



City of Texarkana, Texas

**2016-2017**

# **Comprehensive Annual Financial Report**

For the year ending September 30, 2017

Welcome  
to  
Texarkana

# **CITY OF TEXARKANA, TEXAS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended  
September 30, 2017**

*Prepared by:*

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



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## **Introductory Section**

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CITY OF  
**TEXARKANA**  
TEXAS

P.O. Box 1967  
Texarkana, TX 75504  
Phone (903) 798-3900

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

The Comprehensive Annual Financial Report (CAFR) of the City of Texarkana, Texas (the City) for the fiscal year ended September 30, 2017, 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 unmodified opinion on the City of Texarkana, Texas financial statements for the year ended September 30, 2017. 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 three-year staggered terms, with two members elected by ward every three years. The mayor is elected at large and serves a three-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, 2016 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 Metropolitan Planning Organization (MPO) and the Texarkana Urban Transit District (T-Line).

### **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 several 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 several 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.

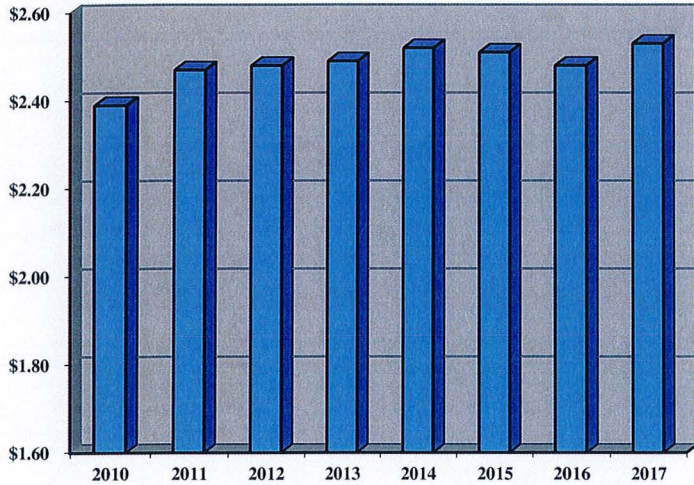
Commercial and residential building in the City has increased slightly in the past year, as reflected in reported statistics. Permits for new non-residential construction increased from last year's value of around \$15,543,474 to around \$28,254,665 this year. Permits for non-residential additions, alterations and conversions increased from \$10,984,243 to \$15,276,599 this year. Residential permits increased from \$7,908,627 to \$8,292,931. Residential additions, alterations and conversions ended the year at \$1,687,227, a decrease from last year's number of \$3,818,652. Notable commercial projects in progress and/or completed in 2017 include the following:

- Banks/Credit Unions
  - Bancorp South
  - Red River Federal Credit Union
  - State Bank of DeKalb
- Restaurants
  - Chicken Express
  - Little Caesar's
  - Burger King
  - Outback Steakhouse
- Gym Facilities
  - Planet Fitness
  - The Sports Plex
- Retail Shopping
  - Burks Outlet
- Medical
  - Aspen Dental
  - Hanger Clinic
  - The Vet

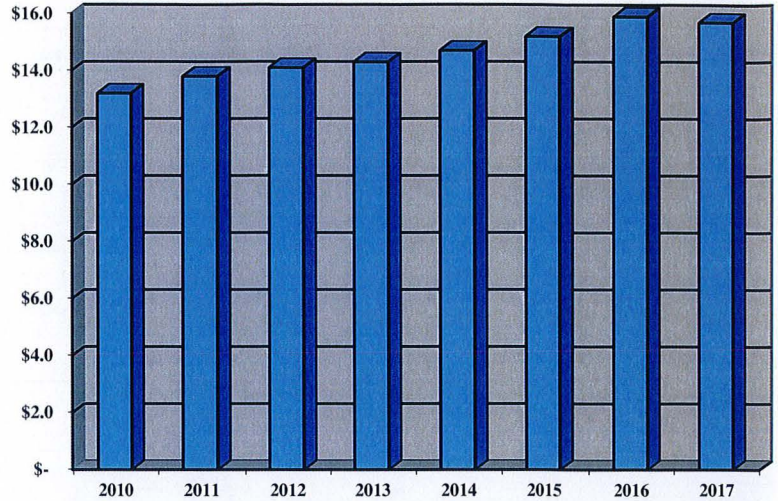
Sales taxes, property taxes, and franchise receipts are responsible for a substantial portion of the City's general fund operating revenue budget. The overall net increase in revenues in fiscal year 2017 compared to the prior fiscal year was \$1,303,135. Property tax revenue increased by \$1,403,274 (12.7%), sales and other tax revenue decreased by \$264,094 (1.6%), revenue from franchise receipts decreased by \$136,738 (8.9%), and other revenue increased by \$194,175 (60.5%)

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 4.1%, which was slightly higher than the state rate of 4.0% and just below the national rate of 4.2%.

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

Unassigned fund balance in the general fund at September 30, 2017 is \$13,215,235 and represents 41.24% or 150 days of general fund expenditures and is above the reserve goal of sixty (60) days established by the City's General Fund Balance Policy.

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. However, South of I-30 continues to develop as well, with the recent addition of an auto dealership and a retail center in the planning stages. New development should continue to strengthen growth in the City's property tax base and other tax collections, which comprise around seventy-two percent (72 %) of the City's General Fund operating revenue budget.

Gas and electric franchise fees were increased several years ago by the City Council 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, the extension of Pavilion Parkway to McKnight Road, and drainage improvements at Walton Drive and Pavilion Parkway. Future debt service payments on the bonds are expected to be funded by property tax revenues collected from new developments within the district.

After thirty (30) years of continuous service as the main wastewater treatment facility for both sides of town, the South Regional Wastewater Treatment Plant (SRWWTP) on South Stateline is in need of upgrades and improvements. During the fiscal year 2018 budgeting process, utility staff expanded the initial five (5) year plan developed for fiscal year 2017 to prioritize and schedule out some of these upgrades into a ten (10) year plan. Both the Arkansas and Texas Utilities will make annual revenue contributions to the joint SRWWTP depreciation account to provide funding. Work began in fiscal year 2017 for the initial projects identified and prioritized by utility engineers and plant management. During each successive budget cycle, utility staff will reprioritize the scheduled upgrades and replacements as necessary, and plant improvements will be made as funds are budgeted and available.

An 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. A review of the recommendations and any resulting decision as to location, treatment options, costs, financing and operations of the treatment facilities will be a broad-based community decision as 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. An initial component of any new plant is the replacement of the existing raw water intake in Lake Wright Patman to extend it out further into the lake. Application is currently being made for potential relocation of the existing raw water intake at Lake Wright Patman.

### **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 conducted a compensation study that included all authorized positions. This study resulted in a compensation adjustment in 2017 for all employees with at least one year of service. It is the goal of the City to review 1/3 of the employee population each fiscal year. Employee benefits are an important part of compensation, and administration continues 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 employees and their families.
- Demolition of burned-out and/or dilapidated residential structures was allocated \$200,000 in the City's 2017 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. Future demolition efforts will be concentrated in specific neighborhoods with the goal of revitalizing an entire neighborhood. Eighty-four (84) 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 remain a problem in the City, limited financial and personnel resources have prevented the development of a similar demolition program for these properties.
- Certificates of obligation were issued in fiscal year 2017 for the newly established capital improvement plan. This issuance totaled \$14,160,000 and represents funding for the following projects:
  - Lighting for local ball fields
  - Forest Lake Estates street reconstruction
  - Cowhorn Creek Corridor project
  - Playground equipment for local parks
  - Dredging of the lake at Spring Lake Park
  - Roof replacement for various City buildings
  - Building & parking lot improvements for fire, police, and street departments
  - Courthouse Square project
  - Design for the Perot Theatre restoration, Art Park construction, Fire Stations, and Airport Terminal

- Long-range financial planning continues to be a priority for the City. The budgeting process for the general fund now captures five years of current and projected financial data. The City is working to establish a Major Maintenance Fund and Infrastructure Replacement Fund. This fund will be used to address city-wide major maintenance needs as they arise, rather than incurring additional costs by delaying projects until future dates. The Capital Replacement Fund continues to be successful in updating a fleet that was well beyond useful life in most cases when implemented in 2009-2010. The Technology Fund also offers a replacement schedule that reflects average useful life and ensures continual updating of computer equipment for maximum performance. The Capital Improvement Program is currently in its first year of implementation with successful results.

### **Awards and Acknowledgements**

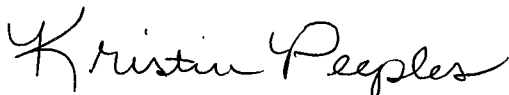
**Awards.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Texarkana, Texas for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2016. This was the twenty-seventh (27th) consecutive year that the government has received this prestigious award. 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, 2017, which marks the second consecutive year that the City has received this award. 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

March 29, 2018

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Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Texarkana  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

*Christopher P. Morrell*

Executive Director/CEO

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**PRINCIPAL OFFICIALS**

**CITY COUNCIL**

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**BOB BRUGGEMAN**  
Mayor

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

**WILLIE RAY**  
Councilmember, Ward 2

**BETTY WILLIAMS**  
Councilmember, Ward 3

**CHRISTIE ALCORN**  
Councilmember, Ward 4

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

**JOSH DAVIS**  
Councilmember, Ward 6

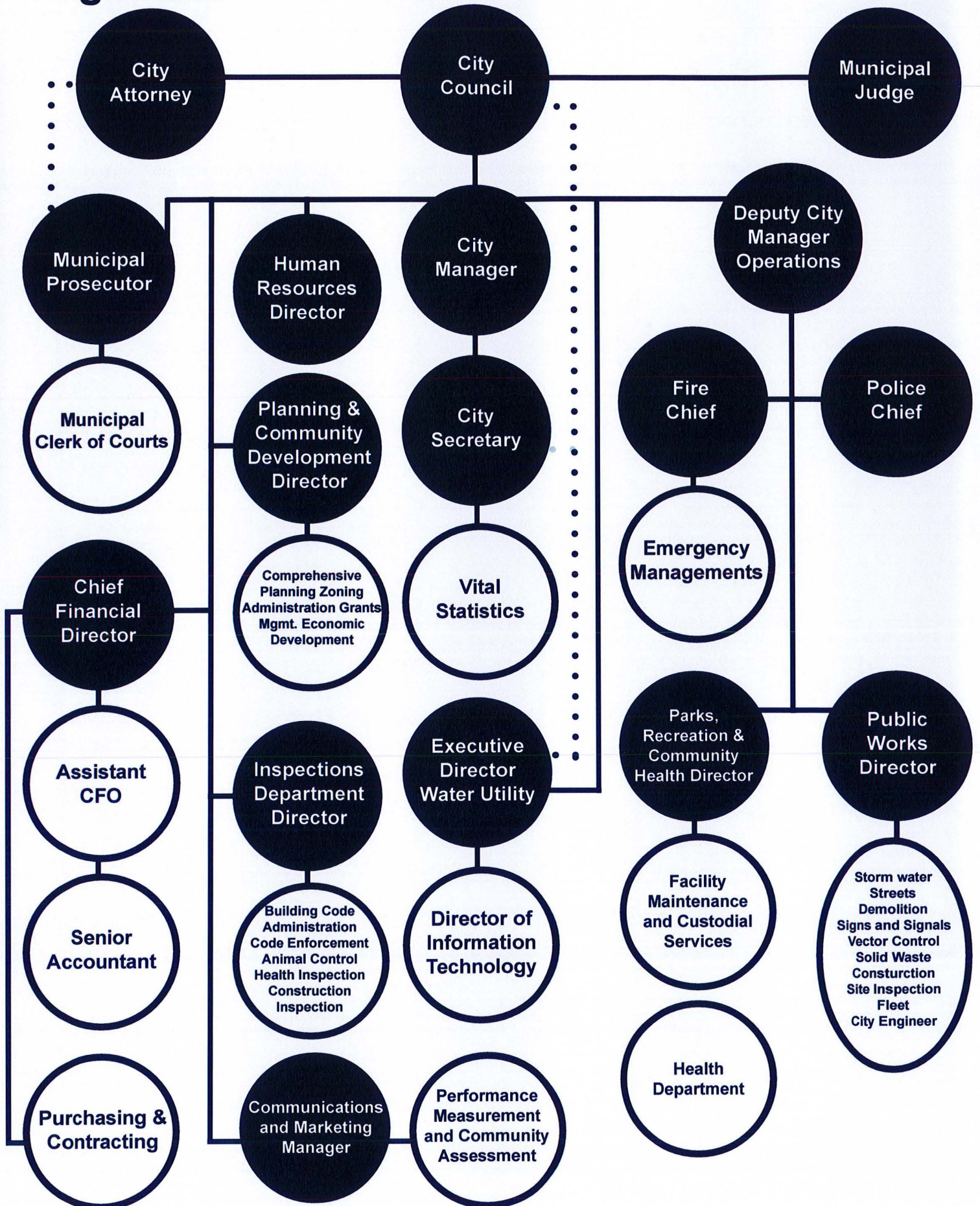
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**SHIRLEY JASTER**  
Interim City Manager

**KRISTIN PEEPLES, CPA**  
Chief Financial Officer

**JENNIFER EVANS**  
City Secretary

# Organizational Chart



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## **Financial Section**

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# HOLLIDAY, LEMONS & COX, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council  
and Honorable Bob Bruggeman, Mayor  
City of Texarkana, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, 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, 2017, 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, 2016 (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.

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AICPA'S PRIVATE COMPANIES PRACTICE SECTION

TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017 and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension plan trend information on pages 9 through 23 and pages 106 through 113, 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, 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, the capital assets schedules, and the schedule of expenditures of federal

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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, 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 29, 2018, on our consideration of the City of Texarkana, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Texarkana, Texas' internal control over financial reporting and compliance.

