>	<b>2005 Bond</b>	<b>2009 Bond</b>	<b>TIRZ Bond</b>	<b>Total Capital Projects</b>	<b>Total Nonmajor Governmental Fund</b>
395,978					-	395,978
1,387,313					-	1,387,313
339,791					-	339,791
65,509					-	65,509
189,513					-	189,513
22,814	472	1,991	74	5,728	8,265	31,079
876,727					-	876,727
21,124			32,292		32,292	53,416
<u>3,298,769</u>	<u>472</u>	<u>1,991</u>	<u>32,366</u>	<u>5,728</u>	<u>40,557</u>	<u>3,339,326</u>
156,861					-	156,861
21,002					-	21,002
711,356					-	711,356
1,182,793					-	1,182,793
24,109	178,475	215,190			393,665	417,774
<u>2,096,121</u>	<u>178,475</u>	<u>215,190</u>	<u>-</u>	<u>-</u>	<u>393,665</u>	<u>2,489,786</u>
<u>1,202,648</u>	<u>(178,003)</u>	<u>(213,199)</u>	<u>32,366</u>	<u>5,728</u>	<u>(353,108)</u>	<u>849,540</u>
688,777					-	688,777
(1,184,033)					-	(1,184,033)
<u>(495,256)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(495,256)</u>
707,392	(178,003)	(213,199)	32,366	5,728	(353,108)	354,284
<u>3,255,551</u>	<u>182,073</u>	<u>726,113</u>	<u>(31,268)</u>	<u>1,898,526</u>	<u>2,775,444</u>	<u>6,030,995</u>
<u>3,962,943</u>	<u>4,070</u>	<u>512,914</u>	<u>1,098</u>	<u>1,904,254</u>	<u>2,422,336</u>	<u>6,385,279</u> (concluded)

# CITY OF TEXARKANA, TEXAS

---

**HOUSING AND COMMUNITY DEVELOPMENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Grants and entitlements	\$ 423,129	423,129	156,559	(266,570)
Total revenues	<u>423,129</u>	<u>423,129</u>	<u>156,559</u>	<u>(266,570)</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	423,129	423,129	438,429	(15,300)
Total expenditures	<u>423,129</u>	<u>423,129</u>	<u>438,429</u>	<u>(15,300)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(281,870)</u>	<u>(281,870)</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in			217,697	217,697
Total other financing sources/uses	<u>-</u>	<u>-</u>	<u>217,697</u>	<u>217,697</u>
Net change in fund balances	-	-	(64,173)	(64,173)
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>-</u>	<u>(64,173)</u>	<u>(64,173)</u>

# CITY OF TEXARKANA, TEXAS

---

## HOME FUND

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

#### BUDGET AND ACTUAL

For the Year Ended September 30, 2016

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Grants and entitlements	\$ 61,997	18,147	-	(18,147)
Investment earnings:				
Interest	-	140	149	9
Other			690	690
Total revenues	<u>61,997</u>	<u>18,287</u>	<u>839</u>	<u>(17,448)</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	<u>81,443</u>	<u>81,443</u>	<u>-</u>	<u>81,443</u>
Total expenditures	<u>81,443</u>	<u>81,443</u>	<u>-</u>	<u>81,443</u>
Net change in fund balances	(19,446)	(63,156)	839	63,995
Fund balances at beginning of year	<u>63,156</u>	<u>63,156</u>	<u>63,156</u>	<u>-</u>
Fund balances at end of year	<u>\$ 43,710</u>	<u>-</u>	<u>63,995</u>	<u>63,995</u>

# CITY OF TEXARKANA, TEXAS

**THEATRE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Charges for services	\$ 65,000	65,000	65,509	509
Investment earnings:				
Interest and dividends	3,400	3,750	4,442	692
Total revenues	<u>68,400</u>	<u>68,750</u>	<u>69,951</u>	<u>1,201</u>
<b>EXPENDITURES:</b>				
Current:				
Parks and recreation	332,697	336,707	300,285	36,422
Capital outlay	50,000	45,000	4,108	40,892
Total expenditures	<u>382,697</u>	<u>381,707</u>	<u>304,393</u>	<u>77,314</u>
Excess (deficiency) of revenues over expenditures	<u>(314,297)</u>	<u>(312,957)</u>	<u>(234,442)</u>	<u>78,515</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	272,397	272,397	272,397	-
Transfers out	<u>(1,335)</u>	<u>(1,335)</u>	<u>(1,335)</u>	-
Total other financing sources/uses	<u>271,062</u>	<u>271,062</u>	<u>271,062</u>	-
Net change in fund balances	(43,235)	(41,895)	36,620	78,515
Fund balances at beginning of year	<u>648,184</u>	<u>648,184</u>	<u>648,184</u>	-
Fund balances at end of year	<u>\$ 604,949</u>	<u>606,289</u>	<u>684,804</u>	<u>78,515</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, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Taxes-other	\$ 1,094,000	1,281,018	1,387,313	106,295
Investment earnings:				
Interest and dividends	500	985	698	(287)
Other	10,525	1,337	6,423	5,086
Total revenues	<u>1,105,025</u>	<u>1,283,340</u>	<u>1,394,434</u>	<u>111,094</u>
<b>EXPENDITURES:</b>				
Current:				
Parks and recreation	343,935	369,043	396,277	(27,234)
Total expenditures	<u>343,935</u>	<u>369,043</u>	<u>396,277</u>	<u>(27,234)</u>
Excess of revenues over expenditures	<u>761,090</u>	<u>914,297</u>	<u>998,157</u>	<u>83,860</u>
<b>OTHER FINANCING USES:</b>				
Transfers in	78,835	78,835	78,835	-
Transfers out	<u>(835,228)</u>	<u>(835,228)</u>	<u>(835,228)</u>	-
Total other financing uses	<u>(756,393)</u>	<u>(756,393)</u>	<u>(756,393)</u>	-
Net change in fund balances	4,697	157,904	241,764	83,860
Fund balances at beginning of year	<u>154,068</u>	<u>154,068</u>	<u>154,068</u>	-
Fund balances at end of year	<u>\$ 158,765</u>	<u>311,972</u>	<u>395,832</u>	<u>83,860</u>

# CITY OF TEXARKANA, TEXAS

---

**HOUSING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Investment earnings:				
Interest and dividends	\$ 850	825	856	31
Other			900	900
Total revenues	<u>850</u>	<u>825</u>	<u>1,756</u>	<u>931</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	<u>437,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>437,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(436,150)</u>	<u>825</u>	<u>1,756</u>	<u>931</u>
Net change in fund balances	(436,150)	825	1,756	931
Fund balances at beginning of year	<u>437,754</u>	<u>437,754</u>	<u>437,754</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,604</u>	<u>438,579</u>	<u>439,510</u>	<u>931</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, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Franchise receipts	\$ 380,000	343,000	339,791	(3,209)
Investment earnings:				
Interest and dividends	8,000	7,500	10,378	2,878
Total revenues	<u>388,000</u>	<u>350,500</u>	<u>350,169</u>	<u>(331)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	389,053	337,181	156,650	180,531
Total expenditures	<u>389,053</u>	<u>337,181</u>	<u>156,650</u>	<u>180,531</u>
Excess (deficiency) of revenues over expenditures	<u>(1,053)</u>	<u>13,319</u>	<u>193,519</u>	<u>180,200</u>
<b>OTHER FINANCING USES:</b>				
Transfers out	(547)	(78,231)	(78,231)	-
Total other financing uses	<u>(547)</u>	<u>(78,231)</u>	<u>(78,231)</u>	<u>-</u>
Net change in fund balances	(1,600)	(64,912)	115,288	180,200
Fund balances at beginning of year	<u>1,333,128</u>	<u>1,333,128</u>	<u>1,333,128</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,331,528</u>	<u>1,268,216</u>	<u>1,448,416</u>	<u>180,200</u>

# CITY OF TEXARKANA, TEXAS

---

**LAW ENFORCEMENT BLOCK GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Grants and entitlements	\$ 29,608	29,608	29,608	-
Investment earnings:				-
Interest and dividends	5	-	6	6
Total revenues	<u>29,613</u>	<u>29,608</u>	<u>29,614</u>	<u>6</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	20,624	20,624	15,689	4,935
Capital outlay	<u>8,984</u>	<u>9,069</u>	<u>-</u>	<u>9,069</u>
Total expenditures	<u>29,608</u>	<u>29,693</u>	<u>15,689</u>	<u>14,004</u>
Net change in fund balances	5	(85)	13,925	14,010
Fund balances at beginning of year	<u>85</u>	<u>85</u>	<u>85</u>	<u>-</u>
Fund balances at end of year	<u>\$ 90</u>	<u>-</u>	<u>14,010</u>	<u>14,010</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, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Investment earnings:				
Interest and dividends	\$ 50	60	68	8
Intergovernmental	7,000	7,210	7,210	-
Total revenues	<u>7,050</u>	<u>7,270</u>	<u>7,278</u>	<u>8</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	7,000	7,000	400	6,600
Total expenditures	<u>7,000</u>	<u>7,000</u>	<u>400</u>	<u>6,600</u>
Net change in fund balances	50	270	6,878	6,608
Fund balances at beginning of year	<u>18,786</u>	<u>18,786</u>	<u>18,786</u>	<u>-</u>
Fund balances at end of year	<u>\$ 18,836</u>	<u>19,056</u>	<u>25,664</u>	<u>6,608</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, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Grants and entitlements	\$ 73,272	3,346	3,346	-
Total revenues	<u>73,272</u>	<u>3,346</u>	<u>3,346</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	<u>73,272</u>	<u>4,913</u>	<u>4,913</u>	<u>-</u>
Total expenditures	<u>73,272</u>	<u>4,913</u>	<u>4,913</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(1,567)</u>	<u>(1,567)</u>	<u>-</u>
<b>OTHER FINANCING USES:</b>				
Transfers in	<u>-</u>	<u>75,685</u>	<u>1,317</u>	<u>(74,368)</u>
Total other financing uses	<u>-</u>	<u>75,685</u>	<u>1,317</u>	<u>(74,368)</u>
Net change in fund balances	-	74,118	(250)	(74,368)
Fund balances at beginning of year	<u>(74,118)</u>	<u>(74,118)</u>	<u>(74,118)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (74,118)</u>	<u>-</u>	<u>(74,368)</u>	<u>(74,368)</u>

# CITY OF TEXARKANA, TEXAS

---

**DONATIONS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Investment earnings:				
Interest	\$ -	30	34	4
Other	30,000	30,000	13,111	(16,889)
Total revenues	<u>30,000</u>	<u>30,030</u>	<u>13,145</u>	<u>(16,885)</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	30,000	29,750	4,794	24,956
Capital outlay		250	3,176	(2,926)
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>7,970</u>	<u>22,030</u>
Net change in fund balances	-	30	5,175	5,145
Fund balances at beginning of year	<u>4,589</u>	<u>4,589</u>	<u>4,589</u>	-
Fund balances at end of year	<u>\$ 4,589</u>	<u>4,619</u>	<u>9,764</u>	<u>5,145</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, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Property taxes	\$ 425,077	421,452	395,978	(25,474)
Intergovernmental	275,000	258,123	258,123	-
Investment earnings:				
Interest and dividends	1,750	2,000	2,219	219
Total revenues	<u>701,827</u>	<u>681,575</u>	<u>656,320</u>	<u>(25,255)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	300	500	211	289
Total expenditures	<u>300</u>	<u>500</u>	<u>211</u>	<u>289</u>
Excess of revenues over expenditures	<u>701,527</u>	<u>681,075</u>	<u>656,109</u>	<u>(24,966)</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers out	(267,238)	(267,238)	(267,238)	-
Total other financing sources/uses	<u>(267,238)</u>	<u>(267,238)</u>	<u>(267,238)</u>	<u>-</u>
Net change in fund balances	434,289	413,837	388,871	(24,966)
Fund balances at beginning of year	<u>454,666</u>	<u>454,666</u>	<u>454,666</u>	<u>-</u>
Fund balances at end of year	<u>\$ 888,955</u>	<u>868,503</u>	<u>843,537</u>	<u>(24,966)</u>

# CITY OF TEXARKANA, TEXAS

---

## TIRZ #2 FUND

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

#### BUDGET AND ACTUAL

For the Year Ended September 30, 2016

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Investment earnings:				
Interest and dividends			3	3
Other	\$ 5,000	-		-
Total revenues	<u>5,000</u>	<u>-</u>	<u>3</u>	<u>3</u>
<b>EXPENDITURES:</b>				
General government	-	-		-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,000	-	3	3
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	<u>\$ 5,000</u>	<u>-</u>	<u>3</u>	<u>3</u>

# CITY OF TEXARKANA, TEXAS

---

**ROTARY SPLASH PARK FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Investment earnings:				
Interest and dividends	\$ -	4	4	-
Other	30,000	-		-
Total revenues	<u>30,000</u>	<u>4</u>	<u>4</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Capital outlay	30,080	16,825	16,825	-
Total expenditures	<u>30,080</u>	<u>16,825</u>	<u>16,825</u>	<u>-</u>
Net change in fund balances	(80)	(16,821)	(16,821)	-
Fund balances at beginning of year	<u>17,171</u>	<u>17,171</u>	<u>17,171</u>	<u>-</u>
Fund balances at end of year	<u>\$ 17,091</u>	<u>350</u>	<u>350</u>	<u>-</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, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Investment earnings:				
Interest	\$ 5,000	4,100	3,957	(143)
Total revenues	<u>5,000</u>	<u>4,100</u>	<u>3,957</u>	<u>(143)</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	500	500	-	500
Total expenditures	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Net change in fund balances	4,500	3,600	3,957	357
Fund balances at beginning of year	<u>205,979</u>	<u>205,979</u>	<u>205,979</u>	<u>-</u>
Fund balances at end of year	<u>\$ 210,479</u>	<u>209,579</u>	<u>209,936</u>	<u>357</u>

# CITY OF TEXARKANA, TEXAS

---

**SUPPORTIVE HOUSING GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Other	\$ -	4,719		(4,719)
Total revenues	-	4,719	-	(4,719)
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	4,719	-	(4,719)
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	-	11,534	11,534	-
Total other financing sources/uses	-	11,534	11,534	-
Net change in fund balances	-	16,253	11,534	(4,719)
Fund balances at beginning of year	(16,253)	(16,253)	(16,253)	-
Fund balances at end of year	\$ (16,253)	-	(4,719)	(4,719)