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

March 29, 2018

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Texarkana, Texas (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. 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 \$170,652,465 (net position). Of this amount, \$146,632,483 (86%) 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 \$19,368,367 (11%). The remaining \$4,651,615 (3%) 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 \$6,484,664 during this fiscal year. The change in net position from operations of governmental activities increased by \$4,482,494, while the change in net position from operations of business-type activities increased by \$2,002,170.
- Unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors, decreased by \$2,157,436.
- At the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$27,806,212, an increase of \$8,434,765 from last year. \$12,993,922 of this amount or 47.5% of the total fund balance is available for spending at the City's discretion (unassigned fund balance).
- Within the combined governmental fund balances, \$91,371 is non-spendable for joint venture investments. Another \$11,751,170 is restricted, with \$9,736,141 set aside for capital projects, \$754,502 for housing projects, \$391,524 for court security and technology, \$304,650 for public safety, \$414,228 for tourism purposes, \$88,299 for economic development, \$22,502 for debt service, \$21,491 for the Rosehill Cemetery, and \$17,833 for donations received. Committed fund balance represents \$887,434 for economic development. Assigned fund balance represents a total of \$2,082,315. Of this total, \$1,183,582 is assigned to future infrastructure projects, \$749,459 is set aside for future improvements at the Perot Theatre, \$111,951 is assigned for workman's compensation insurance, \$33,771 is assigned for energy conservation projects, and \$3,552 for police equipment. The unassigned fund balance in the General Fund is \$13,215,235 and it can be used for any lawful purpose. It is equal to 41.24% of general fund expenditures.
- The City has approximately 150 days of expenditures in the unassigned fund balance of the general fund at year end.

- The City's total long-term liabilities increased by \$11,375,718 (12.9%) due to the issuance of the 2017 Certificates of Obligation and the 2016 General Obligation Refunding Bonds and increases in the obligation for net pension and other post-employment benefits offset by regularly scheduled debt service payments and savings generated from the refunding of the 2006 General Obligation Refunding Bonds and 2009 Certificates of Obligation.

## 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-nine (29) governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund and the 2017 Capital Project Fund, all of which are considered to be major funds. Data from the other twenty-six (26) 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 - 103 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 106 - 113 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 118 - 160 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 \$170,652,465 as of September 30, 2017. The largest portion of the City's net position (\$146,632,483 or 86%), 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>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Current and other assets	\$ 50,838,584	37,186,653	21,594,759	21,013,988	72,433,343	58,200,641
Capital assets	130,659,168	126,242,320	66,923,816	66,782,514	197,582,984	193,024,834
Total assets	181,497,752	163,428,973	88,518,575	87,796,502	270,016,327	251,225,475

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Deferred outflows of resources:	9,246,151	10,300,339	1,458,030	1,777,097	10,704,181	12,077,436
Long-term liabilities	86,981,061	74,988,066	12,837,877	13,455,154	99,818,938	88,443,220
Other liabilities	3,605,946	2,703,452	4,209,329	4,981,599	7,815,275	7,685,051
Total liabilities	90,587,007	77,691,518	17,047,206	18,436,753	107,634,213	96,128,271
Deferred inflows of resources	1,889,069	2,252,461	544,761	754,378	2,433,830	3,006,839
Net position:						
Net invested in capital assets	86,912,466	85,391,477	59,720,017	58,709,850	146,632,483	144,101,327
Restricted	12,305,856	4,342,782	7,062,511	8,914,641	19,368,367	13,257,423
Unrestricted	(950,495)	4,051,074	5,602,110	2,757,977	4,651,615	6,809,051
Total net position	\$ 98,267,827	93,785,333	72,384,638	70,382,468	170,652,465	164,167,801

An additional portion of the City's net position of \$19,368,367 (11%) 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 \$4,651,615 (3%) 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.

### **Governmental Activities:**

Total assets increased by \$18,068,779. Cash and investments increased by \$9,206,043. Accounts receivable increased by \$512,282. Joint venture investments in the Texarkana Regional Airport, Texarkana Urban Transit District, Bi-State Justice Center, and the Bowie Central Appraisal District increased by \$3,884,890. The balance of internal fund receivables decreased by \$47,353, capital assets increased by \$4,416,848, and inventory increased by \$1,363.

Deferred outflows of resources decreased by \$1,054,188. The net increase of \$616,026 resulted from new deferred charges related to current year bond refundings of \$687,780 and amortization of deferred charges of \$71,754 on bond refundings in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. A decrease of \$1,670,214 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 \$12,895,489. Liabilities recorded for net pension liability and other post-employment benefits increased by \$776,629. Bonds payable, certificates of obligation, and obligations under capital leases increased by \$11,236,716 due to the issuance of 2017 certificates of obligation offset by regularly scheduled debt service payments and capital lease transactions. Contracts payable increased by \$1,202,416 due to an increase in ongoing capital projects in

progress at year end. Accounts payable decreased by \$382,816. Accrued compensated absences, accrued payroll, due to other governments and other changes in smaller liability accounts make up the remaining increase of \$62,544.

**Business Type Activities:**

The business type activities total assets increased \$722,073 as current assets increased 2.8%. Total liabilities decreased \$1,389,547 as long-term liabilities decreased 4.6% while other liabilities decreased 15.5%. TWU enterprise fund assets increased \$809,312 while total liabilities decreased 7.8% or \$1,349,661 for the year.

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues						
Charges for services	\$ 4,015,948	2,695,040	17,130,716	16,775,322	21,146,664	19,470,362
Operating grants and contributions	1,659,145	1,628,327			1,659,145	1,628,327
Capital grants and contributions			39,365	39,327	39,365	39,327
General revenues:						
Property taxes	17,441,622	15,979,531			17,441,622	15,979,531
Other taxes	18,885,874	19,350,536			18,885,874	19,350,536
Other revenue	4,538,501	241,426	1,281,711	1,169,548	5,820,212	1,410,974
Total revenue	<u>46,541,090</u>	<u>39,894,860</u>	<u>18,451,792</u>	<u>17,984,197</u>	<u>64,992,882</u>	<u>57,879,057</u>
Expenses:						
General government	8,357,159	8,011,669			8,357,159	8,011,669
Public safety	17,875,634	16,396,091			17,875,634	16,396,091
Public works	9,044,672	8,881,205			9,044,672	8,881,205
Parks and recreation	3,517,538	3,446,421			3,517,538	3,446,421
Health and welfare	1,532,646	1,671,102			1,532,646	1,671,102
Interest on long-term debt	1,770,944	2,085,451			1,770,944	2,085,451
Water and sewer			16,409,625	15,734,804	16,409,625	15,734,804
Total expenses	<u>42,098,593</u>	<u>40,491,939</u>	<u>16,409,625</u>	<u>15,734,804</u>	<u>58,508,218</u>	<u>56,226,743</u>
Change in net position before transfers	4,442,497	(597,079)	2,042,167	2,249,393	6,484,664	1,652,314
Transfers	39,997	18,900	(39,997)	(18,900)	-	-
Change in net position	<u>4,482,494</u>	<u>(578,179)</u>	<u>2,002,170</u>	<u>2,230,493</u>	<u>6,484,664</u>	<u>1,652,314</u>
Beginning 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>
Ending net position	<u>\$ 98,267,827</u>	<u>93,785,333</u>	<u>72,384,638</u>	<u>70,382,468</u>	<u>170,652,465</u>	<u>164,167,801</u>

**Total Statement of Activities**

The total result of the City’s activity is an increase in total net position of \$6,484,664 during the current fiscal year. Net position related to business-type activities increased by \$2,002,170, while net position from governmental activities increased by \$4,482,494. Additional related information may be found in the governmental activities section on pages 28 – 29 of this report.

**Governmental Activities:**

Governmental activities showed an increase in net position of \$4,482,494. Key elements of this change are summarized as follows:

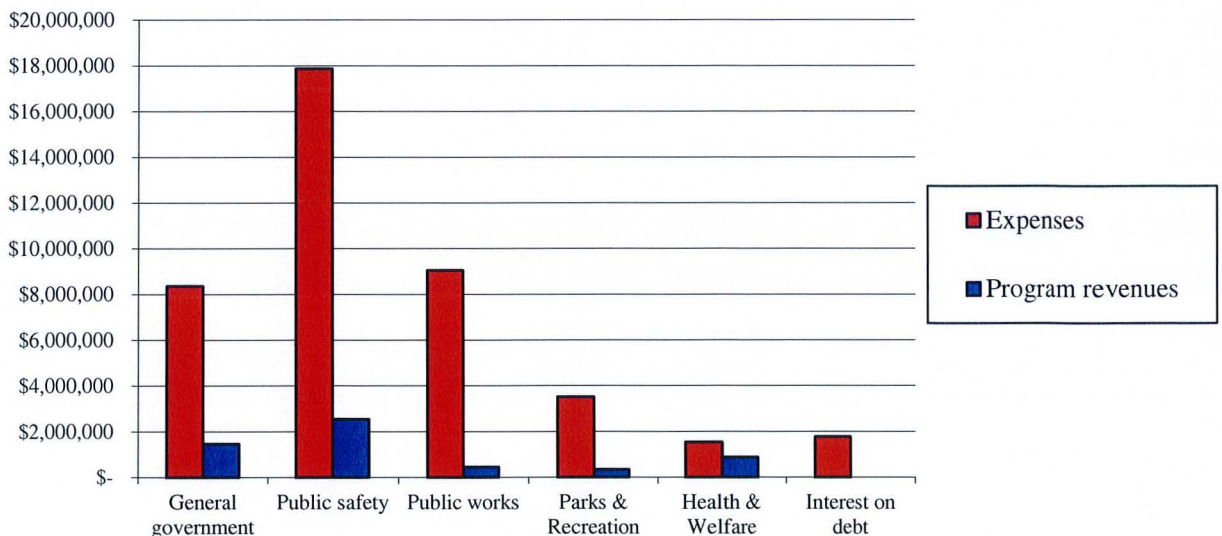
**Revenues**

- Charges for Services \$4,015,948
- Operating Grants and Contributions \$1,659,145
- Property Taxes \$17,441,622
- Sales and Other Taxes \$18,885,874
- Unrestricted Investment Earnings \$254,679
- Miscellaneous \$4,283,822
- Transfers \$39,997

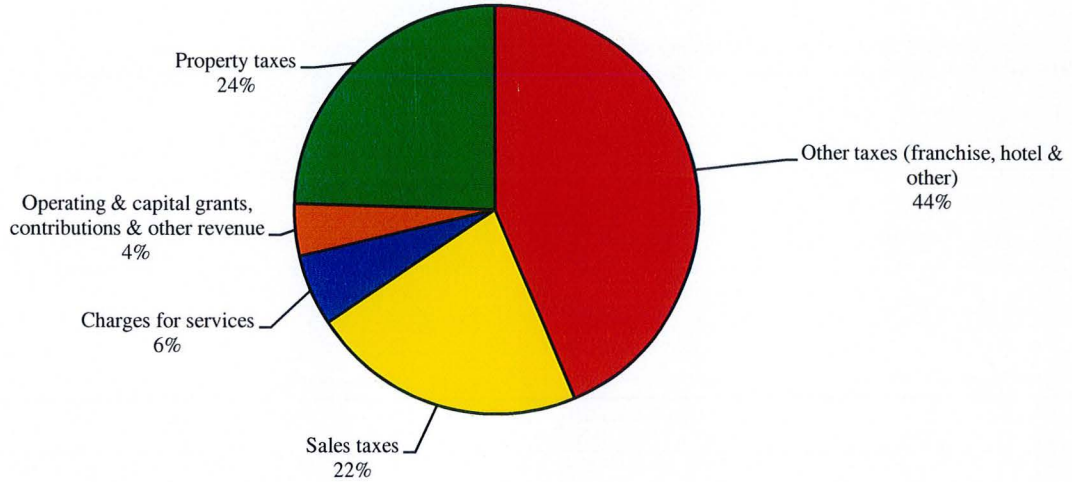
**Expenses**

- General Government \$8,357,159
- Public Safety \$17,875,634
- Public Works \$9,044,672
- Parks and Recreation \$3,517,538
- Health and Welfare \$1,532,646
- Interest on Long-Term Debt \$1,770,944

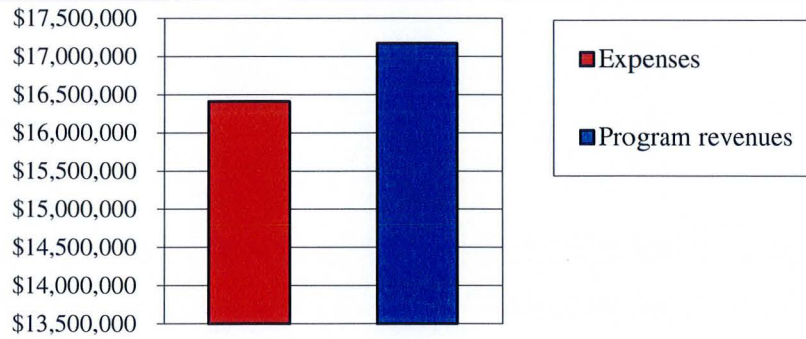
**EXPENSES AND PROGRAM REVENUES –GOVERNMENTAL ACTIVITIES**



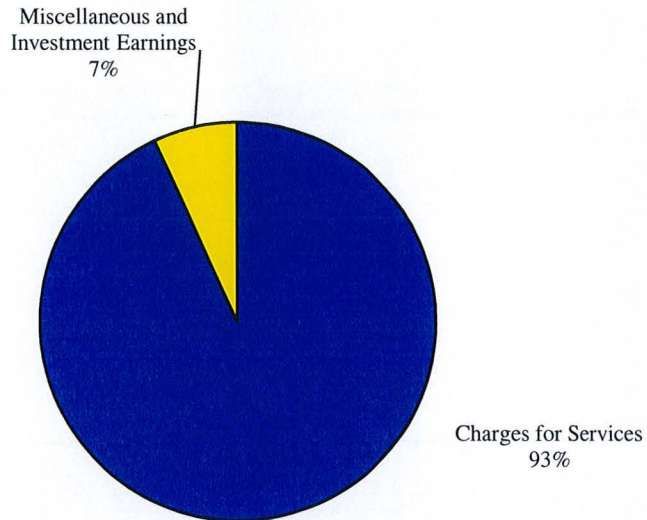
**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES**