# CITY OF TEXARKANA, TEXAS

---

**NEA GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Intergovernmental	\$ -	91,235		(91,235)
Total revenues	<u>-</u>	<u>91,235</u>	<u>-</u>	<u>(91,235)</u>
<b>EXPENDITURES:</b>				
Current:				
Parks and recreation	-	100,000	14,794	85,206
Total expenditures	<u>-</u>	<u>100,000</u>	<u>14,794</u>	<u>85,206</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(8,765)</u>	<u>(14,794)</u>	<u>(6,029)</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	-	8,765	14,794	6,029
Total other financing sources/uses	<u>-</u>	<u>8,765</u>	<u>14,794</u>	<u>6,029</u>
Net change in fund balances	-	-	-	-
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

# CITY OF TEXARKANA, TEXAS

**COC HOMELESS ASSISTANCE GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Intergovernmental	\$ 327,241	394,335	452,701	58,366
Total revenues	<u>327,241</u>	<u>394,335</u>	<u>452,701</u>	<u>58,366</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	<u>327,241</u>	<u>418,835</u>	<u>524,485</u>	<u>(105,650)</u>
Total expenditures	<u>327,241</u>	<u>418,835</u>	<u>524,485</u>	<u>(105,650)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(24,500)</u>	<u>(71,784)</u>	<u>(47,284)</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	<u>-</u>	<u>24,500</u>	<u>46,113</u>	<u>21,613</u>
Total other financing sources/uses	<u>-</u>	<u>24,500</u>	<u>46,113</u>	<u>21,613</u>
Net change in fund balances	-	-	(25,671)	(25,671)
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>-</u>	<u>(25,671)</u>	<u>(25,671)</u>

# CITY OF TEXARKANA, TEXAS

---

**EPA PETROLEUM GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Intergovernmental	\$ 3,311	63,892	69,169	5,277
Total revenues	<u>3,311</u>	<u>63,892</u>	<u>69,169</u>	<u>5,277</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	3,311	63,479	68,769	(5,290)
Total expenditures	<u>3,311</u>	<u>63,479</u>	<u>68,769</u>	<u>(5,290)</u>
Excess of revenues over expenditures	<u>-</u>	<u>413</u>	<u>400</u>	<u>(13)</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	-	204	-	(204)
Total other financing sources/uses	<u>-</u>	<u>204</u>	<u>-</u>	<u>(204)</u>
Net change in fund balances	-	617	400	(217)
Fund balances at beginning of year	<u>(617)</u>	<u>(617)</u>	<u>(617)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (617)</u>	<u>-</u>	<u>(217)</u>	<u>(217)</u>

# CITY OF TEXARKANA, TEXAS

---

**EPA JOB TRAINING GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Intergovernmental	\$ -	-	-	-
Total revenues	-	-	-	-
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers out	-	(1,971)	(1,971)	-
Total other financing sources/uses	-	(1,971)	(1,971)	-
Net change in fund balances	-	(1,971)	(1,971)	-
Fund balances at beginning of year	1,971	1,971	1,971	-
Fund balances at end of year	\$ 1,971	-	-	-

# CITY OF TEXARKANA, TEXAS

**EPA REVOLVING LOAN GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Intergovernmental	\$ 829,459	817,726	8,474	(809,252)
Total revenues	<u>829,459</u>	<u>817,726</u>	<u>8,474</u>	<u>(809,252)</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	826,459	826,459	23,854	802,605
Capital outlay	<u>3,000</u>	<u>3,000</u>		<u>3,000</u>
Total expenditures	<u>829,459</u>	<u>829,459</u>	<u>23,854</u>	<u>805,605</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(11,733)</u>	<u>(15,380)</u>	<u>(3,647)</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	<u>-</u>	<u>15,500</u>	<u>15,164</u>	<u>(336)</u>
Total other financing sources/uses	<u>-</u>	<u>15,500</u>	<u>15,164</u>	<u>(336)</u>
Net change in fund balances	-	3,767	(216)	(3,983)
Fund balances at beginning of year	<u>(3,767)</u>	<u>(3,767)</u>	<u>(3,767)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (3,767)</u>	<u>-</u>	<u>(3,983)</u>	<u>(3,983)</u>

# CITY OF TEXARKANA, TEXAS

**EPA MULTIPURPOSE GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2016**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Intergovernmental	\$ 145,250	261,750	81,050	(180,700)
Total revenues	<u>145,250</u>	<u>261,750</u>	<u>81,050</u>	<u>(180,700)</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	145,250	312,519	122,462	190,057
Total expenditures	<u>145,250</u>	<u>312,519</u>	<u>122,462</u>	<u>190,057</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(50,769)</u>	<u>(41,412)</u>	<u>9,357</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	-	40,000	30,926	(9,074)
Transfers out	-	-	(30)	(30)
Total other financing sources/uses	<u>-</u>	<u>40,000</u>	<u>30,896</u>	<u>(9,104)</u>
Net change in fund balances	-	(10,769)	(10,516)	253
Fund balances at beginning of year	<u>10,769</u>	<u>10,769</u>	<u>10,769</u>	<u>-</u>
Fund balances at end of year	<u>\$ 10,769</u>	<u>-</u>	<u>253</u>	<u>253</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, 2016

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
<b>ASSETS</b>			
Current assets:			
Cash	\$ -	14,858	14,858
Receivables (net of allowance for uncollectible):			
Accounts	2,000	118,624	120,624
Due from other funds	64,742		64,742
Total current assets	<u>66,742</u>	<u>133,482</u>	<u>200,224</u>
Noncurrent assets:			
Restricted assets:			
Cash	268,382	98,397	366,779
Investments - certificates of deposit	600,000		600,000
Accounts receivable		205,379	205,379
Accrued interest	568		568
Total noncurrent assets	<u>868,950</u>	<u>303,776</u>	<u>1,172,726</u>
<b>TOTAL ASSETS</b>	<u>935,692</u>	<u>437,258</u>	<u>1,372,950</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable		98,202	98,202
Accrued liabilities		5,381	5,381
Due to other funds		87,495	87,495
Total current liabilities	<u>-</u>	<u>191,078</u>	<u>191,078</u>
Noncurrent liabilities:			
Capital improvement deposits	935,692	246,180	1,181,872
Total noncurrent liabilities	<u>935,692</u>	<u>246,180</u>	<u>1,181,872</u>
<b>TOTAL LIABILITIES</b>	<u>935,692</u>	<u>437,258</u>	<u>1,372,950</u>
<b>NET POSITION</b>			
Unrestricted			-
<b>TOTAL NET POSITION</b>	<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, 2016

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
<b>OPERATING REVENUES</b>			
Water sales	\$ -	1,093,346	1,093,346
Total operating revenues	<u>-</u>	<u>1,093,346</u>	<u>1,093,346</u>
<b>OPERATING EXPENSES</b>			
Contract water & sewer expense-International Paper		1,093,923	1,093,923
Total operating expense	<u>-</u>	<u>1,093,923</u>	<u>1,093,923</u>
Operating income (loss)	<u>-</u>	<u>(577)</u>	<u>(577)</u>
<b>NONOPERATING REVENUES</b>			
Interest revenue - investments		577	577
Total nonoperating revenues	<u>-</u>	<u>577</u>	<u>577</u>
Income before contributions	-	-	-
Capital contributions	<u>-</u>	<u>-</u>	<u>-</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, 2016

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ -	940,164	940,164
Cash paid to suppliers		(986,126)	(986,126)
Cash paid to employees		(109,796)	(109,796)
Net cash provided (used) from operating activities	<u>-</u>	<u>(155,758)</u>	<u>(155,758)</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(908,539)		(908,539)
Capital improvement deposits received	928,844		928,844
Interest received on capital improvement deposits	2,550		2,550
Net cash used from capital and related financing activities	<u>22,855</u>	<u>-</u>	<u>22,855</u>
<b>Cash flows from investing activities:</b>			
Purchase of investments	(600,570)		(600,570)
Interest received on investments		577	577
Net cash provided from investing activities	<u>(600,570)</u>	<u>577</u>	<u>(599,993)</u>
Net increase (decrease) in cash	(577,715)	(155,181)	(732,896)
Cash, beginning of year	<u>846,097</u>	<u>268,436</u>	<u>1,114,533</u>
Cash, end of year	<u>\$ 268,382</u>	<u>113,255</u>	<u>381,637</u>

# CITY OF TEXARKANA, TEXAS

---

## COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended September 30, 2016

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
<b><u>Reconciliation of operating income to net cash provided by operating activities</u></b>			
Operating income (loss)	\$ -	(577)	(577)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
(Increase) decrease in assets:			
Accounts receivable		(153,182)	(153,182)
Increase (decrease) in liabilities:			
Accounts payable		39,586	39,586
Accrued liabilities		1,250	1,250
Due to other funds		(42,835)	(42,835)
Total adjustments	<u>-</u>	<u>(155,181)</u>	<u>(155,181)</u>
Net cash provided from operating activities	<u>\$ -</u>	<u>(155,758)</u>	<u>(155,758)</u>

**This page intentionally left blank.**

---

## **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, 2016

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 2,603,596	431,024	3,034,620
Receivables (net of allowance for uncollectible):			
Accounts	233,240	12,660	245,900
Other government agencies	622		622
Inventory		26,121	26,121
<b>Total current assets</b>	<b>2,837,458</b>	<b>469,805</b>	<b>3,307,263</b>
Noncurrent assets:			
Capital assets (net of accumulated depreciation)			
Buildings		72,084	72,084
Improvements other than buildings		15,564	15,564
Machinery and equipment		19,142	19,142
Licensed vehicles		22,026	22,026
<b>Total capital assets (net of accumulated depreciation)</b>	<b>-</b>	<b>128,816</b>	<b>128,816</b>
<b>TOTAL ASSETS</b>	<b>2,837,458</b>	<b>598,621</b>	<b>3,436,079</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	368,528	38,803	407,331
Accrued payroll		10,588	10,588
<b>TOTAL LIABILITIES</b>	<b>368,528</b>	<b>49,391</b>	<b>417,919</b>
<b>NET POSITION</b>			
Net invested in capital assets		128,816	128,816
Unrestricted	2,468,930	420,414	2,889,344
<b>TOTAL NET POSITION</b>	<b>\$ 2,468,930</b>	<b>549,230</b>	<b>3,018,160</b>

# CITY OF TEXARKANA, TEXAS

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

### INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2016

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 5,777,177	143,520	5,920,697
Other	482	4,039	4,521
Total revenues	<u>5,777,659</u>	<u>147,559</u>	<u>5,925,218</u>
<b>OPERATING EXPENSES</b>			
Benefit payments	4,955,903		4,955,903
Cost of sales and service		1,170,713	1,170,713
Depreciation		18,766	18,766
Total expenditures	<u>4,955,903</u>	<u>1,189,479</u>	<u>6,145,382</u>
Operating income (loss)	<u>821,756</u>	<u>(1,041,920)</u>	<u>(220,164)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	7,220	2,167	9,387
Total nonoperating revenues (expenses)	<u>7,220</u>	<u>2,167</u>	<u>9,387</u>
Income (loss) before transfers	828,976	(1,039,753)	(210,777)
Transfers in		1,027,097	1,027,097
Transfers out		<u>(2,026)</u>	<u>(2,026)</u>
Change in net position	828,976	(14,682)	814,294
Total net position - beginning	<u>1,639,954</u>	<u>563,912</u>	<u>2,203,866</u>
Total net position - ending	<u>\$ 2,468,930</u>	<u>549,230</u>	<u>3,018,160</u>

# CITY OF TEXARKANA, TEXAS

## COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended September 30, 2016

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
<b>Cash flows from operating activities:</b>			
Cash received from users	\$ 1,964,141		1,964,141
Cash received from interfund services provided and used	4,162,152	1,161,997	5,324,149
Cash paid to suppliers	(5,637,884)	(909,918)	(6,547,802)
Cash paid to employees		(260,686)	(260,686)
Net cash provided from operating activities	<u>488,409</u>	<u>(8,607)</u>	<u>479,802</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers to other funds		(2,026)	(2,026)
Net cash provided (used) from noncapital financing activities	<u>-</u>	<u>(2,026)</u>	<u>(2,026)</u>
<b>Cash flows from investing activities:</b>			
Interest received from investment	7,220	2,167	9,387
Net cash provided from investing activities	<u>7,220</u>	<u>2,167</u>	<u>9,387</u>
Net increase in cash	495,629	(8,466)	487,163
Cash at beginning of year	2,107,967	439,490	2,547,457
Cash at end of year	<u>2,603,596</u>	<u>431,024</u>	<u>3,034,620</u>
<b><u>Reconciliation of Operating Income to Net Cash</u></b>			
<b><u>Provided by Operating Activities</u></b>			
Operating income (loss)	821,756	(1,041,920)	(220,164)
<b>Adjustments to Reconcile Operating Income to Net Cash</b>			
<b>Provided by Operating Activities</b>			
Depreciation		18,766	18,766
Transfers from other funds		1,027,097	1,027,097
<b>(Increase) decrease in assets:</b>			
Accounts receivable	306,322	(12,660)	293,662
Due from other government agencies	42,312		42,312
Inventory		(9,221)	(9,221)
<b>Increase (decrease) in liabilities:</b>			
Accrued liabilities	(681,981)	7,673	(674,308)
Accrued payroll		1,650	1,650
Due to other funds		8	8
Total adjustments	<u>(333,347)</u>	<u>1,033,313</u>	<u>699,966</u>
Net cash provided by operating activities	<u>\$ 488,409</u>	<u>(8,607)</u>	<u>479,802</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, 2016

	<i>Balance October 1, 2015</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance September 30, 2016</i>
<b>POLICE EVIDENCE FUND</b>				
<b>Assets</b>				
Cash	\$ 16,830	51	(51)	16,830
<b>Total Assets</b>	<u>16,830</u>	<u>51</u>	<u>(51)</u>	<u>16,830</u>
<b>Liabilities</b>				
Escrow Deposits	16,830			16,830
<b>Total Liabilities</b>	<u>16,830</u>	<u>-</u>	<u>-</u>	<u>16,830</u>
<b>Net position</b>	<u>-</u>	<u>51</u>	<u>(51)</u>	<u>-</u>
<b>DRUG ENFORCEMENT ESCROW FUND</b>				
<b>Assets</b>				
Cash	78,398	58,036	(236)	136,198
<b>Total Assets</b>	<u>78,398</u>	<u>58,036</u>	<u>(236)</u>	<u>136,198</u>
<b>Liabilities</b>				
Escrow deposits	78,398	57,800		136,198
<b>Total liabilities</b>	<u>78,398</u>	<u>57,800</u>	<u>-</u>	<u>136,198</u>
<b>Net position</b>	<u>-</u>	<u>236</u>	<u>(236)</u>	<u>-</u>
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash	95,228	58,087	(287)	153,028
<b>Total assets</b>	<u>95,228</u>	<u>58,087</u>	<u>(287)</u>	<u>153,028</u>
<b>Liabilities</b>				
Escrow deposits	95,228	57,800	-	153,028
<b>Total liabilities</b>	<u>95,228</u>	<u>57,800</u>	<u>-</u>	<u>153,028</u>
<b>Net position</b>	<u>\$ -</u>	<u>287</u>	<u>(287)</u>	<u>-</u>

---

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

**This page intentionally left blank.**

# CITY OF TEXARKANA, TEXAS

---

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY SOURCE September 30, 2016

### Governmental funds capital assets:

Land	\$ 47,032,128
Buildings	31,413,955
Improvements other than buildings	8,466,354
Infrastructure	122,704,841
Machinery and equipment	5,080,159
Licensed vehicles	8,954,846
Construction in progress	1,973,753
Total governmental funds capital assets	<u>\$ 225,626,036</u>

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

General fund	\$ 141,129,416
Special revenue funds	4,895,976
Capital projects funds	79,600,644
Total governmental funds capital assets	<u>\$ 225,626,036</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, 2016

<b>Function and activity</b>	<u><i>Land</i></u>	<u><i>Buildings</i></u>	<u><i>Improvements other than Buildings</i></u>
General government			
City manager			
Municipal court		18,976	
Finance administration			
Economic development			
Other - unclassified	\$ 47,032,128		
Total general government	<u>47,032,128</u>	<u>18,976</u>	<u>-</u>
Public safety			
Police administration		12,069,245	167,088
Patrol division			
Services division		63,000	
Criminal investigation			
Narcotics operations			
JAG Grant			
Law enforcement			
Fire administration		2,463,811	136,236
Total public safety	<u>-</u>	<u>14,596,056</u>	<u>303,324</u>
Public works			
Engineering design			
Urban transportation			
Street maintenance		499,758	798,737
Fleet Maintenance			
Inspection			
Sign and signal		249,164	64,064
Stormwater management			
Total public works	<u>-</u>	<u>748,922</u>	<u>862,801</u>
Health and welfare			
Community development		6,500	
Environmental services			
Farmers' market			
Total health and welfare	<u>-</u>	<u>6,500</u>	<u>-</u>

<u>Infrastructure</u>	<u>Machinery and Equipment</u>	<u>Licensed Vehicles</u>	<u>Construction in Progress</u>	<u>Total</u>
	68,022			68,022
	70,567			89,543
	340,605			340,605
244,500				244,500
				47,032,128
<u>244,500</u>	<u>479,194</u>	<u>-</u>	<u>-</u>	<u>47,774,798</u>
	6,000	1,019,444	1,360,227	14,622,004
	151,191	673,533		824,724
	40,355	189,281		292,636
	30,451	171,074		201,525
	30,320	73,434		103,754
	31,350			31,350
	14,414			14,414
23,602	550,115	3,347,065	34,226	6,555,055
<u>23,602</u>	<u>854,196</u>	<u>5,473,831</u>	<u>1,394,453</u>	<u>22,645,462</u>
	76,833	65,133		141,966
	6,950			6,950
115,877,112	1,222,017	2,316,962	431,065	121,145,651
	22,883	23,370		46,253
	42,433	233,204		275,637
2,684,999	139,217	265,824	462	3,403,730
888,257	310,388		35,600	1,234,245
<u>119,450,368</u>	<u>1,820,721</u>	<u>2,904,493</u>	<u>467,127</u>	<u>126,254,432</u>
			9,192	15,692
		39,225		39,225
107,790	15,390			123,180
<u>107,790</u>	<u>15,390</u>	<u>39,225</u>	<u>9,192</u>	<u>178,097</u>

# CITY OF TEXARKANA, TEXAS

---

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
September 30, 2016**

<b>Function and activity</b>	<u><i>Land</i></u>	<u><i>Buildings</i></u>	<u><i>Improvements other than Buildings</i></u>
Parks and recreation			
Parks and recreation administration			
Parks maintenance		4,749,502	2,161,837
Recreational programs		290,229	4,054,010
Perot Theatre		3,061,434	51,468
Perot Theatre building maintenance		253,162	
Sports Promotion			
Library		2,621,241	46,228
Convention Center		5,067,933	986,686
Total parks and recreation	<u>-</u>	<u>16,043,501</u>	<u>7,300,229</u>
Total governmental funds capital assets	<u>\$ 47,032,128</u>	<u>31,413,955</u>	<u>8,466,354</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>Infrastructure</i></u>	<u><i>Machinery and Equipment</i></u>	<u><i>Licensed Vehicles</i></u>	<u><i>Construction in Progress</i></u>	<u><i>Total</i></u>
	6,100			6,100
2,693,482	1,320,753	537,297	77,981	11,540,852
5,740	69,418			4,419,397
	82,330			3,195,232
	57,950		25,000	336,112
	50,540			50,540
67,149	6,438			2,741,056
112,210	317,129			6,483,958
<u>2,878,581</u>	<u>1,910,658</u>	<u>537,297</u>	<u>102,981</u>	<u>28,773,247</u>
<u>122,704,841</u>	<u>5,080,159</u>	<u>8,954,846</u>	<u>1,973,753</u>	<u>225,626,036</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, 2016

Function and activity	Governmental	Additions	Deductions	Transfers	Governmental
	Funds Capital Assets 9/30/2015				Funds Capital Assets 9/30/2016
<b>General government</b>					
City manager	\$ 14,323			53,699	68,022
Quality assurance	16,958			(16,958)	-
Municipal court	89,543				89,543
Finance administration	340,605				340,605
Purchasing	541,410			(541,410)	-
Accounting	-				-
Building maintenance	2,043,602			(2,043,602)	-
Economic development	244,500				244,500
Other - unclassified	46,839,655			192,473	47,032,128
Total general government	<u>50,130,596</u>	<u>-</u>	<u>-</u>	<u>(2,355,798)</u>	<u>47,774,798</u>
<b>Public safety</b>					
Police administration	13,295,891	1,315,899	(41,413)	51,627	14,622,004
Patrol division	1,005,778		(186,849)	5,795	824,724
Services division	248,048			44,588	292,636
Criminal investigation	273,365		(71,840)		201,525
Commercial vehicle enforcement	57,420			(57,420)	-
Code enforcement	30,014			(30,014)	-
Animal control	80,170			(80,170)	-
Special operations	30,438			(30,438)	-
Narcotics	14,150			(14,150)	-
Narcotics operations	103,754				103,754
JAG Grant	31,350				31,350
Law enforcement	14,414				14,414
Fire administration	113,312	34,226		6,407,517	6,555,055
Fire operations	5,257,346			(5,257,346)	-
Fire prevention	60,825			(60,825)	-
Fire training	808,433			(808,433)	-
Emergency management	280,913			(280,913)	-
Total public safety	<u>21,705,621</u>	<u>1,350,125</u>	<u>(300,102)</u>	<u>(110,182)</u>	<u>22,645,462</u>
<b>Public works</b>					
Engineering design	147,056		(5,090)		141,966
Urban transportation	6,950				6,950
Street maintenance	119,416,628	1,307,019	(76,976)	523,980	121,170,651
Fleet Maintenance	-	46,253			46,253
Inspection	116,022	22,875	(17,543)	154,283	275,637
Sign and signal	3,382,362	462		20,906	3,403,730
Stormwater management	1,198,645	35,600			1,234,245
Downtown enhancement	803,547		(66,185)	(737,362)	-
Total public works	<u>125,071,210</u>	<u>1,412,209</u>	<u>(165,794)</u>	<u>(38,193)</u>	<u>126,279,432</u>
<b>Health and welfare</b>					
Community development	23,100	9,192	(16,600)		15,692
Environmental services	46,029	37,296		(44,100)	39,225
Farmers' market	113,892	9,288			123,180
Total health and welfare	<u>183,021</u>	<u>55,776</u>	<u>(16,600)</u>	<u>(44,100)</u>	<u>178,097</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, 2016

Function and activity	Governmental Funds Capital Assets			Transfers	Governmental Funds Capital Assets
	9/30/2015	Additions	Deductions		9/30/2016
Parks and recreation					
Parks and recreation administration	6,100				6,100
Parks maintenance	8,803,613	244,072	(55,105)	2,548,272	11,540,852
Recreational programs	4,119,552			299,845	4,419,397
Perot Theatre	3,195,232				3,195,232
Perot Theatre building maintenance	311,112				311,112
Senior citizens programs	173,884			(173,884)	-
Beverly Center	125,960			(125,960)	-
Sports Promotion	50,540				50,540
Library	2,741,056				2,741,056
Convention Center	6,483,958				6,483,958
Total parks and recreation	<u>26,011,007</u>	<u>244,072</u>	<u>(55,105)</u>	<u>2,548,273</u>	<u>28,748,247</u>
Total governmental funds capital assets	<u>\$223,101,455</u>	<u>3,062,182</u>	<u>(537,601)</u>	<u>-</u>	<u>225,626,036</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.

**This page intentionally left blank.**

---

## **Component Unit**

# CITY OF TEXARKANA, TEXAS

---

## BALANCE SHEET COMPONENT UNIT - HEALTH CENTER September 30, 2016

### ASSETS

Cash	\$ 353,205
Receivables (net of allowance for uncollectible):	
Other government agencies	138,832
<b>TOTAL ASSETS</b>	<u>492,037</u>

### LIABILITIES AND FUND BALANCES

#### Liabilities:

Accounts payable	23,209
Accrued payroll	17,532
Deferred revenue	67,901
<b>TOTAL LIABILITIES</b>	<u>108,642</u>

#### Fund Balances:

Unassigned	383,395
<b>TOTAL FUND BALANCES</b>	<u>383,395</u>

<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 492,037</u>
--	-------------------

# CITY OF TEXARKANA, TEXAS

---

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE COMPONENT UNIT - HEALTH CENTER For the Year Ended September 30, 2016

### REVENUES

Charges for services	\$ 271,507
Grants and entitlements	564,930
Investment earnings:	
Interest and dividends	1,004
Intergovernmental	187,593
Other	994
Total revenues	<u>1,026,028</u>

### EXPENDITURES

Current:	
Health and welfare	<u>966,541</u>
Total expenditures	<u>966,541</u>
Net change in fund balance	59,487
Fund balance at beginning of year	<u>323,908</u>
Fund balance at end of year	<u><u>\$ 383,395</u></u>

This page intentionally left blank.

---

## **Statistical Section**

**This page intentionally left blank.**

---

## 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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities:					
Net invested in capital assets	\$ 76,103,232	76,349,021	75,187,833	75,989,018	73,083,340
Restricted	3,808,754	3,955,059	4,597,610	3,527,351	22,377,550
Unrestricted	16,623,006	14,341,579	16,619,162	16,705,965	395,143
Total governmental activities net position	<u>96,534,992</u>	<u>94,645,659</u>	<u>96,404,605</u>	<u>96,222,334</u>	<u>95,856,033</u>
Business-type activities:					
Net invested in capital assets	55,838,951	57,848,213	57,582,403	56,910,208	58,447,526
Restricted	8,176,712	6,458,586	7,646,353	9,365,905	9,068,969
Unrestricted	6,079,546	5,662,181	4,777,364	4,719,398	4,782,683
Total business-type activities net position	<u>70,095,209</u>	<u>69,968,980</u>	<u>70,006,120</u>	<u>70,995,511</u>	<u>72,299,178</u>
Primary government					
Net invested in capital assets	131,942,183	134,197,234	132,770,236	132,899,226	131,530,866
Restricted	11,985,466	10,413,645	12,243,963	12,893,256	31,446,519
Unrestricted	22,702,552	20,003,760	21,396,526	21,425,363	5,177,826
Total primary government net position	<u>\$ 166,630,201</u>	<u>164,614,639</u>	<u>166,410,725</u>	<u>167,217,845</u>	<u>168,155,211</u>

Unaudited - see accompanying auditors' report

<i>Fiscal Year</i>				
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
77,541,533	82,719,452	83,155,796	85,106,547	85,391,477
16,346,523	13,196,487	8,118,578	4,277,958	4,342,782
5,992,540	5,815,734	11,274,308	4,979,007	4,051,074
<u>99,880,596</u>	<u>101,731,673</u>	<u>102,548,682</u>	<u>94,363,512</u>	<u>93,785,333</u>
59,671,961	58,503,625	57,691,676	58,283,054	58,709,850
6,302,773	8,744,657	10,809,056	10,183,541	8,914,641
4,317,249	2,932,377	2,000,694	(314,620)	2,757,977
<u>70,291,983</u>	<u>70,180,659</u>	<u>70,501,426</u>	<u>68,151,975</u>	<u>70,382,468</u>
137,213,494	141,223,077	140,847,472	143,389,601	144,101,327
22,649,296	21,941,144	18,927,634	14,461,499	13,257,423
10,309,789	8,748,111	13,275,002	4,664,387	6,809,051
<u>170,172,579</u>	<u>171,912,332</u>	<u>173,050,108</u>	<u>162,515,487</u>	<u>164,167,801</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Expenses</b>				
Governmental activities:				
Current:				
General government	\$ 6,612,065	7,494,737	6,677,826	6,009,327
Public safety	13,517,972	13,812,910	16,495,996	17,460,252
Public works	5,956,957	5,682,854	6,755,059	7,271,760
Parks and recreation	2,632,806	2,926,214	2,755,050	2,906,975
Health and welfare	1,260,117	1,391,078	1,724,892	1,630,227
Interest on long-term debt	1,954,819	1,947,304	1,868,860	2,246,394
Total governmental activities expenses	<u>31,934,736</u>	<u>33,255,097</u>	<u>36,277,683</u>	<u>37,524,935</u>
Business-type activities:				
Water and Sewer	13,931,868	15,361,311	16,166,206	16,154,126
Total business-type activities expenses	<u>13,931,868</u>	<u>15,361,311</u>	<u>16,166,206</u>	<u>16,154,126</u>
Total primary government expenses	<u>45,866,604</u>	<u>48,616,408</u>	<u>52,443,889</u>	<u>53,679,061</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	1,081,360	966,780	978,806	1,057,194
Public safety	1,506,126	1,839,093	2,148,979	1,735,896
Other activities	496,407	607,380	572,359	678,445
Operating grants and contributions	1,616,829	1,476,933	2,513,783	1,552,787
Capital grants and contributions		355,900		293,158
Total governmental activities program revenues	<u>4,700,722</u>	<u>5,246,086</u>	<u>6,213,927</u>	<u>5,317,480</u>
Business-type activities:				
Charges for services:				
Water and sewer	13,453,857	13,988,748	15,184,072	15,259,196
Capital grants and contributions	879,848	41,822		199,074
Total business-type activities program revenues	<u>14,333,705</u>	<u>14,030,570</u>	<u>15,184,072</u>	<u>15,458,270</u>
Total primary government program revenues	<u>19,034,427</u>	<u>19,276,656</u>	<u>21,397,999</u>	<u>20,775,750</u>