**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 \$2,002,170. TWU had an increase of \$2,049,523 in net position with an increase of 2.1% in operating revenue as water sales increased 1.5%, and wholesale water sales increased 16.6%. Total revenue for the business type activities increased \$467,595 as charges for services increased 2.1%, and other revenue increased by 9.6%. Total expenses increased 4.3%, and TWU operating expenses excluding depreciation increased \$388,242, or 3.5% from last year. TWU depreciation expense increased \$46,977, or 1.4%. The TWU change in net position before contributions and transfers was \$2,050,156, which was an increase of 5% from the prior year. The change in net position before transfers for business type activities overall was \$2,042,167, which was a decrease of \$207,226 from last year. As a percentage of revenues, the 2017 net change in position before contributions and transfers was 11.1%, compared to 12.5% 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 \$27,806,212 an increase of \$8,434,765, in comparison with the prior year. This increase is due mostly to the following:

- Capital project funds increased by \$7,313,805, due to the issuance of the 2017 Certificates of Obligation and the 2016 General Obligation Refunding Bonds offset by expenditures for several capital projects around the City, including Walton Drive and Pavilion drainage improvements, extension of Gibson Lane to Farm Market 989, various lighting at City ball fields, reconstruction of Forest Lake Estates, Cowhorn Creek Corridor project, new playground equipment at City parks, dredging of Spring Lake Park lake, roof replacement on several City-owned buildings, and building and parking improvements for the street, fire, and police departments.
- Non-major special revenue funds decreased by \$30,229 as most of these funds remained consistent with the prior year. The Economic Development Fund decreased by \$472,683 as a result of transfers out to the City's General Fund. The TIRZ #1 Fund increased by \$340,045 due to property tax revenue from City collections and contributions from Bowie County in excess of expenditures. The NEA Grant Fund declined by \$81,796 because of expenditures incurred at year end pending grant reimbursement.
- The City's Debt Service Fund decreased by a net of \$54,435, as a result of normal debt service and other expenditures for the year (\$5,227,038), offset by property tax and investment revenue deposited into the Fund (\$4,264,585), and transfers from other funds for debt service payments (\$815,193).
- General Fund increased by \$1,205,624 for the year due to general revenue of \$33,821,785 offset by general expenditures of \$32,041,046 and net transfers out of \$575,115.

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 \$13,215,235, while the total fund balance was \$14,114,855. 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 41.24% of the total General Fund expenditures, while total fund balance represents 44.05% 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 \$22,502. 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 \$5,048,972 in debt payments during this fiscal year, a decrease of \$251,884 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 2017 fiscal year, the City had combined ending fund balances in its special revenue funds of \$3,932,714, a decrease in fund balance of \$30,229 due to total revenue for special revenue funds of \$3,393,463 offset by expenditures of \$2,302,108 and net transfers out of \$1,121,584.

At the end of fiscal year 2017 the City had a total of four (4) capital project funds included in other governmental funds, with total fund balances of \$1,021,675, a decrease of \$1,400,661 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 \$1,407,111 for the fiscal year and included drainage improvements at Walton Drive and Pavilion, along with the extension of Gibson Lane to Farm Market 989.

**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 2017 was \$5,602,110, which was an increase of \$2,844,133 from 2016. The TWU portion was \$4,986,467, which was an increase of \$2,891,486 from the prior year. This increase consisted of a net profit of \$2,049,523 and an \$841,963 decrease in restricted funds for the year. The change in restricted funds for fiscal year 2017 consisted of a decrease of \$1,852,130 in TWU restricted accounts and an increase of \$1,010,167 in the amount invested in capital assets, net of the related debt. The increase in investments in capital assets for the year of \$3,184,481 was funded by several funds including the Capital Improvement Fund, Infrastructure Fund, Depreciation Fund, Technology Fund, and the Composting Fund. The net increase of \$1,010,167 results from applying current year depreciation and debt retirement 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 \$2,748,206, a decrease from last year of \$269,954 (8.9%). The Employee Benefit Fund accounts for contributions received from other City funds and employees to pay medical benefits and life insurance premiums. Net position in the fund decreased by \$86,413, due to claims paid in excess of premiums received and investment earnings. The Fleet Services Fund accounts for repair and maintenance on all City vehicles, excluding TWU. Net position in the fund decreased by \$183,541, due to the cost of sales and service of \$1,290,332 in excess of revenue and net transfers in of \$1,106,791.

**Fiduciary funds** - The City also maintains three (3) Fiduciary Funds. The Firemen's Relief Pension Trust Fund accounts for retirement contributions made by the City's firefighters, and contributions made on their behalf by the City. The fund's net position increased by \$757,651 for the calendar year of 2016 and net position totaled \$31,777,180. 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 \$99,185 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 \$848,602 decrease.

The decrease can be summarized as follows:

- Revised revenue in the General Fund declined by \$370,423 due mostly to a projected decline in sales tax revenue from original budget estimates.
- Revised expenditures for the General Fund increased by \$322,785 over adopted due mostly to an approved one-time use of fund balance to demolish the Kress building offset by other smaller departmental expenditure declines.
- Net transfers out increased by \$155,394 due mostly to transfers out to various grant funds for matching salary and benefit expenditures.

The difference between the final amended budgeted fund balance and the actual fund balance was an increase of \$2,371,927. Factors related to this increase include:

- Kress building demolition expenditures realized in 2017 were less than predicted
- Personnel savings associated with vacancies
- Deferred expenditures for equipment in the capital replacement schedule
- Overall revenue was more favorable than originally estimated

## **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, 2017, amounts to \$197,582,984 (net of accumulated depreciation), compared to \$193,024,834 in 2016, an increase of \$4,558,150. Investment in capital assets related to governmental activities (\$130,659,168) increased by \$4,416,848, 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 \$66,923,816, an increase of \$141,302, 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:

- Forest Lake Estates Reconstruction - \$1,364,450
- Cowhorn Creek Corridor Project - \$719,841
- Spring Lake Park Dredging - \$470,504
- Roof Replacements & Other Building and Parking Lot Improvements - \$1,153,310
- Kress Building Demolition - \$411,300

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Land	\$ 47,032,128	47,032,128	1,419,703	1,385,978	48,451,831	48,418,106
Buildings	14,604,426	14,749,828	985,970	1,042,532	15,590,396	15,792,360
Improvements other than building	2,841,197	3,035,587	51,463,956	52,580,243	54,305,153	55,615,830
Machinery and equipment	3,880,161	2,506,597	2,251,647	2,119,874	6,131,808	4,626,471
Licensed vehicles	3,422,821	2,975,201			3,422,821	2,975,201
Infrastructure	52,468,793	53,969,226			52,468,793	53,969,226
Construction in progress	6,409,642	1,973,753	3,042,820	1,548,402	9,452,462	3,522,155
Property under capital lease			7,759,720	8,105,485	7,759,720	8,105,485
Total capital assets	<u>\$ 130,659,168</u>	<u>126,242,320</u>	<u>66,923,816</u>	<u>66,782,514</u>	<u>197,582,984</u>	<u>193,024,834</u>

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 \$99,818,938. Of this amount, \$86,981,061 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 2017, this amount was \$12,837,877.

**OUTSTANDING DEBT AT YEAR END**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
General obligation bonds	\$ 28,922,007	22,741,681			28,922,007	22,741,681
Revenue bonds			2,878,083	3,312,876	2,878,083	3,312,876
Certificates of obligation	28,239,573	22,987,859			28,239,573	22,987,859
Capital leases	905,236	1,100,560	3,731,217	4,132,943	4,636,453	5,233,503
Accrued compensated absences	4,141,484	4,161,834	410,327	365,808	4,551,811	4,527,642
Net pension and other post employment obligations	24,772,761	23,996,132	5,818,250	5,643,527	30,591,011	29,639,659
Total	<u>\$ 86,981,061</u>	<u>74,988,066</u>	<u>12,837,877</u>	<u>13,455,154</u>	<u>99,818,938</u>	<u>88,443,220</u>

The City's total debt increased by \$11,375,718 (12.9%) during the current fiscal year. This increase is due to issuance of the 2017 Certificates of Obligation and the 2016 General Obligation Refunding Bonds and increases in the obligation for net pension and other post-employment benefits offset by regularly scheduled debt service payments and savings generated from the refunding of the 2006 General Obligation Refunding Bonds and 2009 Certificates of Obligation.

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

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

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's local property tax rate for this fiscal year was \$.70000 per \$100 assessed valuation of which \$.180332 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 75 – 80 of this report.

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

The unemployment rate for the City as of the fiscal year end was 4.1, compared to 4.6 last year. This rate is slightly higher than the State rate (4.0), and just below the National rate (4.2).

Sales tax collections are projected to comprise about forty eight percent (41.1%) of the City's proposed budget for the 2018 fiscal year. Collections are budgeted to increase one percent (1.00%) over the final budgeted revenue for 2017.

Total assessed value of property within the City for the 2017 budget year (based on the 2017 certified valuation) increased by \$18,767,469 (0.74%) from last year. Current tax revenues allocated to the Debt Service Fund next year will increase slightly from the prior year to just over twenty eight percent (28.69%) of current collections. The City Council has elected not to increase the property tax rate of .70 per \$100 valuation for the 2018 fiscal year. Total current property tax collections across all funds (General Fund, Debt Service Fund, TIRZ 1 Fund) is expected to increase by \$149,071 which is a 0.8887% increase from last year's budget. The property tax revenue to be raised from new property added to the tax roll is \$131,372.

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

- Revenue Adjustments:
  - Increase in anticipated property tax revenue due to increased valuation from the original valuation estimate provided in April of 2017 \$147,727
  - Removal of original tax rate proposal of \$ 0.74 cents to new proposal of \$ 0.70 cents
  - Addition of Transfer from the Water Department of \$6,000,000
- Expenditure Adjustments:
  - Reduction in contributions to Bi-State Justice Center \$70,765
  - Reduction in contributions to T-Line \$2,330
  - Reduction in Fleet Operations Fund transfer \$35,568
  - Reduction in personnel cost \$158,490

All of the above factors were considered in preparing the City's budget for the 2017-2018 fiscal year. The adopted 2018 General Fund budget is a balanced budget. The ending combined General Fund balance is projected to be approximately forty-eight (47.89%) of budgeted General Fund expenditures.

The Texas Revenue Fund of TWU is projected to end the 2017-2018 budget year with a balance of \$3,763,074 or approximately 21% of total budgeted expenditures.

### **Requests for Information**

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

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## **Basic Financial Statements**

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF NET POSITION September 30, 2017

	<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>ASSETS</b>				
Cash	\$ 24,905,102	2,342,107	27,247,209	508,453
Investments:				
Certificates of deposit	4,331,708	2,442,500	6,774,208	
Corporate stocks	1,000		1,000	
Receivables (net of allowance for uncollectibles):				
Property taxes	1,835,056		1,835,056	
Other taxes	390,973		390,973	
Accounts	122,445	2,277,802	2,400,247	
Other government agencies	4,294,324	212,701	4,507,025	102,196
Accrued interest	63,781	17,675	81,456	
Loans	412,742		412,742	
Internal balances	(615,643)	615,643	-	
Inventory	27,484	518,640	546,124	
Prepaid items		56,919	56,919	
Net investment in direct financing lease		14,804	14,804	
Restricted assets:				
Cash		3,947,194	3,947,194	
Investments		7,507,500	7,507,500	
Accrued interest		49,373	49,373	
Accounts receivable		341,137	341,137	
Prepaid capital improvement deposits		965,868	965,868	
Net investment in direct financing lease		284,896	284,896	
Investments in joint venture	15,069,612		15,069,612	
Capital assets (net of accumulated depreciation):				
Land	47,032,128	1,419,703	48,451,831	
Buildings	14,604,426	985,970	15,590,396	281,825
Improvements other than buildings	2,841,197	51,463,956	54,305,153	
Infrastructure	52,468,793		52,468,793	
Machinery and equipment	3,880,161	2,251,647	6,131,808	15,655
Licensed vehicles	3,422,821		3,422,821	
Property under capital leases		7,759,720	7,759,720	
Construction in progress	6,409,642	3,042,820	9,452,462	
<b>TOTAL ASSETS</b>	<b>181,497,752</b>	<b>88,518,575</b>	<b>270,016,327</b>	<b>908,129</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension outflows	8,456,964	1,458,030	9,914,994	
Deferred charge on refunding	789,187		789,187	
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>9,246,151</b>	<b>1,458,030</b>	<b>10,704,181</b>	<b>-</b>

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	1,589,570	549,052	2,138,622	31,686
Contracts payable	1,202,416	396,516	1,598,932	
Accrued liabilities	752,906	212,181	965,087	23,402
Due to other governments	53,678		53,678	
Unearned revenue			-	
Accrued interest payable from restricted assets		19,820	19,820	
Customer deposits		716,227	716,227	
Capital improvement deposits		1,694,970	1,694,970	
Noncurrent contracts payable		554,520	554,520	
Other liabilities and escrow deposits	7,376	66,043	73,419	
Long-term liabilities				
Due within one year:				
Bonds payable	2,350,000	245,000	2,595,000	
Certificates of obligation	1,215,000		1,215,000	
Obligations under capital leases	187,914	410,745	598,659	
Accrued compensated absences	278,363	58,600	336,963	
Due in more than one year:				
Net pension liabilities	21,821,643	4,831,754	26,653,397	
Net other postemployment liabilities	2,951,118	986,496	3,937,614	
Bonds payable	26,572,007	2,633,083	29,205,090	
Certificates of obligation	27,024,573		27,024,573	
Obligations under capital leases	717,322	3,320,472	4,037,794	
Accrued compensated absences	3,863,121	351,727	4,214,848	
<b>TOTAL LIABILITIES</b>	<b>90,587,007</b>	<b>17,047,206</b>	<b>107,634,213</b>	<b>55,088</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension inflows	1,889,069	544,761	2,433,830	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,889,069</b>	<b>544,761</b>	<b>2,433,830</b>	<b>-</b>
<b>NET POSITION</b>				
Net invested in capital assets	86,912,466	59,720,017	146,632,483	297,480
Restricted for:				
Noncurrent loans receivable	380,453		380,453	
Court security and technology	391,524		391,524	
Law enforcement	304,650		304,650	
Health and welfare	782,355		782,355	
Tourism	414,228		414,228	
Construction		4,952,954	4,952,954	
Capital maintenance		1,356,261	1,356,261	
Debt service	296,504	753,296	1,049,800	
Capital improvements	9,736,142		9,736,142	
Unrestricted	(950,495)	5,602,110	4,651,615	555,561
<b>TOTAL NET POSITION</b>	<b>\$ 98,267,827</b>	<b>72,384,638</b>	<b>170,652,465</b>	<b>853,041</b>