Unaudited - see accompanying auditors' report

*Fiscal Year*

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
5,523,459	5,984,631	6,797,714	7,114,857	7,416,500	8,011,669
17,142,327	17,624,401	16,886,838	16,681,701	16,272,709	16,396,091
7,117,788	7,461,167	7,498,517	7,545,126	7,464,975	8,881,205
3,027,226	2,918,560	3,379,678	3,012,271	3,408,188	3,446,421
1,659,584	2,451,906	2,335,011	1,915,780	1,436,864	1,671,102
2,747,460	2,593,982	2,167,516	2,262,532	2,043,793	2,085,451
<u>37,217,844</u>	<u>39,034,647</u>	<u>39,065,274</u>	<u>38,532,267</u>	<u>38,043,029</u>	<u>40,491,939</u>
15,592,718	15,840,902	15,813,999	15,841,333	15,736,026	15,734,804
<u>15,592,718</u>	<u>15,840,902</u>	<u>15,813,999</u>	<u>15,841,333</u>	<u>15,736,026</u>	<u>15,734,804</u>
<u>52,810,562</u>	<u>54,875,549</u>	<u>54,879,273</u>	<u>54,373,600</u>	<u>53,779,055</u>	<u>56,226,743</u>
957,111	583,956	981,567	887,114	812,556	
1,619,345	1,725,816	1,698,464	1,733,651	2,192,611	1,838,438
645,522	581,768	748,273	756,869	1,020,804	856,602
1,133,876	2,467,647	1,851,104	1,323,001	1,514,552	1,628,327
		566,142	808,174		
<u>4,355,854</u>	<u>5,359,187</u>	<u>5,845,550</u>	<u>5,508,809</u>	<u>5,540,523</u>	<u>4,323,367</u>
16,030,015	16,136,042	15,642,192	15,198,786	15,448,372	16,775,322
		39,387	38,071	118,869	39,327
<u>16,030,015</u>	<u>16,136,042</u>	<u>15,681,579</u>	<u>15,236,857</u>	<u>15,567,241</u>	<u>16,814,649</u>
<u>20,385,869</u>	<u>21,495,229</u>	<u>21,527,129</u>	<u>20,745,666</u>	<u>21,107,764</u>	<u>21,138,016</u>

(Continued)

# CITY OF TEXARKANA, TEXAS

## STATISTICAL SECTION

### Changes in Net Position

#### Last Ten Fiscal Years

#### Schedule 2 Continued

	<i>Fiscal Year</i>			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	(27,234,014)	(28,009,011)	(30,063,756)	(32,207,455)
Business-type activities	401,837	(1,330,741)	(982,134)	(695,856)
Total primary government net expense	<u>(26,832,177)</u>	<u>(29,339,752)</u>	<u>(31,045,890)</u>	<u>(32,903,311)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Property taxes	10,689,899	11,456,172	13,346,908	13,584,920
Sales taxes	12,861,211	13,045,922	13,392,204	13,148,821
Franchise taxes	2,160,078	2,230,071	2,196,103	2,197,528
Other taxes	892,562	1,261,153	1,183,855	1,379,404
Unrestricted investment earnings	1,425,700	663,762	198,386	243,935
Gain on sale of capital assets	62,273			
Miscellaneous	627,374	1,231,150	1,486,346	1,451,676
Transfers	14,308	17,325	18,900	18,900
Total governmental activities	<u>28,733,405</u>	<u>29,905,555</u>	<u>31,822,702</u>	<u>32,025,184</u>
Business-type activities:				
Unrestricted investment earnings	669,904	348,128	94,880	48,472
Miscellaneous	722,073	873,709	943,294	1,655,675
Transfers	(14,308)	(17,325)	(18,900)	(18,900)
Total business-type activities program revenues	<u>1,377,669</u>	<u>1,204,512</u>	<u>1,019,274</u>	<u>1,685,247</u>
<b>Change in Net Position</b>				
Governmental activities	1,499,391	1,896,544	1,758,946	(182,271)
Business-type activities	1,779,506	(126,229)	37,140	989,391
Total primary government	<u>\$ 3,278,897</u>	<u>1,770,315</u>	<u>1,796,086</u>	<u>807,120</u>

<i>Fiscal Year</i>					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
(32,861,990)	(33,675,460)	(33,219,724)	(33,023,458)	(32,502,506)	(36,168,572)
437,297	295,140	(132,420)	(604,476)	(168,785)	1,079,845
<u>(32,424,693)</u>	<u>(33,380,320)</u>	<u>(33,352,144)</u>	<u>(33,627,934)</u>	<u>(32,671,291)</u>	<u>(35,088,727)</u>
13,655,104	15,577,638	15,763,817	16,450,285	16,304,576	15,979,531
13,800,353	14,114,271	14,326,770	14,735,398	15,164,177	15,899,829
2,070,004	2,002,603	2,005,690	2,006,662	1,970,362	1,789,518
1,278,680	1,264,118	1,351,583	1,248,856	1,273,131	1,661,189
211,155	186,700	170,967	88,788	107,914	105,702
1,211,493	1,235,793	365,470	169,481	89,385	135,724
268,900	3,318,900	1,086,504	18,900	180,820	18,900
<u>32,495,689</u>	<u>37,700,023</u>	<u>35,070,801</u>	<u>34,718,370</u>	<u>35,109,265</u>	<u>35,590,393</u>
65,121	50,601	38,346	62,088	60,910	60,226
1,070,149	965,964	1,069,254	1,055,847	1,140,886	1,109,322
(268,900)	(3,318,900)	(1,086,504)	(18,900)	(18,900)	(18,900)
<u>866,370</u>	<u>(2,302,335)</u>	<u>21,096</u>	<u>1,099,035</u>	<u>1,182,896</u>	<u>1,150,648</u>
(366,301)	4,024,563	1,851,077	1,694,912	2,606,759	(578,179)
1,303,667	(2,007,195)	(111,324)	494,559	1,014,111	2,230,493
<u>937,366</u>	<u>2,017,368</u>	<u>1,739,753</u>	<u>2,189,471</u>	<u>3,620,870</u>	<u>1,652,314</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>				
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
<b>Function/ Program</b>					
Governmental activities:					
General government	\$ 1,035,897	1,565,525	1,436,165	1,385,662	1,049,720
Public safety	1,831,168	2,153,738	2,991,916	2,604,636	2,112,675
Public works	313,885	671,838	446,057	509,842	223,836
Parks and Recreation	167,308	167,696	238,500	296,044	315,563
Health and welfare	778,225	687,289	1,101,289	521,296	654,060
Subtotal governmental activities	<u>4,126,483</u>	<u>5,246,086</u>	<u>6,213,927</u>	<u>5,317,480</u>	<u>4,355,854</u>
<i>Business-type activities:</i>					
Water and sewer	<u>14,352,589</u>	<u>14,030,570</u>	<u>15,184,072</u>	<u>15,458,270</u>	<u>16,030,015</u>
Subtotal business-type activities	<u>14,352,589</u>	<u>14,030,570</u>	<u>15,184,072</u>	<u>15,458,270</u>	<u>16,030,015</u>
Total primary government	<u>\$ 18,479,072</u>	<u>19,276,656</u>	<u>21,397,999</u>	<u>20,775,750</u>	<u>20,385,869</u>

Unaudited -see accompanying auditors' report

---

*Program Revenues*

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
750,688	1,145,219	1,061,405	1,436,416	408,024
2,321,374	1,988,390	2,252,465	2,502,162	2,112,647
332,797	680,520	979,029	564,645	425,131
527,139	365,251	355,000	304,110	295,790
<u>1,427,189</u>	<u>1,666,170</u>	<u>860,910</u>	<u>733,190</u>	<u>1,081,775</u>
<u>5,359,187</u>	<u>5,845,550</u>	<u>5,508,809</u>	<u>5,540,523</u>	<u>4,323,367</u>
<u>16,136,042</u>	<u>15,681,579</u>	<u>15,236,857</u>	<u>15,567,241</u>	<u>16,814,649</u>
<u>16,136,042</u>	<u>15,681,579</u>	<u>15,236,857</u>	<u>15,567,241</u>	<u>16,814,649</u>
<u>21,495,229</u>	<u>21,527,129</u>	<u>20,745,666</u>	<u>21,107,764</u>	<u>21,138,016</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011*</u>
<b>General Fund</b>					
Reserved	\$ 425,905	491,130	372,368	379,637	
Unreserved	504,565	205,066	551,949	1,550,244	
Nonspendable					93,257
Restricted					499,889
Committed					
Assigned					2,172,462
Unassigned	2,990,900	3,595,302	4,245,301	3,371,709	2,785,910
Total General Fund	<u>3,921,370</u>	<u>4,291,498</u>	<u>5,169,618</u>	<u>5,301,590</u>	<u>5,551,518</u>
<b>All Other Governmental Funds</b>					
Reserved	12,395,257	7,093,884	4,356,314	25,434,284	
Unreserved, designated for					
Convention center	469,717	827,949	1,183,828	201,975	
Unreserved					
Special revenue fund	1,474,430	1,757,441	2,400,757	2,369,474	
Debt service fund	1,779,458	1,748,284	1,707,982	1,538,656	
Capital projects fund	1,841,743	786,593	622,126	469,315	
Nonspendable					
Special revenue fund					638,311
Restricted					
Special revenue fund					1,309,318
Debt service fund					670,992
Capital projects fund					19,599,146
Committed					
Special revenue fund					1,911,341
Assigned					
Special revenue fund					697,434
Unassigned					
Special revenue fund					(23,568)
Debt service fund					
Capital projects fund					
Total all other governmental funds	<u>\$ 17,960,605</u>	<u>12,214,151</u>	<u>10,271,007</u>	<u>30,013,704</u>	<u>24,802,974</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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
101,081	98,990	93,432	88,297	90,247
478,043	330,049	689,448	675,143	648,797
		35,000		20,848
462,852	36,021	128,739	268,073	145,932
<u>7,808,993</u>	<u>10,327,257</u>	<u>9,304,806</u>	<u>10,511,161</u>	<u>12,003,407</u>
<u>8,850,969</u>	<u>10,792,317</u>	<u>10,251,425</u>	<u>11,542,674</u>	<u>12,909,231</u>
310,426	261,448	325,693	411,561	353,067
854,290	499,913	4,624,343	568,030	882,022
318,394				76,937
14,388,271	12,070,107	2,515,323	2,806,712	2,422,336
1,751,275	1,149,318	1,112,025	1,267,865	1,372,641
1,371,484	862,925	942,542	1,102,850	1,528,344
(338,733)	(340,465)	(139,462)	(94,755)	(173,131)
	(104,606)	(146,654)	(173,968)	
<u>(741,393)</u>			<u>(31,268)</u>	
<u>17,914,014</u>	<u>14,398,640</u>	<u>9,233,810</u>	<u>5,857,027</u>	<u>6,462,216</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>			
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>
<b>REVENUES:</b>				
Taxes	\$ 26,545,692	27,941,371	30,037,456	30,258,026
Fees and permits	219,157	309,680	395,834	395,511
Charges for services	775,330	694,878	677,603	846,054
Municipal court	1,428,189	1,734,734	2,051,942	1,648,799
Grants and entitlements	929,462	884,610	1,182,928	1,013,367
Investment earnings	1,377,117	620,674	173,039	233,463
Intergovernmental	504,807	284,794	507,715	677,714
Sale of capital assets				
Other	602,235	1,021,179	935,364	467,527
Total revenues	<u>32,381,989</u>	<u>33,491,920</u>	<u>35,961,881</u>	<u>35,540,461</u>
<b>EXPENDITURES:</b>				
Current:				
General government	6,240,999	7,171,027	6,326,081	5,638,878
Public safety	12,823,379	13,615,418	15,178,168	16,291,717
Public works	3,806,711	3,467,370	4,036,371	4,004,301
Parks and recreation	2,151,789	2,496,629	2,159,831	2,282,880
Health and welfare	674,659	613,902	1,497,632	1,419,374
Miscellaneous	410,378	612,979	9,609	16,448
Capital outlay	9,738,050	7,960,625	3,650,301	6,115,692
Debt service:				
Principal retirement	2,798,292	2,583,789	2,685,087	2,552,290
Interest and fiscal charges	1,588,909	1,573,889	1,502,725	1,897,567
Bond issuance costs		12,820		394,530
Total expenditures	<u>40,233,166</u>	<u>40,108,448</u>	<u>37,045,805</u>	<u>40,613,677</u>
Excess (deficiency) of revenues over expenditures	<u>(7,851,177)</u>	<u>(6,616,528)</u>	<u>(1,083,924)</u>	<u>(5,073,216)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	555,206	408,440	488,197	593,911
Transfers out	(540,898)	(391,115)	(469,297)	(752,978)
Bonds issued				24,420,000
Tax notes issued		1,200,000		
Payments to refunded bond escrow agent				
Bond premium				446,830
Capital lease	248,619			332,847
Discount on bonds issued				(92,725)
Total other financing sources (uses)	<u>262,927</u>	<u>1,217,325</u>	<u>18,900</u>	<u>24,947,885</u>
Net change in fund balances	<u>\$ (7,588,250)</u>	<u>(5,399,203)</u>	<u>(1,065,024)</u>	<u>19,874,669</u>
Debt Service as a percentage of noncapital expenditures	14.4%	12.9%	12.5%	12.9%

Unaudited - see accompanying auditors' report

*Fiscal Year*

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
30,846,064	33,042,265	33,432,131	33,976,724	34,290,500	35,562,155
200,558	185,615	245,003	241,751	726,386	579,704
760,200	622,632	1,175,867	560,530	377,102	868,486
1,723,251	1,715,643	1,631,182	1,652,149	2,023,923	1,671,117
766,275	1,999,673	794,466	626,421	369,114	258,240
199,616	178,533	167,813	79,017	82,785	96,316
289,924	321,621	1,092,352	1,518,657	1,006,232	923,001
780,731					
335,346	288,508	647,550	447,449	357,902	632,649
<u>35,901,965</u>	<u>38,354,490</u>	<u>39,186,364</u>	<u>39,102,698</u>	<u>39,233,944</u>	<u>40,591,668</u>
5,167,206	5,687,089	6,096,316	5,778,132	6,500,409	7,144,935
15,479,970	15,729,556	15,370,410	14,913,921	14,900,200	14,033,527
4,077,566	3,815,722	3,843,357	4,085,840	4,674,794	5,069,600
2,342,064	2,133,616	2,393,470	2,234,747	2,429,448	2,428,568
1,483,147	2,272,270	2,144,737	1,727,656	1,073,624	1,483,091
11,134					
6,859,040	12,141,083	4,651,366	8,921,568	5,152,652	3,136,260
3,472,228	3,788,802	3,780,647	3,747,283	3,639,164	3,643,800
2,415,565	2,301,087	2,182,138	2,047,350	1,939,214	1,851,466
	219,427	193,000			
<u>41,307,920</u>	<u>48,088,652</u>	<u>40,655,441</u>	<u>43,456,497</u>	<u>40,309,505</u>	<u>38,791,247</u>
<u>(5,405,955)</u>	<u>(9,734,162)</u>	<u>(1,469,077)</u>	<u>(4,353,799)</u>	<u>(1,075,561)</u>	<u>1,800,421</u>
1,510,273	4,277,448	4,472,167	995,874	1,089,860	1,621,310
(1,065,120)	(2,406,073)	(4,630,978)	(2,392,810)	(2,186,683)	(2,627,481)
	14,845,000	14,550,000			
	(11,805,488)	(15,788,017)			
	1,150,861	1,270,367			
	82,905	21,512	45,013	86,851	1,177,496
<u>445,153</u>	<u>6,144,653</u>	<u>(104,949)</u>	<u>(1,351,923)</u>	<u>(1,009,972)</u>	<u>171,325</u>
<u>(4,960,802)</u>	<u>(3,589,509)</u>	<u>(1,574,026)</u>	<u>(5,705,722)</u>	<u>(2,085,533)</u>	<u>1,971,746</u>
17.1%	16.9%	16.6%	16.8%	15.9%	15.4%

This page intentionally left blank.