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF ACTIVITIES For the Year Ended September 30, 2017

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	\$ 8,357,159	1,107,648	358,550	
Public safety	17,875,634	1,890,660	651,988	
Public works	9,044,672	454,190		
Parks and recreation	3,517,538	269,326	67,295	
Health and welfare	1,532,646	294,124	581,312	
Interest on long-term debt	1,770,944			
Total governmental activities	<u>42,098,593</u>	<u>4,015,948</u>	<u>1,659,145</u>	<u>-</u>
Business-type activities:				
Water and sewer	16,409,625	17,130,716		39,365
Total business-type activities	<u>16,409,625</u>	<u>17,130,716</u>	<u>-</u>	<u>39,365</u>
Total primary government	<u>58,508,218</u>	<u>21,146,664</u>	<u>1,659,145</u>	<u>39,365</u>
<b>Component unit</b>				
Component unit - Health	986,919	282,638	775,551	
Total component unit	<u>\$ 986,919</u>	<u>282,638</u>	<u>775,551</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>
(6,890,961)		(6,890,961)	
(15,332,986)		(15,332,986)	
(8,590,482)		(8,590,482)	
(3,180,917)		(3,180,917)	
(657,210)		(657,210)	
(1,770,944)		(1,770,944)	
<u>(36,423,500)</u>	<u>-</u>	<u>(36,423,500)</u>	<u>-</u>
	760,456	760,456	
<u>-</u>	<u>760,456</u>	<u>760,456</u>	<u>-</u>
<u>(36,423,500)</u>	<u>760,456</u>	<u>(35,663,044)</u>	<u>-</u>
			71,270
			<u>71,270</u>
17,441,622		17,441,622	
15,693,696		15,693,696	
1,724,035		1,724,035	
1,305,880		1,305,880	
162,263		162,263	
254,679	152,275	406,954	2,651
4,283,822	1,129,436	5,413,258	
39,997	(39,997)	-	
<u>40,905,994</u>	<u>1,241,714</u>	<u>42,147,708</u>	<u>2,651</u>
4,482,494	2,002,170	6,484,664	73,921
<u>93,785,333</u>	<u>70,382,468</u>	<u>164,167,801</u>	<u>779,120</u>
<u>\$ 98,267,827</u>	<u>72,384,638</u>	<u>170,652,465</u>	<u>853,041</u>

# CITY OF TEXARKANA, TEXAS

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2017

	<i>General</i>	<i>Debt Service</i>	<i>2017 Capital Project</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>ASSETS</b>					
Cash	\$ 7,576,404	52,094	9,772,475	4,436,182	21,837,155
Investments:					
Certificates of deposit	3,931,708			400,000	4,331,708
Corporate stocks	1,000				1,000
Receivables (net of allowance for uncollectible):					
Property taxes	39,660	16,570		843,832	900,062
Other taxes	223,660			167,313	390,973
Accounts	47,425			34,652	82,077
Other government agencies	3,602,550			642,909	4,245,459
Accrued interest	7,493			56,288	63,781
Loans				412,742	412,742
Due from other funds	564,904		159,796	32,416	757,116
Investment in joint venture	91,371			-	91,371
<b>TOTAL ASSETS</b>	<u>16,086,175</u>	<u>68,664</u>	<u>9,932,271</u>	<u>7,026,334</u>	<u>33,113,444</u>
<b>LIABILITIES</b>					
Accounts payable	910,154		15,064	239,728	1,164,946
Contracts payable			1,202,416		1,202,416
Accrued payroll	737,366			3,706	741,072
Due to other governments	53,678				53,678
Due to other funds	32,416	46,162	325	678,213	757,116
Other liabilities and escrow deposits	7,376				7,376
<b>TOTAL LIABILITIES</b>	<u>1,740,990</u>	<u>46,162</u>	<u>1,217,805</u>	<u>921,647</u>	<u>3,926,604</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - charges for services	160,225				160,225
Unavailable revenue - property taxes				841,809	841,809
Unavailable revenue - other taxes				27,805	27,805
Unavailable revenue - grants	70,105			226,698	296,803
Unavailable revenue - interest				53,986	53,986
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>230,330</u>	<u>-</u>	<u>-</u>	<u>1,150,298</u>	<u>1,380,628</u>
<b>FUND BALANCES (DEFICIT)</b>					
Nonspendable for:					
Investment in joint venture	91,371				91,371
Restricted	658,975	22,502	8,714,466	2,355,227	11,751,170
Committed				887,434	887,434
Assigned	149,274			1,933,041	2,082,315
Unassigned (deficit)					
General fund	13,215,235				13,215,235
Special revenue funds				(221,313)	(221,313)
<b>TOTAL FUND BALANCES</b>	<u>14,114,855</u>	<u>22,502</u>	<u>8,714,466</u>	<u>4,954,389</u>	<u>27,806,212</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 16,086,175</u>	<u>68,664</u>	<u>9,932,271</u>	<u>7,026,334</u>	<u>33,113,444</u>

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

# CITY OF TEXARKANA, TEXAS

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## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

September 30, 2017

Total governmental funds balances	\$ 27,806,212
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.	130,659,168
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.	934,994
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,380,628
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.	2,132,563
Long-term liabilities, including bonds payable, are not due and payable in the current periods and therefore are not reported in the funds.	(79,623,979)
Equity interest in joint ventures are not current financial resources and therefore may not be reported in the funds.	<u>14,978,241</u>
Net position of governmental activities	<u><u>\$ 98,267,827</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, 2017

	<u>General</u>	<u>Debt Service</u>	<u>2017 Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Property taxes	\$ 12,462,848	4,261,464		454,679	17,178,991
Other taxes	15,855,958			1,398,007	17,253,965
Franchise receipts	1,391,652			332,383	1,724,035
Fees and permits	596,610				596,610
Charges for services	875,093			80,927	956,020
Municipal court	1,733,350				1,733,350
Grants and entitlements	20,776			687,442	708,218
Interest and dividends	104,839	3,121	36,458	36,567	180,985
Intergovernmental	265,374			368,492	633,866
Other	515,285			41,416	556,701
Total revenues	<u>33,821,785</u>	<u>4,264,585</u>	<u>36,458</u>	<u>3,399,913</u>	<u>41,522,741</u>
<b>EXPENDITURES</b>					
Current:					
General government	7,619,635			170,066	7,789,701
Public safety	14,975,487			14,005	14,989,492
Public works	5,149,470				5,149,470
Parks and recreation	1,547,536			833,759	2,381,295
Health and welfare	310,812			975,717	1,286,529
Capital outlay	2,220,994		5,523,063	1,715,672	9,459,729
Debt service:					
Principal retirement	195,323	3,535,000			3,730,323
Interest and fiscal charges	21,789	1,516,572			1,538,361
Bond issuance costs		175,466	274,127		449,593
Total expenditures	<u>32,041,046</u>	<u>5,227,038</u>	<u>5,797,190</u>	<u>3,709,219</u>	<u>46,774,493</u>
Excess (deficiency) of revenues over expenditures	<u>1,780,739</u>	<u>(962,453)</u>	<u>(5,760,732)</u>	<u>(309,306)</u>	<u>(5,251,752)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	696,039	815,193		659,888	2,171,120
Transfers out	(1,271,154)			(1,781,472)	(3,052,626)
Bonds issued		9,090,000	14,160,000		23,250,000
Premium on bonds issued		795,604	315,198		1,110,802
Payment to refunded bond escrow agent		(9,792,779)			(9,792,779)
Total other financing sources (uses)	<u>(575,115)</u>	<u>908,018</u>	<u>14,475,198</u>	<u>(1,121,584)</u>	<u>13,686,517</u>
Net change in fund balances	1,205,624	(54,435)	8,714,466	(1,430,890)	8,434,765
Fund balances at beginning of year	<u>12,909,231</u>	<u>76,937</u>		<u>6,385,279</u>	<u>19,371,447</u>
Fund balances at end of year	<u>\$ 14,114,855</u>	<u>22,502</u>	<u>8,714,466</u>	<u>4,954,389</u>	<u>27,806,212</u>

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

# CITY OF TEXARKANA, TEXAS

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## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended September 30, 2017

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

Net change in fund balances - total governmental funds	\$ 8,434,765
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 effect of those differences.	4,512,892
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.	32,772
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.	218,327
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.	306,363
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.	(10,620,690)
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.	20,350
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.	(2,083,451)
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.	(222,600)
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>3,883,766</u>
Change in net position of governmental activities	<u>\$ 4,482,494</u>

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

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# CITY OF TEXARKANA, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended September 30, 2017

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Property taxes	\$ 12,244,765	12,153,113	\$ 12,462,848	309,735
Other taxes	16,442,787	16,060,000	15,855,958	(204,042)
Franchise receipts	1,547,300	1,420,820	1,391,652	(29,168)
Fees and permits	572,337	595,650	596,610	960
Charges for services	689,375	730,602	875,093	144,491
Municipal court	1,665,230	1,684,110	1,733,350	49,240
Grants and entitlements	50,000	47,500	20,776	(26,724)
Investment earnings	53,295	71,365	104,839	33,474
Intergovernmental	251,195	237,120	265,374	28,254
Other	480,967	626,548	515,285	(111,263)
Total revenues	<u>33,997,251</u>	<u>33,626,828</u>	<u>33,821,785</u>	<u>194,957</u>
<b>EXPENDITURES</b>				
Current:				
General government	9,464,032	7,898,429	7,619,635	278,794
Public safety	14,292,073	15,165,886	14,975,487	190,399
Public works	5,545,969	5,689,483	5,149,470	540,013
Parks and recreation	1,509,488	1,583,566	1,547,536	36,030
Health and welfare	526,703	475,653	310,812	164,841
Capital outlay	2,133,455	2,971,035	2,220,994	750,041
Debt service:				
Principal	210,466	220,323	195,323	25,000
Interest	23,805	24,401	21,789	2,612
Total expenditures	<u>33,705,991</u>	<u>34,028,776</u>	<u>32,041,046</u>	<u>1,987,730</u>
Excess (deficiency) of revenue over expenditures	<u>291,260</u>	<u>(401,948)</u>	<u>1,780,739</u>	<u>2,182,687</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	696,039	696,039	696,039	-
Transfers out	(1,305,000)	(1,460,394)	(1,271,154)	189,240
Total other financing sources (uses)	<u>(608,961)</u>	<u>(764,355)</u>	<u>(575,115)</u>	<u>189,240</u>
Net change in fund balance	(317,701)	(1,166,303)	1,205,624	2,371,927
Fund balances at beginning of year	<u>12,909,231</u>	<u>12,909,231</u>	<u>12,909,231</u>	<u>-</u>
Fund balance at end of year	<u>\$ 12,591,530</u>	<u>11,742,928</u>	<u>14,114,855</u>	<u>2,371,927</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, 2017

	<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	\$ 2,337,118	4,989	2,342,107	3,067,947
Investments	2,442,500		2,442,500	
Receivables (net of allowance for uncollectible):				
Accounts	2,237,358	40,444	2,277,802	40,368
Accrued interest	17,675		17,675	
Other government agencies	212,701		212,701	48,865
Due from other funds	86,999	59,573	146,572	
Inventory	518,640		518,640	27,484
Prepaid expenses	56,919		56,919	
Net investment in direct financing lease	14,804		14,804	
Total current assets	<u>7,924,714</u>	<u>105,006</u>	<u>8,029,720</u>	<u>3,184,664</u>
Noncurrent assets:				
Restricted assets:				
Cash	3,746,397	200,797	3,947,194	
Investments	6,832,500	675,000	7,507,500	
Accrued interest	43,914	5,459	49,373	
Accounts receivable		341,137	341,137	
Total restricted assets	<u>10,622,811</u>	<u>1,222,393</u>	<u>11,845,204</u>	<u>-</u>
Other noncurrent assets:				
Prepaid capital improvement deposits	965,868		965,868	
Net investment in direct financing lease	284,896		284,896	
Total other noncurrent assets	<u>1,250,764</u>	<u>-</u>	<u>1,250,764</u>	<u>-</u>
Capital assets (net of accumulated depreciation):				
Land	1,419,703		1,419,703	
Buildings	985,970		985,970	
Improvements other than buildings	51,463,956		51,463,956	
Machinery and equipment	2,251,647		2,251,647	
Property under capital leases	7,759,720		7,759,720	
Licensed vehicles			-	
Construction in progress	3,042,820		3,042,820	
Total capital assets	<u>66,923,816</u>	<u>-</u>	<u>66,923,816</u>	<u>-</u>
Total noncurrent assets	<u>78,797,391</u>	<u>1,222,393</u>	<u>80,019,784</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>86,722,105</u>	<u>1,327,399</u>	<u>88,049,504</u>	<u>3,184,664</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension outflows	1,458,030		1,458,030	
<b>TOTAL DEFERRED OUTFLOWS ON RESOURCES</b>	<u>1,458,030</u>	<u>-</u>	<u>1,458,030</u>	<u>-</u>

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

	<b>Business Type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Texarkana, Texas Water Utilities</b>	<b>Other Proprietary Funds</b>	<b>Total</b>	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	465,661	83,391	549,052	424,624
Construction contracts payable	396,516		396,516	
Accrued liabilities	207,214	4,967	212,181	11,834
Accrued interest	19,820		19,820	
Due to other funds	59,573	86,999	146,572	
Other payables	66,043		66,043	
Accrued compensated absences - current	58,600		58,600	
Revenue bonds - current	245,000		245,000	
Obligations under capital leases - current	410,745		410,745	
Total current liabilities	<u>1,929,172</u>	<u>175,357</u>	<u>2,104,529</u>	<u>436,458</u>
Noncurrent liabilities:				
Customer deposits	716,227		716,227	
Capital improvement deposits	542,928	1,152,042	1,694,970	
Contracts payable	554,520		554,520	
Accrued compensated absences	351,727		351,727	
Net pension and other postemployment liabilities	5,818,250		5,818,250	
Revenue bonds	2,633,083		2,633,083	
Obligations under capital leases	3,320,472		3,320,472	
Total noncurrent liabilities	<u>13,937,207</u>	<u>1,152,042</u>	<u>15,089,249</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>15,866,379</u>	<u>1,327,399</u>	<u>17,193,778</u>	<u>436,458</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension inflows	544,761		544,761	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>544,761</u>	<u>-</u>	<u>544,761</u>	<u>-</u>
<b>NET POSITION (DEFICIT)</b>				
Net invested in capital assets	59,720,017		59,720,017	
Restricted for construction	4,952,954		4,952,954	
Restricted for capital maintenance	1,356,261		1,356,261	
Restricted for debt service	753,296		753,296	
Unrestricted	4,986,467		4,986,467	2,748,206
<b>TOTAL NET POSITION</b>	<u>\$ 71,768,995</u>	<u>-</u>	<u>71,768,995</u>	<u>2,748,206</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.			615,643	
Net position of business-type activities			<u>\$ 72,384,638</u>	

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS For the Year Ended September 30, 2017

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Texarkana, Texas Water Utilities	Other Proprietary Funds	Total	
<b>OPERATING REVENUES</b>				
Water sales	\$ 6,830,236	1,112,557	7,942,793	
Wholesale water sales	1,959,393		1,959,393	
Water connection fees	7,475		7,475	
Sewer charges	6,567,094		6,567,094	
Penalties and service charges	653,961		653,961	
Insurance contributions			-	5,654,180
Fleet services			-	166,589
Other income	1,129,436		1,129,436	16,728
Total operating revenues	<u>17,147,595</u>	<u>1,112,557</u>	<u>18,260,152</u>	<u>5,837,497</u>
<b>OPERATING EXPENSES</b>				
Administrative	287,032		287,032	
Finance	955,521		955,521	
Customer service	512,671		512,671	
Water production	2,820,745		2,820,745	
Water distribution	661,777		661,777	
Sewer collection	680,383		680,383	
Wastewater treatment	2,593,889		2,593,889	
Environmental service	231,408		231,408	
Engineering design	307,371		307,371	
Geographical information systems	215,121		215,121	
Composting	185,019		185,019	
Operations administration	157,116		157,116	
Service center	223,714		223,714	
Safety	47,002		47,002	
Field service	328,006		328,006	
Construction oversight	768,534		768,534	
Benefit payments			-	5,758,336
Fleet services			-	1,290,332
Depreciation	3,331,219		3,331,219	
Other expenses	674,850		674,850	
Contract water & sewer expense-International Paper		1,113,030	1,113,030	
Total operating expense	<u>14,981,378</u>	<u>1,113,030</u>	<u>16,094,408</u>	<u>7,048,668</u>
Operating income (loss)	<u>2,166,217</u>	<u>(473)</u>	<u>2,165,744</u>	<u>(1,211,171)</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	139,145	473	139,618	19,714
Interest revenue - capital leases	12,657		12,657	
Interest expense and paying agent fees	(136,219)		(136,219)	
Interest expense - capital leases	(125,648)		(125,648)	
Gain (loss) on disposal of capital assets	(5,996)		(5,996)	
Total nonoperating revenues (expenses)	<u>(116,061)</u>	<u>473</u>	<u>(115,588)</u>	<u>19,714</u>
Income before contributions and transfers	2,050,156		2,050,156	(1,191,457)
Capital contributions	39,364		39,364	
Transfers in			-	923,663
Transfers out	<u>(39,997)</u>		<u>(39,997)</u>	<u>(2,160)</u>
Change in net position	2,049,523	-	2,049,523	(269,954)
Total net position	<u>69,719,472</u>	<u>-</u>		<u>3,018,160</u>
Total net position, end of year	<u>71,768,995</u>	<u>-</u>		<u>2,748,206</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>(47,353)</u>	
Change in net position of business-type activities			<u>\$ 2,002,170</u>	

# CITY OF TEXARKANA, TEXAS

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended September 30, 2017

	<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>Cash flows from operating activities:</b>				
Cash received from customers	\$16,981,162	1,054,979	18,036,141	1,502,736
Cash received from interfund services provided and used			-	5,415,713
Cash paid to suppliers	(7,563,446)	(1,029,060)	(8,592,506)	(6,636,496)
Cash paid to employees	(4,209,423)	(109,672)	(4,319,095)	(266,180)
Net cash provided (used) from operating activities	<u>5,208,293</u>	<u>(83,753)</u>	<u>5,124,540</u>	<u>15,773</u>
<b>Cash flows from non-capital financing activities:</b>				
Transfers to other funds	(39,997)		(39,997)	(2,160)
Net cash used from non-capital financing activities	<u>(39,997)</u>	<u>-</u>	<u>(39,997)</u>	<u>(2,160)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(3,378,511)	(588,570)	(3,967,081)	
Principal paid on bonds	(435,000)		(435,000)	
Interest paid on bonds	(131,535)		(131,535)	
Principal paid on capital leases	(401,726)		(401,726)	
Interest paid on capital leases	(125,648)		(125,648)	
Principal received on direct financing leases	14,078		14,078	
Interest received on direct financing leases	12,657		12,657	
Capital improvement deposits paid	(432,497)		(432,497)	
Capital improvement deposits received	323,397	568,205	891,602	
Interest received on capital improvement deposits		7,685	7,685	
Net cash provided (used) from capital and related financing activities	<u>(4,554,785)</u>	<u>(12,680)</u>	<u>(4,567,465)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Purchase of investments	(5,150,000)	(400,000)	(5,550,000)	
Proceeds from sale and maturities of investments	5,200,000	325,000	5,525,000	
Interest received on investments	80,436	(4,418)	76,018	19,714
Net cash provided (used) from investing activities	<u>130,436</u>	<u>(79,418)</u>	<u>51,018</u>	<u>19,714</u>
Net increase (decrease) in cash	743,947	(175,851)	568,096	33,327
Cash, beginning of year	<u>5,339,568</u>	<u>381,637</u>	<u>5,721,205</u>	<u>3,034,620</u>
Cash, end of year	<u>\$ 6,083,515</u>	<u>205,786</u>	<u>6,289,301</u>	<u>3,067,947</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, 2017

	<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><u>Reconciliation of operating income (loss) to net cash provided by operating activities</u></b>				
<b>Operating income (loss)</b>	<u>\$2,166,217</u>	<u>(473)</u>	<u>2,165,744</u>	<u>(1,211,171)</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>				
Depreciation expense	3,331,219		3,331,219	
Transfers from other funds				923,663
Transfers to other funds				128,819
(Increase) decrease in assets:				
Accounts receivable	(19,724)	(57,578)	(77,302)	205,530
Allowance for doubtful accounts	(402)		(402)	
Due from other government agencies	(145,728)		(145,728)	(48,243)
Due from other funds	(496)		(496)	
Inventory	40,202		40,202	(1,363)
Prepaid expenses	2,196		2,196	
(Increase) expense in deferred outflows	319,068		319,068	
Increase (decrease) in liabilities:				
Accounts payable	(495,589)	(24,792)	(520,381)	
Accrued liabilities	10,566	(414)	10,152	18,702
Due to other funds	(4,671)	(496)	(5,167)	
Due to other governments				(164)
Accrued compensated absences	44,519		44,519	
Customer deposits	(83)		(83)	
Net pension and other postemployment liabilities	174,723		174,723	
Other payables	(4,107)		(4,107)	
Increase (decrease) in deferred inflows	(209,617)		(209,617)	
Total adjustments	<u>3,042,076</u>	<u>(83,280)</u>	<u>2,958,796</u>	<u>1,226,944</u>
Net cash provided from operating activities	<u>\$ 5,208,293</u>	<u>(83,753)</u>	<u>5,124,540</u>	<u>15,773</u>

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

# CITY OF TEXARKANA, TEXAS

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## STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS September 30, 2017

	<i>Firemen's Relief Pension Trust Fund 12/31/2016</i>	<i>Agency Funds</i>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 212,638	116,015
Receivables		
Employer contributions		
Member contributions		
Interest and dividends	42,677	
Investments, at current value		
Mutual funds	24,073,712	
Government and Agency securities	3,994,524	
Corporate bonds	581,324	
Foreign bonds	608,190	
Common stocks	2,275,530	
Alternative investments	32,543	
<b>TOTAL ASSETS</b>	<u>31,821,138</u>	<u>116,015</u>
<b>LIABILITIES</b>		
Accrued expenses	<u>43,958</u>	<u>116,015</u>
<b>TOTAL LIABILITIES</b>	<u>43,958</u>	<u>116,015</u>
<b>NET POSITION</b>		
Net position - restricted for pension benefits	<u>31,777,180</u>	
<b>TOTAL NET POSITION</b>	<u>\$ 31,777,180</u>	<u>-</u>

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

# CITY OF TEXARKANA, TEXAS

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## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND

For the Year Ended December 31, 2016

	<i>Firemen's Relief Pension Trust Fund 12/31/2016</i>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 830,234
Members	574,778
Total contributions	<u>1,405,012</u>
Investment income:	
Interest and dividend income	816,343
Net appreciation in fair value of investments	1,385,945
Less investment expense	<u>(181,904)</u>
Net investment income	2,020,384
<b>TOTAL ADDITIONS</b>	<u>3,425,396</u>
<b>DEDUCTIONS</b>	
Benefits paid to participants	2,058,991
Refunds and drop payments	522,875
Administrative expenses	<u>85,879</u>
<b>TOTAL DEDUCTIONS</b>	<u>2,667,745</u>
Change in net position	757,651
Net position at beginning of year	<u>31,019,529</u>
Net position at end of year	<u><u>\$ 31,777,180</u></u>

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

# CITY OF TEXARKANA, TEXAS

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## NOTES TO THE FINANCIAL STATEMENTS September 30, 2017

### 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, 2016.

**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 \$147,936 towards the Health Center's operations during the year ended September 30, 2017. 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. 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

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

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, 2016, the City of Texarkana, Texas contributed \$203,177 and the City of Texarkana, Arkansas contributed \$168,668. 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 \$12,588,583 at December 31, 2016. 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 year's revenues and expenditures are equal; therefore, there is never a net income or loss and no fund balance.

# CITY OF TEXARKANA, TEXAS

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## *Notes to the financial statements continued.*

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, 2017 was \$433,122 based on the Bi-State Justice Center's audited financial statements at December 31, 2016 (the latest available). As described in Note 18 the City has outstanding debt totaling \$1,129,926 at September 30, 2017, 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, 2017 was \$91,371 based on the Appraisal District's audited financial statements at December 31, 2016 (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, 2017 was \$0 based on the Texarkana Urban Transportation Study Policy Committee's audited financial records at September 30, 2017. The TUTS does not have separately issued financial statements for the year ended September 30, 2017.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## 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, 2017 was \$1,956,536 based on the Texarkana Urban Transit District's audited financial statements at September 30, 2016 (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

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## *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, 2017 was levied using a rate of \$.700000 per hundred dollars of assessed valuation, based on 100% of estimated market value, which means that the City has a tax margin of \$1.800000 per \$100 and could raise taxes up to an additional \$45,483,422 a year from the present assessed valuation of \$2,526,856,766 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. Donated assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. 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

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*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.

The City's general fund balance 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 (\$79,623,979) difference are as follows:

General obligation bonds payable	\$ (26,745,000)
Less: Deferred charges on refunding (to be amortized as interest expense)	789,187
Add: Issuance premiums (to be amortized over life of debt)	(2,177,007)
Certificates of obligation	(27,730,000)
Add: Issuance premiums (to be amortized over life of debt)	(509,573)
Capital leases	(905,236)
Compensated absences	(4,141,484)
Net pension and other postemployment liabilities	(24,772,761)
Less: Deferred pension outflows	8,456,964
Add: Deferred pension inflows (to be amortized over 5 years)	<u>(1,889,069)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (79,623,979)</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 \$4,512,892 difference are as follows:

Capital outlay	\$ 9,459,729
Amounts in capital outlay below the capitalization threshold	65,861
Depreciation expense	<u>(5,012,698)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 4,512,892</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 \$(10,620,690) difference are as follows:

Issuance of debt:	
Bonds payable	(9,090,000)
Certificates of obligation	(14,160,000)
Principal repayments:	
General obligation bonds	2,370,000
Certificates of obligation	1,165,000
Capital leases	195,324
Amortization of bond premiums and discounts	217,009
Premium on bonds issued	(1,110,802)
Payment to refunded bond escrow agent	<u>9,792,779</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (10,620,690)</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.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

The appropriated budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The City Council may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by an affirmative vote of a majority of the City Council. The City Charter prohibits budgeting total proposed expenditures in excess of total anticipated revenues and any unencumbered funds from prior years; therefore, expenditures may not legally exceed revenues and unencumbered fund balances from prior years. The legal level of budgetary control (i.e., the lowest level at which expenditures may not legally exceed appropriation) is the fund level.