# 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>
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
2015	15,886,472	15,164,177	1,891,699	1,348,152	34,290,500
2016	16,186,609	15,899,829	1,868,181	1,607,536	35,562,155
Percentage change	1.89%	4.85%	-1.24%	19.24%	3.71%

*Unaudited - see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

---

## STATISTICAL SECTION

### Assessed and Estimated Actual Value of Taxable Property

(per \$100 of assessed value)

#### Last Ten Fiscal Years

#### Schedule 7

<i>Fiscal Year</i>	<i>Tax Roll Year</i>	<i>Personal Property Assessed Value</i>	<i>Real Property Assessed Value</i>	<i>Total Property Assessed Value</i>	<i>Tax Rate (1)</i>	<i>Gross Tax Levy</i>
2007	2006	\$ 343,388,570	1,666,170,594	2,009,559,164	0.5265	10,580,329
2008	2007	363,820,820	1,789,358,078	2,153,178,898	0.5265	11,336,487
2009	2008	378,012,082	1,911,219,783	2,289,231,865	0.5831	13,348,511
2010	2009	388,655,480	1,998,210,887	2,386,866,367	0.5831	13,917,818
2011	2010	366,108,919	2,104,527,844	2,470,636,763	0.5831	14,406,283
2012	2011	356,579,341	2,127,490,741	2,484,070,082	0.669293	16,625,707
2013	2012	366,695,306	2,130,026,677	2,496,721,983	0.669293	16,710,385
2014	2013	369,660,911	2,156,931,065	2,526,591,976	0.669293	16,910,303
2015	2014	369,666,514	2,148,580,335	2,518,246,849	0.669293	16,854,450
2016	2015	385,406,566	2,089,714,475	2,475,121,041	0.669293	16,565,812

Note:

- (1) Tax rate per \$100 of assessed value.
- (2) Detail for Frozen Items & Late Penalty Gain and Adjustments not available for tax years 2006 through 2013.

Source: Bowie Central Appraisal District

---

<i><u>Frozen Items &amp; Late Penalty Gain (2)</u></i>	<i><u>Total Tax Levy</u></i>	<i><u>Adjustments</u></i>	<i><u>Adjusted Tax Levy</u></i>	<i><u>Tax Distribution</u></i>		
				<i><u>General Fund</u></i>	<i><u>Debt Service</u></i>	<i><u>TIRZ #1</u></i>
	10,580,329		10,580,329	6,608,474	3,971,855	
2,843	11,339,330		11,339,330	7,593,949	3,745,381	
(376,845)	12,971,666		12,971,666	9,071,086	3,900,580	
(410,391)	13,507,427		13,507,427	9,182,349	4,325,078	
(873,274)	13,533,009		13,533,009	8,925,019	4,502,432	105,558
(1,146,231)	15,479,476		15,479,476	10,208,714	5,150,022	120,740
(1,110,876)	15,599,509		15,599,509	10,280,076	5,146,278	173,155
(1,024,186)	15,886,117		15,886,117	10,364,103	5,075,614	446,400
(481,451)	16,372,999	(372,733)	16,000,266	10,656,177	5,036,884	307,205
(479,406)	16,086,406	(34,698)	16,051,708	10,847,744	4,768,963	435,001

# 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>	
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	0.6693
2014	0.436613	0.213842	0.018838	0.669293
2015	0.445789	0.21068	0.012824	0.669293
2016	0.452287	0.198844	0.018162	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>
1.5116	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
1.425	0.399173	0.105267	1.261	1.44
1.425	0.399173	0.105267	1.261	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>2016</u>	
		<u>2015 Assessed Valuation (1) (2)</u>	<u>Percentage of Total Assessed Valuation</u>
GG&A Central Mall Partners	1	\$ 32,120,120	1.30%
AEP Southwestern Electric Power Co	2	26,354,035	1.06%
Christus Health Ark La Tx	3	24,903,530	1.01%
LPG Apartments LP	4	12,603,812	0.51%
Arklatex Real Estate LP	5	11,875,890	0.48%
William Gregg Orr	6	11,704,107	0.47%
Sterno Candle Lamp	7	11,645,580	0.47%
Waggoner Creek Crossing LP	8	11,554,308	0.47%
Walmart Store #01-2123	9	11,000,000	0.44%
Valor Telecom	10	10,339,760	0.42%
Richmond Road Apartments LP			
Candle Corporation of America			
Arden Texarkana LLC			
Cowhorn Creek Property, LLC			
CONDEB LP			
Total principal taxpayers		<u>\$164,101,142</u>	<u>6.63%</u>

(1) Net of exemptions

(2) Source - Bowie Central Appraisal District

*Unaudited - see accompanying auditors' report*

---

<i>2007</i>		
<i><u>Rank</u></i>	<i><u>2006 Assessed Valuation (1) (2)</u></i>	<i><u>Percentage of Total Assessed Valuation</u></i>
1	\$ 31,517,610	1.57%
3	18,071,820	0.90%
2	20,740,930	1.03%
8	10,915,510	0.54%
4	15,576,290	0.78%
5	14,668,800	0.73%
6	13,586,990	0.68%
7	13,023,250	0.65%
9	10,599,720	0.53%
10	<u>10,118,930</u>	<u>0.50%</u>
	<u>\$ 158,819,850</u>	<u>7.91%</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 Adjusted 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>
2007	2006	\$ 10,580,329	10,253,335	96.90%	255,169	10,508,504	99.32%
2008	2007	11,339,330	10,918,808	96.29%	235,088	11,153,896	98.36%
2009	2008	12,971,666	12,634,807	97.40%	392,913	13,027,720	100.43%
2010	2009	13,507,427	13,056,769	96.66%	205,755	13,262,524	98.19%
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	15,553,231	99.70%
2014	2013	15,886,117	15,514,090	97.66%	286,899	15,800,989	99.46%
2015	2014	16,000,266	15,452,342	96.58%	203,942	15,656,284	97.85%
2016	2015	16,051,708	15,748,536	98.11%		15,748,536	98.11%

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

<u><i>Fiscal Year</i></u>	<u><i>City Direct Rate</i></u>	<u><i>Bowie County</i></u>
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%
2015	1.50%	0.50%
2016	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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Residential	944,028	937,401	914,376	926,250	1,164,446
Commercial	664,667	652,537	585,553	596,290	735,020
Member Cities	905,547	936,941	916,698	928,052	1,014,877
Wholesale	<u>723,824</u>	<u>683,562</u>	<u>676,645</u>	<u>717,840</u>	<u>683,856</u>
Total	<u><u>3,238,066</u></u>	<u><u>3,210,441</u></u>	<u><u>3,093,272</u></u>	<u><u>3,168,432</u></u>	<u><u>3,598,199</u></u>

Total Direct Rate  
per 1,000 Gallons

Residential (2)	\$ 2.48	2.59	3.01	3.01	3.01
>0-2,000					
>2,000-5,000					
>5,000-7,000					
>7,000-10,000					
>10,000					
Commercial (2)	1.87	1.95	2.26	2.26	2.26
>0-2,000					
>2,000-5,000					
>5,000-7,000					
>7,000-10,000					
>10,000					
Member Cities	0.67	0.64	0.98	0.77	0.65

(1) Includes TexAmericas Center usage of 318,769 (in 000's).

(2) TWU adopted tiered structure for water rates during FY 2016.

---

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1,141,614	1,027,446	1,417,354	1,376,505	1,287,088
769,874	717,174	991,064	951,031	973,341
1,071,608	952,637	874,055	817,986	850,476
<u>650,888</u>	<u>958,491</u>	<u>948,195</u>	<u>918,397</u>	<u>995,876</u> (1)
<u>3,633,984</u>	<u>3,655,748</u>	<u>4,230,668</u>	<u>4,063,919</u>	<u>4,106,781</u>
3.01	3.01	3.01	3.01	1.75
				2.00
				3.25
				3.75
				4.00
2.26	2.26	2.26	2.26	3.25
				3.25
				3.25
				3.25
				3.25
0.83	0.7308	0.7448	0.7275	0.7986

# CITY OF TEXARKANA, TEXAS

## STATISTICAL SECTION

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

#### Last Ten Fiscal Years

#### Schedule 13

<u>Fiscal Year</u>	<u>Water</u>		<u>Sewer</u>	
	<u>Monthly Minimum 2000 Gals</u>	<u>Rate per 1000 Gals Over Minimum</u>	<u>Monthly Minimum 2000 Gals</u>	<u>Rate per 1000 Gals Over Minimum</u>
<b>Residential</b>				
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
2015	8.15	3.01	10.52	3.77
2016	8.15		10.52	3.77
>0-2,000		1.75		
>2,000-5,000		2.00		
>5,000-7,000		3.25		
>7,000-10,000		3.75		
>10,000		4.00		
<b>Commercial</b>				
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
2015	9.28	2.26	10.52	4.41
2016	9.28		10.52	4.41
>0-2,000		3.25		
>2,000-5,000		3.25		
>5,000-7,000		3.25		
>7,000-10,000		3.25		
>10,000		3.25		

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.

(3) TWU adopted tiered structure for water rates during FY 2016.

Unaudited -see accompanying auditors' report

# CITY OF TEXARKANA, TEXAS

## STATISTICAL SECTION

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

#### Current Year and Nine Years Ago

#### Schedule 14

<i>Payer</i>	<i>2016</i>			<i>2007</i>		
	<i>Rank (1)</i>	<i>Water &amp; Sewer Revenue</i>	<i>Percentage of Total Water &amp; Sewer Revenue</i>	<i>Rank (1)</i>	<i>Water &amp; Sewer Revenue</i>	<i>Percentage of Total Water &amp; Sewer Revenue</i>
Federal Correctional Institute	1	\$ 613,281	4.80%	1	\$ 738,703	7.45%
Christus St Michael Hospital	2	350,898	2.75%	5	189,428	1.91%
LaSalle Southwest Corrections	3	204,770	1.60%			
Wadley Hospital	4	167,363	1.31%	3	152,765	1.54%
West Fraser	5	111,848	0.88%			
Texarkana Housing Authority	6	125,314	0.98%	4	235,839	2.38%
Texarkana Texas ISD	7	130,869	1.02%	7	104,745	1.06%
City of Texarkana, Texas	8	91,267	0.71%			
Westridge Apartments	9	114,521	0.90%			
Summerhill Woods/Richmond Oaks Apts.	10	91,558	0.72%	9	88,880	0.90%
Alcoa				2	251,331	2.53%
Civigenics Texas Inc.				6	129,653	1.31%
Woodlands Apartments				8	87,049	0.88%
Texarkana College				10	57,410	0.58%
Totals		<u>\$ 2,001,689</u>	15.67%		<u>\$ 2,035,803</u>	20.54%

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

Unaudited - see accompanying auditors' report

# CITY OF TEXARKANA, TEXAS

---

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

<i>Governmental Activities</i>					
<i>Fiscal Year</i>	<i>General Obligation Bonds</i>	<i>Certificates of Obligation</i>	<i>Tax Notes</i>	<i>Installment Loans</i>	<i>Capital Leases</i>
2007	\$ 20,625,223	21,281,360		5,818	437,852
2008 (2)	19,301,168	20,617,040	1,200,000		208,852
2009	17,867,429	19,857,720	1,200,000		82,959
2010 (3)	16,509,387	43,564,165	1,160,000		254,195
2011	15,108,573	42,021,874	1,040,000		148,537
2012 (4)	15,808,814	42,125,475	860,000		86,295
2013 (5)(6)	27,636,147	27,263,094			46,935
2014	27,290,448	25,964,808			54,177
2015	25,298,564	24,131,334			96,864
2016	22,741,681	22,987,859			1,100,560

- (1) See Demographic and Economic Statistics Schedule for personal income and population data.  
(2) The City issued \$1,200,000 in Tax Notes in 2009.  
(3) The City issued \$24,420,000 in Certificates of Obligation in 2010.  
(4) The City issued \$4,115,000 in Certificates of Obligation in 2012.  
(5) The City issued \$14,550,000 in General Obligation Refunding Bonds in 2013.  
(6) The City issued \$2,200,000 in Revenue Bonds in 2013.

*Unaudited -see accompanying auditors' report*

---

***Business-type Activities***

<b><i>Water Revenue Bonds</i></b>	<b><i>Capital Leases</i></b>	<b><i>Total Primary Government</i></b>	<b><i>Percentage of Personal Income(1)</i></b>	<b><i>Per Capita(1)</i></b>
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	6.91%	1,666
3,727,670	4,516,570	57,771,002	6.33%	1,526
3,312,876	4,132,943	54,275,919	5.91%	1,435

# 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>
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 (3)	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
2015	37,857	2,518,246,849	53,157,568
2016	37,831	2,475,121,041	49,042,416

Notes:

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

(2) Includes certificates of obligations issued for water and sewer programs.