The Council made several supplemental budgetary appropriations throughout the year. Individual amendments were not material in relation to the original appropriations. 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 EPA Multipurpose Fund exceeded appropriations by \$71,770.

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

The government-wide Statement of Net Position reports restricted net position, of which \$414,228 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 \$14,172. The NEA Grant Fund had a deficit fund balance of \$81,796. The COC Homeless Grant Fund had a deficit fund balance of \$35,959. The EPA Revolving Loan Fund had a deficit fund balance of \$5,526. The EPA Multipurpose Fund had a deficit balance of \$6,893. The Emergency Solutions Grant Fund had a deficit balance of \$57,298.

### ***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	\$ 262,925
TIRZ # 1	4,500,000
Emergency Solutions Grant Fund	54,581
Housing & Community Development Grant Fund	36,531
EPA Revolving Loan Grant Fund	27,551
EPA Multipurpose Grant Fund	69,319
COC Homeless Assistance Grant Fund	239,067
2017 Bond Fund	6,063,716
Capital Replacement Fund	271,248
Total	<u>\$ 11,524,938</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 following guidelines reflect the Firemen's Relief and Pension fund Board's asset allocation goals for the Firemen's Relief and Pension plan:

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

<u>Portfolio Segment</u>	<u>Range of Portfolio Assets</u>
Equity securities	40-75%
Fixed income securities	25-60%
Cash equivalents	0-20%

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.

In accordance with GASB Statement No. 72 *Fair Value Measurement and Application*, investments are recorded at fair value. In accordance with GASB Statement 72, the Firemen's Relief and Pension plan categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Cash and cash equivalents, common stock, mutual funds, and alternative investments are categorized as Level 1. The remaining investments are categorized as Level 2.

The Firemen's Relief and Pension fund investments are summarized below:

<b>Cash and cash equivalents</b>	
Cash	\$ 59,009
Money market funds	153,629
<b>Investments</b>	
Mutual funds	24,073,712
Government and Agency securities	3,994,524
Corporate bonds	581,324
Foreign bonds	608,190
Common stocks	2,275,530
Alternative investments	32,543
Total investments	<u>31,565,823</u>
Total investments and cash and cash equivalents	<u>\$ 31,778,461</u>

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, 2016, the City's Firefighter's Relief and Pension fund had the following debt security investments and maturities:

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
<b>Fire Pension Fund:</b>					
Government and Agency securities	\$ 3,994,524	-	1,153,337	2,030,781	810,406
Corporate bonds	581,324	-	240,512	69,733	271,079
Foreign bonds	608,190	22,001	513,568	72,621	-
	<u>\$ 5,184,038</u>	<u>22,001</u>	<u>1,907,417</u>	<u>2,173,135</u>	<u>1,081,485</u>

For the year ended December 31, 2016 the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 6.65%. the money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### 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 \$30,390,694, none were uninsured and uncollateralized. Of the enterprise fund's \$16,287,570, none were uninsured and uncollateralized at September 30, 2017.

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 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.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

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

<i><u>Investment Type</u></i>	<i><u>Issuer</u></i>	<i><u>Fair Value</u></i>	<i><u>% of Total Investments</u></i>
Cash and certificates of deposit	NexBank	\$ 17,305,851	37.07%
Certificates of deposit	Guaranty Bank	14,933,515	31.99%
Certificates of deposit	Texas Security	5,400,000	11.57%
Cash	Southside Bank	2,734,903	5.86%
Cash	Farmers Bank and Trust	2,400,000	5.14%

The Firemen's Plan did not hold investments in any one organization that represented five percent or more of the Plan's fiduciary net position.

## *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. In order to minimize foreign currency risk, the City's Firemen's Relief and Pension fund's invests in a well-diversified fund. At December 31, 2016, the City's Firemen's Relief and Pension fund had fixed income securities of \$608,190 invested in foreign obligations with Seacrest Investment Management, LLC. The Seacrest investments are comprised of the following investments at December 31, 2016:

	<u>Fair Value</u>
Austria	\$ 51,125
Canada	229,961
El Salvador	15,557
Germany	55,490
Mexico	47,542
Netherlands	54,822
Phillipines	22,002
Venezuela	84,532
Supranational	47,159
Total	<u>\$ 608,190</u>

## **NOTE 5 - RECEIVABLES**

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

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<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	\$ 700,171	295,864		877,515	1,873,550
Other taxes	223,660			167,313	390,973
Accounts	189,783		2,320,849	115,464	2,626,096
Intergovernmental	3,602,550		212,701	691,774	4,507,025
Interest	7,493		17,675	56,288	81,456
Loans				1,184,363	1,184,363
Gross receivables	<u>4,723,657</u>	<u>295,864</u>	<u>2,551,225</u>	<u>3,092,717</u>	<u>10,663,463</u>
Less: allowance for uncollectibles	802,869	279,294	83,491	805,304	1,970,958
Net total receivables	<u>\$ 3,920,788</u>	<u>16,570</u>	<u>2,467,734</u>	<u>2,287,413</u>	<u>8,692,505</u>

## NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

	<i>Balance October 1, 2016</i>	<i>Additions</i>	<i>Deletions</i>	<i>Transfers</i>	<i>Balance September 30, 2017</i>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 47,032,128				47,032,128
Construction in progress	1,973,753	8,580,074		(4,144,185)	6,409,642
Total capital assets, not being depreciated	<u>49,005,881</u>	<u>8,580,074</u>	<u>-</u>	<u>(4,144,185)</u>	<u>53,441,770</u>
Capital assets, being depreciated:					
Buildings	31,692,266	19,603		501,830	32,213,699
Improvements other than buildings	8,525,615	8,173		59,189	8,592,977
Infrastructure	122,704,840	95,101		1,424,831	124,224,772
Machinery and equipment	5,148,997	283,173		1,469,973	6,902,143
Licensed vehicles	9,056,930	539,470	(1,020,130)	688,362	9,264,632
Total capital assets, being depreciated	<u>177,128,648</u>	<u>945,520</u>	<u>(1,020,130)</u>	<u>4,144,185</u>	<u>181,198,223</u>
Less accumulated depreciation for:					
Buildings	(16,942,437)	(666,836)			(17,609,273)
Improvements other than buildings	(5,490,028)	(261,752)			(5,751,780)
Infrastructure	(68,735,617)	(3,020,362)			(71,755,979)
Machinery and equipment	(2,642,399)	(379,583)			(3,021,982)
Licensed vehicles	(6,081,728)	(684,168)	924,085		(5,841,811)
Total accumulated depreciation	<u>(99,892,209)</u>	<u>(5,012,701)</u>	<u>924,085</u>	<u>-</u>	<u>(103,980,825)</u>
Total capital assets, being depreciated, net	<u>77,236,439</u>	<u>(4,067,181)</u>	<u>(96,045)</u>	<u>4,144,185</u>	<u>77,217,398</u>
Governmental capital assets, net	<u>\$ 126,242,320</u>	<u>4,512,893</u>	<u>(96,045)</u>	<u>-</u>	<u>130,659,168</u>

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<i>Balance October 1, 2016</i>	<i>Additions</i>	<i>Deletions</i>	<i>Transfers</i>	<i>Balance September 30, 2017</i>
<b>Business-type activities</b>					
Capital assets, not being depreciated:					
Land	\$ 1,385,978			33,725	1,419,703
Construction in progress	1,548,402	3,484,515		(1,990,097)	3,042,820
Total capital assets, not being depreciated	<u>2,934,380</u>	<u>3,484,515</u>	<u>-</u>	<u>(1,956,372)</u>	<u>4,462,523</u>
Capital assets, being depreciated:					
Buildings	3,500,536				3,500,536
Improvements other than buildings	95,074,388		(17,846)	1,233,897	96,290,439
Machinery and equipment	10,971,198		(282,188)	713,500	11,402,510
Property under capital lease	20,632,702			8,975	20,641,677
Water rights	287,572				287,572
Total capital assets, being depreciated	<u>130,466,396</u>	<u>-</u>	<u>(300,034)</u>	<u>1,956,372</u>	<u>132,122,734</u>
Less accumulated depreciation for:					
Buildings	(2,458,004)	(56,562)			(2,514,566)
Improvements other than buildings	(42,494,145)	(2,339,939)	7,601		(44,826,483)
Machinery and equipment	(8,851,324)	(579,978)	280,439		(9,150,863)
Property under capital lease	(12,527,217)	(354,740)			(12,881,957)
Water rights	(287,572)				(287,572)
Total accumulated depreciation	<u>(66,618,262)</u>	<u>(3,331,219)</u>	<u>288,040</u>	<u>-</u>	<u>(69,661,441)</u>
Total capital assets, being depreciated, net	<u>63,848,134</u>	<u>(3,331,219)</u>	<u>(11,994)</u>	<u>1,956,372</u>	<u>62,461,293</u>
Business-type capital assets, net	<u>\$ 66,782,514</u>	<u>153,296</u>	<u>(11,994)</u>	<u>-</u>	<u>66,923,816</u>

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

Governmental activities	
General government	\$ 187,862
Public safety	772,639
Public works	3,283,425
Parks and recreation	768,775
Total depreciation expense - governmental activities	<u>\$ 5,012,701</u>
Business-type activities:	
Water and sewer	\$ 3,331,219
Total depreciation expense - business-type activities	<u>\$ 3,331,219</u>

## Discretely Presented Component Unit

Activity for the Health Center for the year ended September 30, 2017 was as follows:

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<i>Balance October 1, 2016</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance Sept. 30, 2017</i>
Capital assets, being depreciated:				
Buildings	\$ 1,285,728			1,285,728
Improvements other than buildings	42,841			42,841
Machinery and equipment	30,102			30,102
Total capital assets, being depreciated	<u>1,358,671</u>	<u>-</u>	<u>-</u>	<u>1,358,671</u>
Less accumulated depreciation for:				
Buildings	(974,422)	(29,481)		(1,003,903)
Improvements other than buildings	(42,841)			(42,841)
Machinery and equipment	(13,583)	(864)		(14,447)
Total accumulated depreciation	<u>(1,030,846)</u>	<u>(30,345)</u>	<u>-</u>	<u>(1,061,191)</u>
Total capital assets, being depreciated, net	<u>\$ 327,825</u>	<u>(30,345)</u>	<u>-</u>	<u>297,480</u>

## NOTE 7 - CONSTRUCTION PROJECTS

As of September 30, 2017, the City had the following commitments with respect to unfinished capital projects.

	<i>Project Authorization</i>	<i>Expended Through 9/30/2017</i>	<i>Required Future Financing</i>
Summer Glenn Acres Drive	242,000	7,000	235,000
Linear Park	420,117	107,774	312,343
Farmer's market & public space infrastructure	25,000	25,000	-
Motorola equipment	1,112,954	1,055,817	57,137
Rochelle additions	35,600	35,600	-
Kress building	629,172	411,299	217,873
Fleet vehicles 2016	1,463	1,463	-
Art Park	705,983	214,471	491,512
Forest Lake Estates street reconstruction	4,984,970	1,364,450	3,620,520
Cowhorn Creek corridor project	1,254,489	719,840	534,649
Spring Lake Park dredging	1,072,419	470,504	601,915
Roof replacement project	1,050,208	257,909	792,299
Fire dept. and Street dept. building improvements	903,370	365,948	537,422
Fleet, SOTC and Fire dept. parking lot improvements	673,678	529,454	144,224
Perot Theatre restoration	705,983	128,936	577,047
Fire statio relocation	542,500	5,900	536,600
27th and Wood sidewalk replacement	8,949	8,949	-
Fleet vehicles 2017	699,328	699,328	-
Total	<u>\$ 15,068,183</u>	<u>6,409,642</u>	<u>8,658,541</u>

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## Business-type activities construction projects

In fiscal year 2017, 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 \$1,313,111. Current year expenditures for painting the Walnut Street and Fourth Street elevated water storage tanks amounted to \$209,432 and \$228,228, respectively. A City-reimbursable water project was completed in Forrest Lake Estates costing \$96,402. \$590,372 was spent during the year on the 2008 sewer annexation project. Manhole additions and improvements for the year totaled \$60,162.

Texas infrastructure account expenditures were \$728,833. Current year work on the Wagner Creek trunk collection main amounted to \$534,660, and \$192,732 was spent on engineering and design work for the Wagner Creek Wastewater Treatment Plant.

South Regional Wastewater Plant depreciation account expenditures were \$357,026 with the Texas share of \$223,701 for the replacement of a blown diesel engine on the emergency generator at the main sewer pump station.

Compost account expenditures for the fiscal year were \$480,875 of which \$301,162 was paid from the Texas Utility. Compost road and compost pad improvements totaled \$392,031 during FY17. A skid steer was purchased costing \$52,369.

Millwood depreciation account expenditures were \$462,323. The Texas Utility portion was \$289,513. Plant sludge ponds were cleaned for \$119,702. Concrete basin repairs were completed during the year for \$164,188. \$73,324 was expended for caustic tanks, pumps and drives, and \$39,311 was spent to replace chlorinators. Plant filters were rehabilitated at a cost of \$38,306 while pipe galley repairs were done at a cost of \$8,934. Chlorine scales were replaced for \$13,344, and an ultrasonic raw water meter was purchased for \$4,058. A personal computer was replaced costing \$1,156.

North Texarkana Wastewater Treatment Plant projects totaled \$57,268 for the year. The Texas Utility share was \$22,334.

Technology account expenditures totaled \$788,431 for the fiscal year with the Texas portion of \$485,695. \$312,962 was spent on the utility billing software replacement project during the year. Miller County digital imagery and Bowie County digital imagery expenditures were \$42,360 and \$57,576, respectively. Microsoft licenses were purchased for \$43,697, and \$43,025 was spent on software for the various utility divisions. Personal computers, servers, hardware, and network expenditures for the year were \$33,777, \$101,732, \$16,911, and \$85,241, respectively.

Equipment account expenditures were \$378,493 of which \$237,025 was from the Texas Utility. Fleet vehicles were replaced for \$192,653.

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

The composition of interfund balances as of September 30, 2017 is as follows:

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 564,904
2017 Capital Project	Major governmental fund	159,796
Nonmajor governmental fund	General	32,416
Total		<u>\$ 757,116</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:

\$64,423	To reclassify deposits between the General Fund and the TIRZ #1 Fund (nonmajor governmental fund).
\$268,841	To reimburse the General Fund for expenditures paid for the Emergency Services Grant Fund (nonmajor governmental fund).
\$97,089	To reimburse the General Fund for expenditures paid for the Housing and Community Development Fund (nonmajor governmental fund).
\$8,191	To reimburse the General Fund for expenditures paid on behalf of the EPA Revolving Loan Fund (nonmajor governmental fund).
\$221	To reimburse the General Fund for expenditures paid on behalf of the EPA Multi-Purpose Fund (nonmajor governmental fund).
\$79,652	To reimburse the General Fund for expenditures paid on behalf of the COC Homeless Assistance Fund (nonmajor governmental fund).
\$46,162	To reclassify deposits between the General Fund and the Debt Service Fund.
\$325	To reimburse the General Fund for expenditures paid for the 2017 Bond Fund (major governmental fund).
\$78,000	To reimburse the 2017 Bond Fund for expenditures paid for the Emergency Solutions Grant Fund (major governmental fund).
\$81,796	To reimburse the 2017 Bond Fund for expenditures paid for the NEA Grant Fund (nonmajor governmental fund)
\$32,416	To reclassify deposits between the Airport Fund (nonmajor governmental fund) and the General Fund.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## 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	\$ -	653,882	2,160	39,997	696,039
Debt service		815,193			815,193
Nonmajor governmental funds	347,491	312,397			659,888
Fleet services (internal service)	923,663				923,663
Total transfers in	<u>\$ 1,271,154</u>	<u>1,781,472</u>	<u>2,160</u>	<u>39,997</u>	<u>3,094,783</u>

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

### Purpose:

- \$650,547 Funds were transferred from the Economic Development fund (nonmajor governmental fund) to the General fund.
- \$2,000 Funds were transferred from the TIRZ fund (nonmajor governmental fund) to the General fund to cover expenses.
- \$1,335 Funds were transferred from the Theatre fund (nonmajor governmental fund) to the General fund for expenses.
- \$2,160 Funds were transferred from the Fleet Services fund (internal service fund) to the General fund for various expenses.
- \$562,205 Funds were transferred from the Hotel/Motel Tax fund (nonmajor governmental fund) to the Debt Service fund for debt service payments.
- \$252,988 Funds were transferred from the TIRZ #1 fund (nonmajor governmental fund) to the Debt Service fund for principal and interest payment on bonds.
- \$35,669 Funds were transferred from the General fund to the Emergency Solutions Grant fund (nonmajor governmental fund) to cover salary expenses.
- \$87,836 Funds were transferred from the General fund to Housing and Community Development fund (nonmajor governmental fund) for grant costs.
- \$217 Funds were transferred from the General fund to the EPA Petroleum Grant fund (nonmajor governmental fund) to correct fund balance.

# CITY OF TEXARKANA, TEXAS

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## *Notes to the financial statements continued.*

- \$25,141 Funds were transferred from the General fund to the EPA Revolving Loan fund (nonmajor governmental fund) to cover salary expenses.
- \$23,375 Funds were transferred from the General fund to the EPA Multi-purpose fund (nonmajor governmental fund) to cover salary expenses.
- \$55,082 Funds were transferred from the General fund to the COC Homeless Assistance fund (nonmajor governmental fund) to cover salary expenses.
- \$74,368 Funds were transferred from the General fund to the Brownfield Grant fund (nonmajor governmental fund) to correct fund balance.
- \$13,387 Funds were transferred from the General fund to the NEA grant fund (nonmajor governmental fund) to cover salary expenses.
- \$312,397 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.
- \$923,663 Funds were also transferred from the General Fund to the Fleet Services fund (internal service fund) to cover fuel and maintenance.
- \$32,416 Funds were transferred from the General fund to the Airport fund (nonmajor governmental fund).
- \$18,900 A transfer 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.
- \$21,097 A transfer was made to the City's General Fund from Texarkana Water Utilities.

### **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, 2017.

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.

# CITY OF TEXARKANA, TEXAS

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*Notes to the financial statements continued.*

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

On July 24, 1969 the City of Texarkana, Texas entered into a contract with Lake Texarkana Water Supply Corporation (hereinafter referred to as the Corporation) which provided that the Corporation, acting as general contractor for the City, would construct extensions and improvements to its existing system for the treatment and transporting of water to such of the area cities as may make contractual arrangements with the City. The City in turn agreed to purchase from the Corporation all of its water system properties, facilities, and improvements, including those to be constructed, with money derived from revenues of the water system pledged for this purpose or from the levy of City taxes in such amounts as are required to meet principal and interest on the outstanding bonds of the Corporation as they shall mature plus paying agents' fees and all other charges which may accrue in connection with paying the "Lake Texarkana Water Supply Corporation Bonds, Series 1969". The contract provided that the purchase price is to be paid in semiannual installments beginning November 15, 1971. In prior years, the City made monthly transfers to the Lake Texarkana Water Supply debt service fund.

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

Under a contract dated August 5, 1948 as subsequently amended, the City supplies water to the City of Texarkana, Arkansas and disposes of sewage collected by that City. Charges to Texarkana, Arkansas for these services are computed by prorating certain expenses of the System, plus a set monthly fee. A new agreement was executed between the Cities of Texarkana, Texas and Texarkana, Arkansas on May 20, 1969. This new agreement relates to the matter of supplying treated water only and does not amend the prior agreement relating to sewer service. The terms of the new contract, provide that Texarkana, Arkansas will pay the same amount per one thousand gallons of water supplied to it as shall be computed to be the cost to Texarkana, Texas under its contractual arrangements with other area cities (See Note 12). The Texarkana, Arkansas Water Utilities made total transfers to the Texarkana, Texas Water Utilities for water purchases of \$594,405 and \$463,746 for 2017 and 2016, 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 \$646,282 and \$702,992 for 2017 and 2016, respectively.

# CITY OF TEXARKANA, TEXAS

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*Notes to the financial statements continued.*

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 \$417,816 and \$417,507 for 2017 and 2016, respectively. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease.

## **South Regional Wastewater Facilities**

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

The agreement further provides that, when the indebtedness of the City of Texarkana, Texas incurred in connection with the acquisition and construction of the wastewater treatment facility has been discharged, the City of Texarkana, Texas will convey to the City of Texarkana, Arkansas an undivided interest in the system facilities used to serve Arkansas. Texarkana, Arkansas' undivided interest in the facilities shall be a pro rata portion of the total payments on bond obligations made on the system by both Texarkana, Texas and Texarkana, Arkansas. In 2013 the Texarkana, Arkansas Water Utilities made total transfers to the Texarkana, Texas Water Utilities for debt service of \$31,689. The effective transfer of assets pursuant to this agreement has been recorded as a direct financing lease. The Texarkana, Arkansas Water Utilities has made no transfers to the Texarkana, Texas Water Utilities for debt service since 2013 when the capital lease debt was retired.

## **McKinney Bayou Wastewater Facilities**

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

# CITY OF TEXARKANA, TEXAS

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*Notes to the financial statements continued.*

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 2017 and 2016, the Texarkana, Texas Water Utilities made transfers to the Texarkana, Arkansas Water Utilities for debt service in the amounts of \$101,839 and \$109,626, respectively. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease between the Utilities and all transactions between them are eliminated in combination.

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

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

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

In 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 fiscal year 2017 and 2016, the Texas Utility received payments of \$26,735 and \$20,819, 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

# CITY OF TEXARKANA, TEXAS

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*Notes to the financial statements continued.*

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.

## **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

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

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 \$128,749 and \$154,947 for fiscal year 2017 and 2016, respectively. These amounts are included in Water Production costs of the Arkansas Utility and the Texas Utility based on the contract percentages of 55% and 45%, respectively. Due to anticipated needs for additional water from Millwood, the City of Texarkana, Arkansas on July 2, 2012, entered 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. The balance at September 30, 2017 was \$14,813,858.

## **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

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

\$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 \$39,364 and \$39,327 for the amount “forgiven” under the contract terms for fiscal year 2017 and 2016, respectively. The remaining liability under this contract is \$594,499.

## 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, 2017:

<u>Ending September 30:</u>	<u>Governmental Activities</u>	<u>Enterprise Funds</u>
2018	\$ 205,005	721,905
2019	205,006	721,068
2020	171,021	719,560
2021	171,021	662,683
2022	171,021	604,703
2023-2027	28,503	1,810,228
Total minimum lease payments	951,577	5,240,147
Less:		
Unexpended funds		(700,107)
Amounts representing interest	(46,341)	(808,823)
Present value of minimum lease payments	<u>\$ 905,236</u>	<u>3,731,217</u>

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

<u>Asset Class</u>	<u>InterSystem Leases</u>
Land	\$ 399,965
Buildings	3,400,033
Improvements other than buildings	6,926,251
Machinery and equipment	2,245,988
Total	<u>\$ 12,972,237</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 28.69% 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, 2017 are as follows:

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2017</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	\$ 255,000
General Obligation Refunding Bonds, Series 2012 used to refund certain bonds which were issued to finance certain capital improvements of the City - due serially in varying amounts from February 15, 2013 through February 15, 2023.	2.00% - 5.00%	10,730,000	6,035,000
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	11,485,000
General Obligation Refunding Bonds, Series 2016 used to refund certain bonds which were issued to finance certain capital improvements of the City - due serially in varying amounts from February 1, 2017 through February 1, 2030.	2.00% - 3.00%	9,090,000	8,970,000
Total general obligation bonds		<u>\$ 28,340,000</u>	<u>26,745,000</u>

Annual requirements to amortize general obligation bonds outstanding at September 30, 2017 are as follows:

<u>Requirements Year Ending September 30</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,350,000	923,716	3,273,716
2019	2,225,000	755,532	2,980,532
2020	2,325,000	781,732	3,106,732
2021	2,140,000	689,082	2,829,082
2022	2,295,000	583,757	2,878,757
2023-2027	11,980,000	1,483,830	13,463,830
2028-2030	3,430,000	156,450	3,586,450
Total	<u>\$ 26,745,000</u>	<u>5,374,099</u>	<u>32,119,099</u>

The City of Texarkana, Texas issued the General Obligation Refunding Bonds, Series 2016 dated October 15, 2016 in the amount of \$9,090,000 with an average interest rate of to refund all of the General Obligation Refunding Bonds, Series 2006 in the amount of \$1,080,000, as well as a portion of the Combination Tax and Revenue Certificates of Obligation, Series 2009 in the amount of \$8,025,000. Those securities were deposited

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2006 and 2009 bonds. As a result the 2006 bonds and the refunded portion of the 2009 bonds are considered defeased and the liability for those bonds has been removed from the City's long term obligations.

The principal and interest due on the Refunded Obligations are to be paid on the scheduled redemption dates of such Refunded Obligations from funds to be deposited pursuant to an escrow agreement. At September 30, 2017, none of the 2006 bonds and \$8,025,000 of the 2009 bonds remained outstanding.

The City advance refunded the 2006 and a portion of the 2009 bonds to reduce its total debt service payments over the next 13 years by almost \$1,219,807 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,054,493.

## 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, 2017 are as follows:

	<i>Rate of interest</i>	<i>Original Issue</i>	<i>Outstanding September 30, 2017</i>
<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	\$ 4,835,000
Certificates of Obligation, Series 2010 used for constructing, improving and equipping convention center facilities and the acquisition of sites - due serially in varying amounts through February 1, 2030.	1.02% - 5.728%	7,000,000	5,215,000
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	3,520,000
Combination Tax and Revenue Certificates of Obligation, Series 2017 used for public safety facilities, street and drainage improvements, park and recreational facilities, roof replacements, public works facilities, and municipal airport facilities due serially in varying amounts through February 1, 2037.	2.625 - 4.0%	14,160,000	14,160,000
Total certificates of obligation		<u>\$ 42,695,000</u>	<u>27,730,000</u>

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

Annual requirements to amortize certificates of obligations outstanding at September 30, 2017 are as follows:

<i>Requirements Year Ending September 30</i>	<i>Certificates of Obligation</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2018	\$ 1,215,000	1,157,158	2,372,158
2019	1,810,000	956,978	2,766,978
2020	1,870,000	889,253	2,759,253
2021	1,945,000	817,477	2,762,477
2022	2,020,000	742,685	2,762,685
2023-2027	6,995,000	2,546,021	9,541,021
2027-2031	6,535,000	1,443,481	7,978,481
2032-2037	5,340,000	445,780	5,785,780
Total	<u>\$ 27,730,000</u>	<u>8,998,833</u>	<u>36,728,833</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, 2017 are as follows:

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2017</u>
<b>Revenue bonds:</b>			
Waterworks and Sanitary Sewer System Revenue Bonds Series 2004 net of bond premium of \$4,389 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	1,029,389
Waterworks and Sanitary Sewer System Revenue Bonds, Series 2013 net of bond discount of \$16,306 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>1,848,694</u>
Total Texarkana, Texas Water Utilities		<u>\$ 6,505,000</u>	<u>2,878,083</u>

Annual requirements to amortize revenue bonds outstanding at September 30, 2017 are as follows:

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

<i>Requirements</i> <i>Year Ending</i> <i>September 30</i>	<i>Revenue Bonds</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2018	\$ 245,000	115,819	360,819
2019	249,793	107,169	356,962
2020	259,793	97,663	357,456
2021	269,793	87,588	357,381
2022	279,793	76,956	356,749
2023-2027	740,125	270,834	1,010,959
2028-2032	679,852	137,224	817,076
2033	153,934	7,556	161,490
Total	<u>\$ 2,878,083</u>	<u>900,809</u>	<u>3,778,892</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 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 \$3,778,892. Principal and interest paid for the current year and total customer net revenues were \$571,219 and \$17,147,595, respectively.