(3) 2010 Census Redistricting Data (Public Law 94-171) Summary File, Tables P1 and H1

---

<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>
1,779,458	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
0	3,727,670	49,429,898	1.96	1,306
76,937	3,312,876	45,652,603	1.84	1,207

This page intentionally left blank.

# CITY OF TEXARKANA, TEXAS

---

## STATISTICAL SECTION

### Direct and Overlapping Governmental Activities Debt

September 30, 2016

#### 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	\$ 46,830,100	100.00%	<u>\$ 46,830,100</u>
Overlapping:			
Texarkana Independent School District	54,208,307	76.37%	41,398,884
Bowie County	34,017,697	51.35%	17,468,087
Liberty-Eylau Independent School District	25,310,000	41.51%	10,506,181
Pleasant Grove School District	31,395,000	84.86%	26,641,797
Red Lick Independent School District	4,900,000	8.08%	<u>395,920</u>
Subtotal - Overlapping debt			<u>96,410,869</u>
Total direct and overlapping			<u><u>\$ 143,240,969</u></u>
Per capita overlapping debt			<u><u>\$ 3,786</u></u>

Source - City and County tax records

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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Assessed value of real property	<u>\$ 1,640,707,284</u>	<u>1,771,117,978</u>	<u>1,997,924,581</u>	<u>1,998,210,887</u>
Debt limit - 25% of assessed value of real property	<u>410,176,821</u>	<u>442,779,495</u>	<u>499,481,145</u>	<u>499,552,722</u>
Total general obligation bonded debt	20,625,223	-	17,867,429	16,509,387
Less amount available in Debt Service Fund	<u>-</u>	<u>-</u>	<u>(1,707,982)</u>	<u>(1,538,656)</u>
Total amount of debt applicable to debt limit	<u>20,625,223</u>	<u>-</u>	<u>16,159,447</u>	<u>14,970,731</u>
Legal debt margin	<u><u>389,551,598</u></u>	<u><u>442,779,495</u></u>	<u><u>483,321,698</u></u>	<u><u>484,581,991</u></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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</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>2,148,580,335</u>	<u>2,089,714,475</u>
<u>526,131,961</u>	<u>531,872,685</u>	<u>532,506,669</u>	<u>539,232,766</u>	<u>537,145,084</u>	<u>522,428,619</u>
<u>15,108,573</u>	<u>15,808,814</u>	<u>27,636,147</u>	<u>27,290,448</u>	<u>25,298,564</u>	<u>22,741,681</u>
<u>(670,992)</u>	<u>(318,397)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,937)</u>
<u>14,437,581</u>	<u>15,490,417</u>	<u>27,636,147</u>	<u>27,290,448</u>	<u>25,298,564</u>	<u>22,664,744</u>
<u>511,694,380</u>	<u>516,382,268</u>	<u>504,870,522</u>	<u>511,942,318</u>	<u>511,846,520</u>	<u>499,763,875</u>

# 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>
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
2015	15,767,506	11,261,328	4,506,178	562,188	8.02
2016	16,864,947	11,262,109	5,602,838	560,647	9.99

Notes:

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

*Unaudited -see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

---

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

<i>Fiscal Year</i>	<i>Population</i>	<i>Median Age</i>	<i>Per Capita Income</i>	<i>Unemployment Rate</i>	<i>Personal Income (6)</i>
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 (5)	37.1 (5)	22,326 (5)	7.2 (7)	796,636,332
2010	36,411 (4)	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
2015	37,857 (7)	37 (7)	24,095 (7)	4.8 (7)	912,164,415
2016	37,831 (7)	37 (7)	24,285 (7)	4.6 (7)	918,725,835

Notes:

- (1) Estimate of City of Texarkana, Texas.
- (2) 2000 U.S. Census. (ATCOG)
- (3) Texas Workforce Commission LMI Tracer
- (4) 2010 U. S. Census. (City of Texarkana, Texas)
- (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

This page intentionally left blank.

# 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>	<u>2016</u>			<u>2007 (2)</u>		
	<i>Employees</i>	<i>Rank</i>	<i>Percentage of Total MSA Employ- ment (1)</i>	<i>Employees</i>	<i>Rank</i>	<i>Percentage of Total MSA Employ- ment</i>
Red River Army Depot & Tenants	4,800	1	7.77%	6,000	1	10.58%
Christus St. Michael Health Care	2,700	2	4.37%	1,680	3	2.96%
Cooper Tire & Rubber	1,900	3	3.08%	2,000	2	3.53%
Wal-Mart/Sam's	1,300	4	2.11%	1,100	5	1.94%
Domtar (fr. Georgia Pacific)	950	5	1.54%	1,201	4	2.12%
International Paper	825	6	1.34%	865	7	1.53%
Wadley Regional Medical Ctr	800	7	1.30%	1,000	6	1.76%
Texarkana Texas ISD	800	8	1.30%	787	8	1.39%
Texarkana AR ISD	775	9	1.26%	785	9	1.38%
Harte Hanks	725	10	1.17%			0.00%
Southern Refrigerated Transport	725	11	1.17%	670	10	1.18%
City of Texarkana, Texas	625	12	1.01%			0.00%
<b>Total</b>	<u>16,925</u>		<u>27.42%</u>	<u>16,088</u>		<u>28.37%</u>

Source:

Chamber of Commerce, Texas Workforce Commission LMI Tracer

Notes:

(1) MSA employment for 2016 is 61,741

(2) MSA employment for 2007 is 56,700

*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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>General government</b>				
Purchasing- General Services	4	4	3	3
Finance / Accounting	7	6	5	6
Building Maintenance	3	3	3	3
City Manager	3	1	1	1
City Secretary	3	1	1	2
Research and Vital Statistics		2	2	2
Human Resources	3	5	4	5
City Attorney	3.5	2.0	0	0
Municipal Court	7	7.5	8.5	8
Quality Assurance	0	0	0	1
Marketing	0	0	0	1
<b>Public safety</b>				
Police Administration	3	3	7	7
Uniform Services- Patrol	66	74	65	69
Support Services	12	11	9	10
Criminal Investigation	18.5	17.5	18.5	18.5
CMV Enforcement Unit	0	0	0	2
Narcotics	4	2	3	4
Fire Administration	3	3	3	3
Fire Operations	72	72	72	72
Fire Prevention	4	4	4	4
Fire Training	2	2	2	2
Emergency Management	2	2	2	2
<b>Public works</b>				
Public Works Administration	3	2	0	0
Engineering	7	7	7	7
Engineering & Infrastructure Administration		2	2	2
Street Maintenance	38	38	38	38
Building Inspection	7	7	7	7
Sign and Signal	6	6	6	6
P&Z/Comm & PW Administration	2	0	2	2
Code Enforcement	0	0	3	3
Stormwater Management	0	0	0	0
<b>Health and welfare</b>				
Community Development	4	3	3	3
Environmental Services		3	2	2
Environmental Health Services	2	2	1	1
Demolition	4	4	1	1
Animal Control	2	2	2	2

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
3	3	0	0	0	0
6	6	8	8	8	8
3	3	3	2	0	0
1	1	1	2	9	10
2	2	2	3	0	0
2	2	2	3	0	0
4	4	4	4	4	4
0	0	0	0	0	0
9	8	8.5	7.5	9.5	8.5
1	1	1	0	0	0
2	2	1.5	1	0	0
5	11	9	8	6	2
72	66	63	62	61	59
31.5	31.5	32	31	31	39
0	0	0	0	0	0
2	2	0	0	0	0
3	0	0	0	0	0
3	2	3	4	81	78
72	73	72	70	0	0
4	0	5	6	0	0
2	0	0	0	0	0
2	2	0	0	0	0
0	0	0	0	0	0
7	7	4	4	3	2
2	2	2	2	2	1
38	38	32	30	36	36
7	7	7	6	13	12
6	6	6	5	6	6
2	2	1.5	0	0	0
3	3	3	3	0	0
0	2	2	2	2	2
3	3.5	5	5	5.5	5.5
2	2	2	2	0	0
1	1	1	1	0	0
1	0	0	0	0	0
2	2	2	2	0	0

# CITY OF TEXARKANA, TEXAS

## STATISTICAL SECTION

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Parks and recreation				
Parks Administration	3	2	2	2
Parks Maintenance	23	24	24	19
Recreational Programs	5.5	5.5	5.5	3.5
Senior Citizen Programs	2.5	2.5	2.5	1
Community Center / Weed & Seed	3	3	3	1
Library	12.5	12.5	12.5	16
Teen Court	1.5	1	1	1
Veterans Affairs	0.5	0.5	0.5	1
Family Health Center				
Administration	3	5	4	4
Community	4	6	5	6
WIC	7	7	5	7
Reproductive	7	7	6	7
TB	1	0	0	0
Public Health Response	5	2	0	0
Tobacco	0	0	0	0
Diabetes	0	0	0	0
Central Records - Dispatch	53	54	54	53
MPO	2.5	2.5	2.5	3
Fleet	10	11	9	8
Total	<u>439.0</u>	<u>443.5</u>	<u>423.5</u>	<u>432.0</u>

**Source:** Various City Departments

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

---

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
2	2	2	2	2	2
19	19	20	21	17	16
3.5	3.5	3	3	4	5
1	1	1	1	0	0
1	1	1	1	0	0
16	16	12.5	13.5	11	10.5
0	0	0	0	0	0
1	1	0.5	0.5	0.5	0
3.15	3	4	4	3	3
1.5	2	1	1	1	1
7	7	6	7	7	6
10.95	8	5	4	5	4
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	1	2	1	0	0
53	54	41	38	41	40
3	3	1.5	3	3	2
6	6	6	4	6	6
<u>431.6</u>	<u>422.5</u>	<u>389.0</u>	<u>377.5</u>	<u>377.5</u>	<u>368.5</u>

# CITY OF TEXARKANA, TEXAS

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b><u>Function/Program</u></b>				
General government				
Birth certificate requests	5,740	5,695	5,278	6,138
Public safety				
Police				
Commissioned officers	94	94	94	100
Calls for service	44,456	43,554	45,673	43,518
Total citations issued	13,922	8,879	11,606	10,536
Custody arrests	3,739	4,032	5,085	4,010
Fire				
Firefighters	79	79	79	78
Responses- Fire	250	281	250	256
Responses- EMS/Rescue	1,295	1,357	1,494	1,479
Responses- Other	963	1,139	978	1,098
Inspections	4,217	3,983	3,988	2,837
Public works				
Street resurfacing (miles)	(1)	(1)	(1)	(1)
Building permits issued	663	484	1,188	768
Building permits (\$)	48,621,881	76,804,888	44,937,572	49,115,042
Water				
Average daily consumption (millions of gallons)	10.29	10.938	10.255	11.207
Raw water production (millions of gallons)	11.849	11.882	11.978	13.949
Wastewater				
Average daily sewage treatment (millions of gallons)				
South Regional Plant	10.348	10.762	10.524	10.778
Wagner Creek Plant	1.088	1.190	1.257	1.253
Airlines				
Scheduled airline arrivals and departures per day	10	10	(1)	(1)
Passengers enplaning and deplaning per year	70,000	70,000		

Source: Various City Departments

Notes:

(1) No information available

*Unaudited -see accompanying auditors' report*

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
5,937	5,832	5,758	6,056	6,257	6,718
99	99	96	95	90	91
42,407	42,625	38,712	41,556	38,622	39,562
11,003	12,993	10,558	12,507	11,012	9,244
4,105	4,125	3,243	2,383	3,488	3,429
78	78	77	78	78	78
306	258	259	220	264	250
1,478	1,770	1,753	1,871	1,761	1,748
1,062	1,088	1,109	1,022	1,005	1,096
2,867	3,910	3,950	3,950	4,032	4,028
1.5	(1)	(1)	(1)	(1)	2
591	559	577	443	481	544
63,049,176	43,348,566	40,844,204	37,317,875	58,075,585	38,254,996
9.518	11.201	12.368	11.467	10.677	8.815
10.61	11.74	12.997	12.062	11.545	9.888
8.328	7.514	6.642	8.062	8.890	10.130
0.747	1.116	1.3	1.678	1.673	1.730
(1)	4	6	6	6	6
	60,000	66,338	68,674	71,500	67,642

# CITY OF TEXARKANA, TEXAS

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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government				
Buildings	2	2	2	4
Public safety				
Police Stations	1	1	1	1
Number of vehicles	69	72	63	69
Fire Stations	5	5	5	5
Fire Apparatus	9	9	9	9
Other motorized vehicles	6	6	6	6
Public works				
Buildings	3	3	3	2
Streets (miles)	(1)	(1)	(1)	(1)
Paved alleys	(1)	(1)	(1)	(1)
Unpaved alleys	(1)	(1)	(1)	(1)
Storm sewers	(1)	(1)	(1)	(1)
Streetlights	(1)	(1)	(1)	(1)
Parks and recreation				
Parks	15	14	14	12
Park acreage developed	500	500	500	500
Park acreage partially developed	1,330	1,330	1,330	1,330
Playgrounds	19	20	20	26
Swimming pools	0	0	0	0
Tennis courts	6	6	6	4
Baseball diamonds	8	8	8	8
Softball diamonds	10	10	10	10
Recreation centers	2	2	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	4	4	4	4
Soccer fields	8	10	10	12
Restroom facilities	14	15	17	17
Boat ramp	1	1	1	1
Splash pad	0	0	0	0
Perot Theatre	1	1	1	1

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
4	4	4	4	4	4
1	1	1	1	1	1
62	80	80	72	80	72
5	5	5	5	5	5
10	10	10	7	9	9
10	16	16	8	8	9
2	2	4	4	4	4
(1)	257	259	260	261	262
(1)	8	8	8	8	8
(1)	15	15	15	15	15
(1)	30	31	31	32	33
(1)	3,150	3,200	3,200	3,200	3,250
12	12	12	12	12	12
500	587	587	587	587	587
1,330	1,330	1,330	1,330	1,330	1,330
26	27	26	24	26	25
0	0	0	0	0	0
4	4	4	4	4	4
8	8	8	8	8	8
10	10	10	10	10	10
2	2	2	1	1	1
1	1	1	1	1	1
19	19	19	19	19	19
8	8	8	8	8	8
5	10	10	10	10	9
13	13	12	10	12	13
17	17	17	18	18	18
2	2	2	2	2	2
0	1	1	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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Library				
Number of libraries	1	1	1	1
Health and Welfare				
Buildings	1	1	1	1
Water				
Water mains (miles)	460	462	473	479
Water connections	12,893	13,032	12,951	12,937
Fire hydrants	1,906	1,963	2,013	2,051
Plant capacity (million gallons per day)	18	18	18	18
Wastewater				
Sanitary sewer mains (miles)	323	329	330	328
Sewer connections	12,364	12,512	12,418	12,436
Sewer plant capacity ( millions gallons per day)	18	20	20	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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1	1	1	1	1	1
1	1	1	1	1	1
484	504	479	483	486	473
12,962	13,119	13,133	13,170	13,224	13,285
2,079	2,172	2,115	2,139	2,169	2,183
18	18	18	18	18	18
340	343	340	337	342	336
12,435	12,518	12,584	12,622	12,677	12,719
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

This page intentionally left blank.

---

## **Schedule of Federal Awards Section**

# CITY OF TEXARKANA, TEXAS

## SUMMARY OF AUDITORS' RESULTS For the Year Ended September 30, 2016

PROGRAM	DESCRIPTION
Type of Report of Financial Statements	Unmodified Opinion
Significant Deficiencies in Internal Control	Schedule of Findings Reference 2016-001 and 2016-003
Material Weaknesses in Internal Control	None
Noncompliance Material to Financial Statements	Schedule of Findings Reference 2016-002
Significant Deficiencies in Internal Controls over Major Programs	Schedule of Findings Reference 2016-004 and 2016-007
Material Weaknesses Involving Significant Deficiencies over Major Programs	Schedule of Findings Reference 2016-005 and 2016-006
Type of Report on Compliance with Major Programs	Qualified Opinion – Special Supplement Nutrition Program for Women, Infants and Children  Adverse Opinion – Continuum of Care
Findings for Federal Awards as Defined in OMB Circular A-133	Schedule of Findings Reference 2016-004 through 2016-007
Major Federal Programs	10.557 U. S. Department of Agriculture – Special Supplemental Nutrition Program for Women, Infants and Children  14.267 U. S. Department of Housing and Urban Development– Continuum of Care Program
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, 2016

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures</i>
<b>Department of Homeland Security</b>				
Emergency Management Performance Grants	97.042	Texas Department of Public Safety	Emergency Management Performance Grant--16TX-EMPG-0208	<u>\$37,490</u>
Homeland Security Grant Program	97.067	Texas Department of Public Safety	Homeland Security Program--14-SR 72368-01	4,353
Homeland Security Grant Program	97.067	Texas Department of Public Safety	Homeland Security Program--2016	<u>6,860</u>
Total Homeland Security Grant Program				<u>11,213</u>
<b>Total Department of Homeland Security</b>				<u><b>48,703</b></u>
 <b>United States Department of Justice</b>				
Bulletproof Vest Partnership Program	16.607	Texas Governors Office Criminal Justice Division,2015-DJ-BX-1006	Law Enforcement Block Grant J.A.G.--2015-DJ-BX-0576	<u>14,647</u>
<b>Total United States Department of Justice</b>				<u><b>14,647</b></u>
 <b>Department of Transportation</b>				
National Priority Safety Programs	20.616		Selective Traffic Enforcement Program (STEP)- 2016-TexarkPD-CIOT-00020	<u>3,029</u>
Highway Planning and Construction	20.205	Texas Department of Transportation	Downtown Enhancement STP2001(215)TE	10,015
Highway Planning and Construction	20.205	Texas Department of Transportation	Federal Transit Capital and Operating Assistance Formula Grant--50-16XF0017	89,552
Highway Planning and Construction	20.205	Arkansas Highway Transportation Department,50-16XF0017	Federal Transit Capital and Operating Assistance Formula Grant--50-16XF0017	<u>39,485</u>
<b>Total Highway Planning and Construction</b>				<u><b>139,052</b></u>

# CITY OF TEXARKANA, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2016

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures</i>
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	Texas Department of Transportation,50-16XF0017	Federal Transit Capital and Operating Assistance Formula Grant--50-16XF0017	89,551
<b>Total Department of Transportation</b>				<b>231,632</b>
<b>United States Environmental Protection Agency</b>				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		EPA Revolving Loan Fund--BF-00F62501	8,690
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		Brownfield Hazardous--BF-00F19501	3,346
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		EPA Multipurpose Grant--BF-00F62801	91,566
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		Brownfield Petroleum--BF-00F20201	68,769
Total Brownfields Assessment and Cleanup Cooperative Agreements				172,371
<b>Total United States Environmental Protection Agency</b>				<b>172,371</b>
<b>Department of Health and Human Services</b>				
Immunization Cooperative Agreements	93.268		Preventative Health and Health	133,572
Preventive Health and Health Services Block Grant	93.991		RLSS/LPHS--2016-001076-00	95,250
Total Department of Health and Human Services				228,822
<b>Department of Housing and Urban Development</b>				
Community Development Block Grants/Entitlement Grants	14.218		Community Development Block Grant - Entitlement (CDBG)--B-14-MC-48-1000	232,156
Continuum of Care Program	14.267		Continuum of Care Program--TX0387L6T071400	209,142
Continuum of Care Program	14.267		Continuum of Care--TX0387L6T071501	269,231
Total Continuum of Care Program				478,373
<b>Total Department of Housing and Urban Development</b>				<b>710,529</b>

# CITY OF TEXARKANA, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2016

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures</i>
<b>United States Department of Agriculture</b>				
Farmers' Market and Local Food Promotion Program	10.168		Farmer's Market Grant--14-FMPPX-TX-0157	49,923
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		NSS-WIC Card Participation--2016-048749-001	368,731
<i>Total United States Department of Agriculture</i>				<u>418,654</u>
<i>Total Expenditures of Federal Awards</i>				<u>\$ 1,825,358</u>

The accompanying notes are an integral part of this schedule.

# CITY OF TEXARKANA, TEXAS

---

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS September 30, 2016

### 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, 2016. 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 - USE OF 10% DE MINIMIS COST RATE

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

### NOTE 4 - 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, 2016, while some grant reports are prepared monthly, quarterly, or annually on a grant fiscal year end that is different.

### NOTE 5 - STATUS OF PRIOR YEAR FINDINGS

The current status of findings related to federal grant awards that were reported with the September 30, 2015 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, the discretely presented component unit, and the aggregate remaining fund information of the City of Texarkana, Texas as of and for the year ended September 30, 2016, 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 21, 2017. Our report includes a reference to other auditors who audited the financial statements of the Texarkana Firemen's Relief and Retirement Fund, as described in our report on the City of Texarkana, Texas' financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Texarkana Firemen's Relief and Retirement Fund were not audited in accordance with *Government Auditing Standards*.

## **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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we

2001 MOORES LANE • TEXARKANA, TEXAS 75503 • (903) 823-2727 • FAX (903) 823-2734

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

This page intentionally left blank.

consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, we that we consider to be significant deficiencies. Reference 2016-001 and 2016-003.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Texarkana, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item: Reference 2016-002.

### **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, Remons, & Cox, P.C.*

March 21, 2017

**This page intentionally left blank.**



# 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 THE UNIFORM GUIDANCE

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 Compliance Supplement* that could have a direct and material effect on each of the City of Texarkana, Texas' major federal programs for the year ended September 30, 2016. The City of Texarkana, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City 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 the City of Texarkana, Texas's compliance.

2001 MOORES LANE • TEXARKANA, TEXAS 75503 • (903) 823-2727 • FAX (903) 823-2734

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

This page intentionally left blank.

***Basis for Qualified Opinion on Special Supplemental Nutrition Program for Women, Infants and Children***

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient, appropriate audit evidence supporting the compliance of the City of Texarkana, Texas with the CFDA 10.557 U. S. Department of Agriculture - Special Supplemental Nutrition Program for Women, Infants and Children as described in finding number 2016-004 for Procurement and Suspension and Debarment and Reporting, consequently, we were unable to determine whether the City of Texarkana, Texas complied with those requirements applicable to that program.

***Qualified Opinion on Special Supplemental Nutrition Program for Women, Infants and Children***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Texarkana, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Special Supplemental Nutrition Program for Women, Infants and Children for the year ended September 30, 2016.

***Basis for Adverse Opinion on Continuum of Care***

As described in the accompanying schedule of findings and questioned costs, the City of Texarkana, Texas did not comply with requirements regarding CFDA 14.267 U. S. Department of Housing and Urban Development - Continuum of Care as described in finding number 2016-005 for Allowable Costs, 2016-006 for Matching and 2016-007 for Reporting. Compliance with such requirements is necessary, in our opinion, for the City of Texarkana, Texas to comply with the requirements applicable to that program.

***Adverse Opinion on Continuum of Care***

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the City of Texarkana, Texas did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Continuum of Care for the year ended September 30, 2016.

**Report on Internal Control over Compliance**

Management of the 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 the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Texarkana, Texas' internal control over compliance.

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

This page intentionally left blank.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items: Reference 2016-005 and 2016-006.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as item: Reference 2016-004 and 2016-007.

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

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

*Holliday, Lemons, & Cox, P.C.*

March 21, 2017

This page intentionally left blank.

# CITY OF TEXARKANA, TEXAS

---

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended September 30, 2016

*Reference 2015-001 Financial Policies, Procedures, and Application of Accounting Principles*  
Current Status: The finding was partially corrected in the current year.

*Reference 2015-002 Credit Card Policies and Procedures*  
Current Status: The finding was corrected in the current year.

*Reference 2015-003 Compensation Reporting for the Fire Pension Actuarial Valuation*  
Current Status: The finding was corrected in the current year.

*Reference 2015-004 Texarkana Downtown TE Enhancement Program CFDA 20.205-Reporting*  
Current Status: The finding was corrected in the current year.

*Reference 2015-005 Special Supplemental Nutrition Program for Women, Infants and Children  
CFDA 10.557 – Reporting*  
Current Status: The finding was partially corrected in the current year.

**This page intentionally left blank.**

# CITY OF TEXARKANA, TEXAS

---

## **SCHEDULE OF FINDINGS - FINANCIAL STATEMENT AUDIT**

**For the Year Ended September 30, 2016**

### ***Financial Policies, Procedures, and Application of Accounting Principles Reference 2016-001***

#### ***Condition***

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

TIRZ taxes assessed and collected were not allocated according to the City's budgeted tax allocations between the General Fund, Debt Service Fund and the TIRZ 1 Fund. The General Fund's revenue was decreased by \$21,686. The Debt Service Fund's revenue was increased by \$42,616, and the TIRZ Fund's revenue was decreased by \$20,930.

#### ***Criteria***

Property taxes should be allocated based on the City's adopted budget and ordinances. 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.

#### ***Cause***

Taxes were allocated before the final calculation of property taxes received and receivable was performed.

#### ***Effect***

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

#### ***Recommendation***

Finance Department should review the annual settle-up allocation after the year end calculation for property taxes received and receivable have been performed.

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

Allocations will be recorded based on budgeted percentages throughout the fiscal year. Allocation percentages will be recalculated at the end of the fiscal year based on reports provided by Bowie Central Appraisal District. Amounts will be trued up to agree with the actual percentage calculations.

**This page intentionally left blank.**

# CITY OF TEXARKANA, TEXAS

---

## SCHEDULE OF FINDINGS – *FINANCIAL STATEMENT AUDIT*

For the Year Ended September 30, 2016

### *Community Development Block Grant-Entitlement (CDBG) Reference 2016-002*

#### *Condition*

In June and July 2016, CDBG funds totaling \$219,310 were drawn for the construction of a skate park on property adjacent to Kidtopia Park. In November 2016, U. S. Department of Housing and Urban Development (HUD) disallowed the project based on two findings: (1) the City failed to meet the citizen participation requirements to carry out an activity using funds from any program covered by the consolidated plan not previously described in the action plan and (2) the skate park project failed to meet a national objective.

HUD maintains the City did not identify in its Action Plan that it would be undertaking a skate park in Kidtopia Park and that the City qualified the skate park as meeting the national objective of benefit to low-to-moderate income persons on an area basis, rather than a service area based on a determination of who would use the park.

HUD instructed to the City to repay the \$219,310 CDBG funds that were disbursed for the skate park. The amount was repaid in January 2017. On January 25, 2017, HUD revised their finding and allowed approximately \$22,000 of park improvements.

For the fiscal year 2016 financial statement presentation, the City transferred funds from the General fund to the HCD fund to cover the costs associated with the skate park.

#### *Criteria*

The City is required to meet all HUD and CDBG requirements and guidelines for project funding. The City had obtained guidance on the project from the local HUD representative. However, upon further review HUD maintains the project did not meet specific requirements regarding advance inclusion in sufficient detail in the Action Plan, citizen participation requirements and certain standards regarding the benefit to low-to-moderate income families.

#### *Cause*

HUD maintains that the City neither obtained proper citizen participation nor included adequate detail in its annual action plan to cover the skate park. In addition, HUD maintains that the skate park did not meet the requirements for benefiting low to moderate income families.

**This page intentionally left blank.**

# CITY OF TEXARKANA, TEXAS

---

## SCHEDULE OF FINDINGS – *FINANCIAL STATEMENT AUDIT* For the Year Ended September 30, 2016

### *Community Development Block Grant-Entitlement (CDBG)* *Reference 2016-002*

#### *Effect*

Federal funds were expended on the construction of a skate park which was later determined to be an unallowable use of federal funds. City management and the City Council may have approved the project based upon assumed HUD approval. A different decision may have been made had all facts and circumstances been known at the time of approval. A transfer from the General fund was made to the CDBG fund for \$219,310 to cover the project cost without advance approval from the City Council. The Council was, however, subsequently made aware of the repayment to HUD.

#### *Recommendation*

The City should sufficiently describe all planned projects in the Action Plan and meet all citizen participation requirements and standards required by HUD. Should a project be disallowed, the City Council should be notified when the project amount is over the \$50,000 threshold or is an unbudgeted item.

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

City management maintains oral approval for the project was obtained from the local HUD office and also that the project is an extension of Kidtopia, an approved CDBG project. The City presented data to support the low to moderate income benefit and citizen participation. The City has scheduled technical assistance for April 2017.

This page intentionally left blank.

# CITY OF TEXARKANA, TEXAS

---

## SCHEDULE OF FINDINGS – *FINANCIAL STATEMENT AUDIT*

For the Year Ended September 30, 2016

### *Drug Escrow Seizure* *Reference 2016-003*

#### *Criteria*

The Police Department seized cash from defendants between November 2015 and September 2016 totaling \$57,800 for 8 new cases. The Police Department did not deposit the cash in the City bank account restricted specially for this purpose, but rather kept the cash in their property room until February 2017.

The City's annual required "Chapter 59 Asset Forfeiture Report by Law Enforcement Agency" filed with the State of Texas reports the amount of seized funds as well as forfeited funds at the beginning of the year, current year activity and the end of year balances for seizures and forfeitures. The City's report as of and for the year ended September 30, 2016 did not include the \$57,800 held in cash.

The City's cash deposit balances in the Drug Escrow Seizure bank account of \$78,398 has not changed in approximately 2 years. The deposits for the cases date from 2005 through June 2015 (prior to the February 2017 deposit.) The City's cash deposit balance in the Police Evidence bank account of \$16,834 has not changed in 3 years. The cases are dated from May 2007 through October 2011.

#### *Cause*

The deposit for the \$57,800 had not yet been made by the Police Department.

The internal controls over cash failed to detect and include the cash held by the Police Department in the State report.

#### *Effect*

The cash which was not properly and timely deposited into the City's bank account may have been subject to misappropriation or theft.

The City failed to report \$57,800 of seized money to the State.

The seizures may have been forfeited to the City and/or another law enforcement agency or may be required to be returned to the defendant. Upon review with the Police Department, it appears that approximately \$21,150 should be returned to the defendants for various reasons.

This page intentionally left blank.

# CITY OF TEXARKANA, TEXAS

---

## **SCHEDULE OF FINDINGS – FINANCIAL STATEMENT AUDIT**

**For the Year Ended September 30, 2016**

### ***Drug Escrow Seizure***

***Reference 2016-003 (Continued)***

#### ***Recommendation***

All cash collected by the City, including Police Department seizures, should be properly and timely deposited in a City bank account. The City should properly report all seizures and forfeitures to the State as required on the Chapter 59 report. The State should be contacted to determine if an amended report should be filed. The cases for which deposits are held in the Drug Escrow Seizures and Police Evidence accounts should be reviewed to determine the current status. We recommend reviewing the files at least annually to determine if the cases are still pending.

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

Cash seized or otherwise taken from defendants will be deposited in the City bank account restricted specifically for this purpose, in every case where funds are seized or taken. These deposits shall occur as soon as practicable and in no case later than the close of the next business day. Cases for which deposits are held in the Drug Escrow Seizure and Police Evidence accounts will be reviewed on an annual basis to determine if cases are still pending.

This page intentionally left blank.

# CITY OF TEXARKANA, TEXAS

---

## **SCHEDULE OF FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT For the Year Ended September 30, 2016**

### ***Special Supplemental Nutrition Program for Women, Infants and Children CFDA 10.557 – Procurement and Suspension and Debarment and Reporting Reference 2016-004***

#### ***Condition***

A contract for painting, maintenance and repair services was entered into by the City with a contractor to perform services at an hourly rate of \$25 per hour and utilized on an “as-needed” basis. The contract did not contain a ceiling price that the contractor exceeds at his own risk.

One monthly report, Form B-13 *State of Texas Purchase Voucher*, and one quarterly report, Form FSR 269a *Texas Department of State Health Services Financial Status Report*, were not filed timely. The Form B-13 was due on October 31, 2016 and was filed on November 17, 2016. The quarterly report was due on October 31, 2016 and was filed on November 2, 2016.

#### ***Criteria***

As stated in Section 200.318(j)(1) of the Uniform Guidance: The non-federal entity may use a time and materials type contract only after a determination that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk.

The monthly purchase vouchers (B-13) are due on the last business day of the month following the reporting month. The quarterly Financial Status Reports are due the last day of the month following the last day of the quarter.

#### ***Cause***

Program personnel may not have been familiar with grant requirements.

#### ***Effect***

Omitting ceiling price language in the contract creates an open-ended price that without a high degree of oversight might present an opportunity for excess payments. The City was not in compliance with grant requirements by the contract not containing the proper clause and by filing these two reports late.

#### ***Recommendation***

Management should require staff to review procurement policies effective in the Uniform Guidance and the reporting deadlines provided in grant guidance. Management should oversee contracts and grant reports to ensure the City is in compliance with grant requirements.

This page intentionally left blank.

# CITY OF TEXARKANA, TEXAS

---

## **SCHEDULE OF FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**For the Year Ended September 30, 2016**

*Special Supplemental Nutrition Program for Women, Infants and Children CFDA 10.557 – Procurement and Suspension and Debarment and Reporting  
Reference 2016-004 (Continued)*

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

Responsible departments will meet with the City Manager on a periodic basis to review the status of each grant. The City will set up a monitoring system to track financial reporting deadlines, to monitor accuracy of reports and to insure timely submission of draw requests.

This page intentionally left blank.

# CITY OF TEXARKANA, TEXAS

---

## SCHEDULE OF FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT For the Year Ended September 30, 2016

### *Continuum of Care CFDA 14.267 – Allowable Costs Reference 2016-005*

#### **Condition**

We selected 6 subrecipient reimbursements totaling \$208,998 from a population of 27 checks totaling \$488,490, or 43%, to review the evidence and documentation to determine the grant expenses were for allowable costs. In the 6 reimbursement requests, we determined the City utilized grants funds for the following unallowable costs:

1. An appliance deposit in the amount of \$925 was paid in addition to a security deposit of \$925.
2. A utility deposit in the amount of \$750 was paid to a landlord.
3. Damages to an apartment for \$26 were paid in excess of the amount allowed. Total damages were \$541 which exceeded the rent amount of \$515.
4. Overpayments of rental assistance for \$57 and \$148 were paid to a subrecipient.
5. Two utility deposits for \$198 and \$420 were reimbursed without evidence or documentation.
6. Supplies expense of \$234 was reimbursed without evidence or documentation.
7. An overpayment of \$1,486 was paid twice to a subrecipient. The draw report was submitted twice for reimbursement with two different subrecipient's names and one of the subrecipients was reimbursed twice.
8. An overpayment to a subrecipient of \$7,617 was paid without evidence or documentation. The finding was noted in HUD's on-site review on November 16-18, 2016 and reported to the City on February 14, 2017.
9. Overpayments to subrecipients were made totaling \$6,658 of rental assistance in the amounts of \$2,392, \$1,643, and \$2,623 for June, July and August 2016. The finding was noted in HUD's on-site review on November 16-18, 2016 and reported to the City on February 14, 2017.
10. Overpayments of rental assistance for \$8,918 and \$5,927 were reimbursed to a subrecipient. The amounts were included as advanced rent on each of two months of the subrecipient's requests, but were not subtracted from the following month's requests.

#### **Criteria**

1. The U. S. Department of Housing and Urban Development 14 CFR Part 578 Homeless Emergency Assistance and Rapid Transition to Housing: Continuum of Care Program (Interim Rule) provides guidance in section 578.51(a)(2) for the specific expenses allowed including a security deposit not to exceed 2 months of rent. The guidance does not address permitting an appliance deposit in addition to a security deposit.
2. The Interim Rule section 578.53(e)(16) allows for a utility deposit to be a one-time fee, paid to a utility company.
3. The Interim Rule section 578.51(j) allows for the use of grant funds not to exceed one month's rent to pay for any damages to housing due to the action of a program participant.
4. The Interim Rule section 578.51(g) provides that the rental assistance provided must be reasonable in relation to location, size, type, etc. HUD provided the FY 2016 Fair Market Rent Documentation System. Two of the 15 rent amounts tested exceeded the fair market rent allowed for the Texarkana area based on the number of bedrooms in the participant's apartment. No further documentation was available to prove that the excess amount was reasonable.

This page intentionally left blank.

# CITY OF TEXARKANA, TEXAS

---

## SCHEDULE OF FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT For the Year Ended September 30, 2016

### *Continuum of Care CFDA 14.267 – Allowable Costs Reference 2016-005 (Continued)*

- 5-10. All allowable costs should be supported by proper evidence and documentation. The subrecipient should provide a complete and accurate detailed listing of the expenses for which it is seeking reimbursement.

#### *Cause*

The City did not require the subrecipient to submit all necessary evidence and documentation. Also, the City did not review all documentation to ascertain the expenses were properly allowed based on the HUD Continuum of Care Interim Rule prior to submission to HUD for reimbursement.

#### *Effect*

Based on the selected sample of expenses, the City requested and received grant funds for unallowable costs totaling \$33,363. When extrapolated to the total grant funds received, the City potentially utilized grant funds for estimated questioned costs ranging from \$33,363 to \$88,973. Subsequent to year end, \$14,275 of these expenses was reimbursed to HUD.

#### *Recommendation*

We recommend a complete review be made of all reimbursed expenses to determine the extent of the total unallowable costs since only a sample of expenses was reviewed for propriety. In the future, we recommend the City staff review the documentation of the reported expenses on an on-going basis to ensure the expenses are allowable and properly supported prior to drawing down federal funds as a reimbursement.

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

Responsible staff will require all supporting documentation for requested reimbursements be provided prior to reimbursement approval. Each reimbursement request will be reviewed in detail to determine that supporting documentation is sufficient and acceptable before payment is issued. Staff will work with sub-recipients to verify that expenses meet eligibility requirements under the HUD Continuum of Care guidelines. The City has scheduled technical assistance on this grant for May 2017.

This page intentionally left blank.

# CITY OF TEXARKANA, TEXAS

---

## **SCHEDULE OF FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT For the Year Ended September 30, 2016**

### ***Continuum of Care CFDA 14.267 – Matching Reference 2016-006***

#### ***Condition***

For the U. S. Department of HUD, Continuum of Care (CoC) grant, the City reported match expenses on the fiscal year 2014 grant Annual Performance Report filed November 30, 2016 of \$80,973. However, the City's records reflect matching expenses of \$36,932. The City subsequently provided a summary report of additional subrecipient match/in-kind contributions of \$8,788. Of the additional match, \$3,825 has not yet been properly documented. However, the City is continuing to monitor the subrecipient to obtain the necessary documentation and is certain the additional match will be allowable. As such, the total match obtained for the 2014 grant is \$45,720.

The City's records reflect total matching expenses for the fiscal year 2015 Continuum of Care grant of \$18,086. The City subsequently provided a summary report of additional subrecipient match/in-kind contributions of \$21,322. Of the additional match, \$7,550 has not yet been properly documented. However, the City is continuing to monitor the subrecipient to obtain the necessary documentation and is certain the additional match will be allowable. As such, the total match obtained for the 2015 grant is \$39,408.

#### ***Criteria***

The Continuum of Care Interim Rule section 578.73 requires the recipient or subrecipient to match all grant funds with no less than 25 percent of funds or in-kind contributions from other sources. In-kind contributions are goods or services contributed to the project as match, provided that if the recipient or subrecipient had to pay for them with grant funds, the costs would have been eligible. All cash match must be used for the costs of activities that are eligible.

#### ***Cause***

The City did not require the subrecipients to submit matching (cash or in-kind) expenses and documentation on an on-going basis.

#### ***Effect***

The City has failed to comply with the requirement to match CoC federal grant funds with 25% of funds or in-kind contributions by \$60,967. The shortage is \$35,253 for the fiscal year 2014 grant and \$25,714 for the fiscal year 2015 grant. The total match shortage of \$60,967 places \$243,868 in HUD funding at risk of repayment.

#### ***Recommendation***

The City should obtain all cash match and in-kind contributions from the subrecipients for the fiscal year 2014 and 2015 grants and review the documentation to determine the eligibility of such match and in-kind

**This page intentionally left blank.**

# CITY OF TEXARKANA, TEXAS

---

## **SCHEDULE OF FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT For the Year Ended September 30, 2016**

### ***Continuum of Care CFDA 14.267 – Matching Reference 2016-006 (Continued)***

contributions. The documentation of the match expenses should be summarized to determine if the City and/or the subrecipient has adequately matched the federal funds received.

In the future, we recommend the City require the subrecipients to submit cash match or in-kind contributions on an on-going basis prior to the request and disbursement of federal grant funds.

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

Responsible staff will require sub-recipient matching documentation to be submitted on a regular basis for review. Match documentation will be reviewed by City staff for approval and a master worksheet will be used to track match claimed for each sub-recipient by grant year to determine that the City and its sub-recipients are adequately meeting grant matching requirements. The City has until April 30, 2017 (end of grant) to fully document all match for the 2015 grant. The City has scheduled technical assistance on this grant for May 2017.

This page intentionally left blank.

# CITY OF TEXARKANA, TEXAS

---

## **SCHEDULE OF FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT For the Year Ended September 30, 2016**

### ***Continuum of Care CFDA 14.267 – Reporting Reference 2016-007***

#### ***Condition***

The U. S. Department of Housing and Urban Development Continuum of Care (CoC) grant #TX038L6T071400 (fiscal year 2014 grant) Annual Performance Report was filed in November 2016.

The fiscal year 2014 grant had three requests made during the City's fiscal year audited and two of those requests were made late. The first request was submitted May 5, 2016 for October 2015 through March 2016 expenses. The second request was submitted August 26, 2016 for additional February 2016 expenses and April 2016 expenses.

The fiscal year 2015 grant (TX038L6T071501) had two requests made during the City's fiscal year audited and one of those requests was submitted late. The request was submitted September 22, 2016 for May through August 2016 expenses.

#### ***Criteria***

The Continuum of Care Interim Rule section 578.109(b) requires the Annual Performance Report to be filed no later than 90 days from the end of the project's grant term. The fiscal year 2014 grant ended on April 30, 2016.

HUD's CoC on-site compliance review report received by the City on February 14, 2017 for the November 16-18, 2016 review stated that the reimbursement requests should be made at least quarterly.

#### ***Cause***

It is unclear why the City did not make the draw requests in a more timely manner since the City was receiving monthly requests from the subrecipients.

#### ***Effect***

The City is not in compliance with the grant requirement to report the end of grant Annual Performance Report by July 31, 2016. The City was four months late filing the report and there is no evidence of an extension having been requested or granted.

The City is not in compliance with the grant requirements to make the draw requests on a quarterly basis for the three draw requests described above. Furthermore, the City is using the General fund to advance (loan) the money to the subrecipients until the grant funds are drawn. The City advanced \$487,480 to the subrecipients. The Continuum of Care grant fund owed the General fund \$41,210 at September 30, 2016.

This page intentionally left blank.

# CITY OF TEXARKANA, TEXAS

---

## **SCHEDULE OF FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT For the Year Ended September 30, 2016**

### ***Continuum of Care CFDA 14.267 – Reporting Reference 2016-007 (Continued)***

#### ***Recommendation***

We recommend the City file all grant reports prior to their due date as required by grantor agencies. Since the City is receiving monthly requests from the subrecipients, the City should be able to draw the federal funds in a timely manner to avoid the necessity of an advance from the General Fund or at least minimize the period of the advance.

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

Responsible departments will meet with the City Manager on a periodic basis to review the status of each grant. The City has set up a monitoring system to track financial reporting deadlines, to monitor accuracy of reports and to insure timely submission of draw requests. The City has scheduled technical assistance on this grant for May 2017.

**This page intentionally left blank.**