## Changes in long-term liabilities

The following is a summary of changes in long-term liabilities for the year ended September 30, 2017:

	<i>Balance</i> <i>October 1,</i> <i>2016</i>	<i>Additions</i>	<i>Retirements/ Deductions</i>	<i>Balance</i> <i>September 30,</i> <i>2017</i>	<i>Long-term</i> <i>Balance</i>	<i>Due</i> <i>Within</i> <i>One Year</i>
<b><i>Governmental activities:</i></b>						
General obligation bonds	\$ 21,105,000	9,090,000	(3,450,000)	26,745,000	24,395,000	2,350,000
Issuance premiums	1,636,681	795,605	(255,279)	2,177,007	2,177,007	
Total general obligation bonds	<u>22,741,681</u>	<u>9,885,605</u>	<u>(3,705,279)</u>	<u>28,922,007</u>	<u>26,572,007</u>	<u>2,350,000</u>
Certificates of obligation	22,760,000	14,160,000	(9,190,000)	27,730,000	26,965,000	765,000
Issuance premiums	227,859	315,198	(33,484)	509,573	509,573	
Total certificates of obligation	<u>22,987,859</u>	<u>14,475,198</u>	<u>(9,223,484)</u>	<u>28,239,573</u>	<u>27,474,573</u>	<u>765,000</u>
Capital leases	1,100,560	(195,324)		905,236	717,322	187,914
Net pension liabilities	21,447,463	12,160,310	(11,786,130)	21,821,643	21,821,643	
Net other postemployment liabilities	2,548,669	973,589	(571,140)	2,951,118	2,951,118	
Accrued compensated absences	4,161,834	1,229,138	(1,249,488)	4,141,484	3,863,121	278,363
Governmental activity Long-term liabilities	<u>\$ 74,988,066</u>	<u>38,528,516</u>	<u>(26,535,521)</u>	<u>86,981,061</u>	<u>83,399,784</u>	<u>3,581,277</u>

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<i>Balance</i> <i>October 1,</i> <i>2016</i>	<i>Additions</i>	<i>Retirements/ Deductions</i>	<i>Balance</i> <i>September 30,</i> <i>2017</i>	<i>Long-term</i> <i>Balance</i>	<i>Due</i> <i>Within</i> <i>One Year</i>
<b><i>Business-type activities:</i></b>						
Revenue bonds	\$ 3,325,000	(435,000)		2,890,000	2,645,000	245,000
Issuance premiums	(12,124)		207	(11,917)	(11,917)	
Total revenue bonds	3,312,876	(435,000)	207	2,878,083	2,633,083	245,000
Capital leases	4,132,943		(401,726)	3,731,217	3,320,472	410,745
Net pension liabilities	4,820,365	2,329,951	(2,318,562)	4,831,754	4,831,754	
Other postemployment liabilities	823,162	235,810	(72,476)	986,496	986,496	
Accrued compensated absences	365,808	368,852	(324,333)	410,327	351,727	58,600
Business-type activity						
Long-term liabilities	<u>\$ 13,455,154</u>	<u>2,499,613</u>	<u>(3,116,890)</u>	<u>12,837,877</u>	<u>12,123,532</u>	<u>714,345</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, \$69,131 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 and net pension and other postemployment liabilities for the governmental activities.

## NOTE 18 - CONDUIT DEBT

The City issued \$2,430,000 in Combination Tax and Revenue Certificates of Obligation, Series 2008 dated February 1, 2008. The stated maturity date of the debt is February 1, 2023, with an interest rate of 3.660% per annum. The certificates were issued by the City on behalf of the Bi-State Justice Center. The purpose of the debt is to pay contractual obligations for improvements to the Bi-State Criminal Justice Center and professional services rendered in connection therewith. The payments are made by the Bi-State Justice Center directly to the paying agent. The City has no responsibility for the repayment of the debt beyond its participation in the BSJC joint venture. The balance outstanding at September 30, 2017 is \$1,129,926.

## 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

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

more favorable than estimated. For the year ended September 30, 2017, the City contributed \$294,874 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 \$36,390,763 for major structures, primarily those used by the public and those located in a cluster to provide protection from catastrophic losses, as well as \$8,967,900 of contents coverage.

The City maintains liability insurance coverage of \$1,356,474 for all its vehicles and equipment. It has vehicle damage coverage on the most expensive vehicles and equipment including fire engines and large trucks.

The City has established an Employee Benefit Fund (an internal service fund) to account for a self-insured employee health benefit program. The City accounts for this expense on the accrual method in that as cash is transferred to the Employee Benefit Fund, it is expensed on the transferring fund. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Under this program, the City is self-insured up to a maximum of \$100,000 specific deductible per covered person in a calendar year, and a \$75,000 aggregating specific deductible. Costs in excess of this amount, up to \$1,900,000 per claimant as an annual benefit and unlimited as a lifetime benefit, were insured through QBE Insurance Corporation, which was offered by the reinsurance company, Beacon Risk Strategies, LLC. Beacon, Risk Strategies, LLC is offered through the Third Party Administrator, Blue Advantage of Arkansas. Each participating fund makes payments to the Employee Benefit Fund based upon the computed monthly amount determined by the administrator of the plan. Employees pay a portion of their costs and an amount for dependents and the City pays for the remainder of employees' coverage. Costs are recognized by the City in the Employee Benefit Fund when claims are filed and processed according to the City of Texarkana's plan document by Blue Advantage Administrators of Arkansas. Estimated costs incurred but not billed at year end are accrued.

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

	<i>Year Ended</i> <i>September 30, 2017</i>	<i>Year Ended</i> <i>September 30, 2016</i>
Unpaid claims, October 1	\$ 215,451	\$ 312,800
Incurred claims	3,838,585	2,797,618
Claim payments	<u>(3,822,448)</u>	<u>(2,894,967)</u>
Unpaid claims, September 30	<u>\$ 231,588</u>	<u>\$ 215,451</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.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## 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 872 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.tmr.com](http://www.tmr.com).

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

### 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><i>Plan No. 1</i></u>	<u><i>Plan No. 2</i></u>	<u><i>Plan No. 3</i></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
COLA Increase	70%	70%	70%
COLA 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	5 yrs/age 60, 20	5 yrs/age 60,
Restricted prior service credit effective date	June 1995	June 1995	June 1995

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

	<u><i>Plan No. 1</i></u>	<u><i>Plan No. 2</i></u>	<u><i>Plan No. 3</i></u>
Inactive employees or beneficiaries currently receiving benefits	70	175	105
Inactive employees entitled to but not yet receiving benefits	31	106	41
Active employees	<u>93</u>	<u>208</u>	<u>153</u>
Total	<u>194</u>	<u>489</u>	<u>299</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.

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 2016 and 2017.

	<u><i>Plan No. 1</i></u>	<u><i>Plan No. 2</i></u>	<u><i>Plan No. 3</i></u>
City Contribution Rate:			
2016	16.76%	15.48%	15.83%
2017	16.12%	15.82%	16.20%

The City's contributions to TMRS for the year ended September 30, 2017 were \$941,738, \$1,335,212 and \$1,042,687 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, 2016, 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, 2016 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

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

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, 2016, 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 Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. 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><i>Asset Class</i></u>	<u><i>Target Allocation</i></u>	<u><i>Long-Term Expected Real Rate of Return (Arithmetic)</i></u>
Domestic equity	17.50%	4.55%
International equity	17.50%	6.35%
Core fixed income	10.00%	1.00%
Non-core fixed income	20.00%	4.15%
Real return	10.00%	4.15%
Real estate	10.00%	4.75%
Absolute return	10.00%	4.00%
Private equity	5.00%	7.75%
Total	<u>100.00%</u>	

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

## 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.

### CHANGES IN NET PENSION LIABILITY PLAN NO. 1

	<i><u>Total Pension Liability</u></i>	<i><u>Plan Fiduciary Net Position</u></i>	<i><u>Net Pension Liability</u></i>
Balance at 12/31/2015	\$ 42,326,088	35,877,919	6,448,169
Changes for the year:			
Service cost	940,760		940,760
Interest	2,830,664		2,830,664
Change of benefit terms			-
Difference between expected and actual experience	(333,866)		(333,866)
Changes of assumptions			-
Contributions - employer		905,636	(905,636)
Contributions - employee		378,249	(378,249)
Net investment income		2,424,238	(2,424,238)
Benefit payments, including refunds of employee contributions	(1,721,423)	(1,721,423)	-
Administrative expense		(27,384)	27,384
Other changes		(1,475)	1,475
Net changes	<u>1,716,135</u>	<u>1,957,841</u>	<u>(241,706)</u>
Balance at 12/31/2016	<u>\$ 44,042,223</u>	<u>37,835,760</u>	<u>6,206,463</u>

### CHANGES IN NET PENSION LIABILITY PLAN NO. 2

	<i><u>Total Pension Liability</u></i>	<i><u>Plan Fiduciary Net Position</u></i>	<i><u>Net Pension Liability</u></i>
Balance at 12/31/2015	\$ 47,925,374	39,795,919	8,129,455
Changes for the year:			
Service cost	1,297,239		1,297,239
Interest	3,199,561		3,199,561
Change of benefit terms	-		-
Difference between expected and actual experience	106,689		106,689
Changes of assumptions	-		-

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

## CHANGES IN NET PENSION LIABILITY PLAN NO. 2 (continued)

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Contributions - employer		1,191,057	(1,191,057)
Contributions - employee		538,593	(538,593)
Net investment income		2,695,784	(2,695,784)
Benefit payments, including refunds of employee contributions	(2,610,374)	(2,610,374)	-
Administrative expense		(30,454)	30,454
Other changes		(1,641)	1,641
Net changes	<u>1,993,115</u>	<u>1,782,965</u>	<u>210,150</u>
Balance at 12/31/2016	<u>\$ 49,918,489</u>	<u>41,578,884</u>	<u>8,339,605</u>

## CHANGES IN NET PENSION LIABILITY PLAN NO. 3

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at 12/31/2015	<u>\$ 24,509,842</u>	<u>19,689,480</u>	<u>4,820,362</u>
Changes for the year:			
Service cost	675,932		675,932
Interest	1,638,155		1,638,155
Change of benefit terms			-
Difference between expected and actual experience	(42,991)		(42,991)
Changes of assumptions			-
Contributions - employer		653,633	(653,633)
Contributions - employee		289,036	(289,036)
Net investment income		1,332,902	(1,332,902)
Benefit payments, including refunds of employee contributions	(1,234,149)	(1,234,149)	-
Administrative expense		(15,053)	15,053
Other changes		(814)	814
Net changes	<u>1,036,947</u>	<u>1,025,555</u>	<u>11,392</u>
Balance at 12/31/2016	<u>\$ 25,546,789</u>	<u>20,715,035</u>	<u>4,831,754</u>

### *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:

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<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	\$ 12,871,749	\$ 6,206,463	\$ 800,417
Plan No. 2	15,044,568	8,366,605	2,883,261
Plan No. 3	8,418,068	4,831,754	1,893,388

## **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.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2017, the City recognized pension expense of \$1,298,564, \$1,770,655, and \$699,894 in Plan No. 1, Plan No. 2 and Plan No. 3, respectively.

At September 30, 2017, 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	\$ 1,661,679	
Changes in actuarial assumptions		48,987
Differences between expected and actual experience		1,099,989
Contributions made after December 31, 2016 but before September 30, 2017	675,057	
Total	<u>\$ 2,336,736</u>	<u>1,148,976</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	\$ 1,847,395	
Changes of assumptions		(100,430)
Differences between expected and actual experience		226,058
Contributions made after December 31, 2016 but before September 30, 2017	942,804	
Total	<u>\$ 2,790,199</u>	<u>125,628</u>

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

## 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	\$ 902,564	
Changes of assumptions	57,207	
Differences between expected and actual experience		544,761
Contributions made after December 31, 2016 but before September 30, 2017	498,259	
Total	<u>\$ 1,458,030</u>	<u>544,761</u>

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, 2018. 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>
2017	\$ 298,290	516,623	85,908
2018	298,289	646,262	128,769
2019	209,820	559,378	205,940
2020	(221,668)	(496)	(5,607)
2021	(72,028)	-	-
Thereafter	-	-	-
Total	<u>\$ 512,703</u>	<u>1,721,767</u>	<u>415,010</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 Plan). The Plan is a single employer, contributory, defined benefit plan. The benefit provisions of the Plan are authorized by the Texas Local Fire Fighters' Retirement Act of 1937 (Act). The purpose of the Plan is to provide for the receipt, control, handling, management and dispersing of assets accumulated in the Plan, which has been established for the purpose of providing certain benefits upon retirement for participants/employees under the provisions of the Plan.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

The Plan is administered by a seven member Board of Trustees. The City does not have access to nor can it utilize assets within the retirement plan trust. The Plan 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**

The Plan provides service retirement, death, disability, and termination benefits. The benefits fully vest after 20 years of credited service. Members may retire at attainment of age 50 and completion of 20 years of service. The Plan provides a monthly normal service retirement benefit, payable in a joint and two-thirds to surviving spouse form of annuity equal to 3.09% of the member's highest 36-month average salary, multiplied by years of credited service as of date of termination. The Plan provides an optional form of retirement benefit, payable in a joint and 100% to surviving spouse form of annuity, which allows members to adjust the amount and longevity of the monthly benefit.

A retiring member eligible for normal service retirement with certain minimum combinations of years of service and age 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 benefit provisions of the Plan are authorized by the Act. The Act provides the authority and procedure to amend benefit provisions. There is no provision for automatic postretirement benefit increases. The Plan has the authority to provide for ad hoc postretirement benefit increases. Effective, October 1, 2014, the Plan was amended for a \$19 increase in monthly benefits and a minimum monthly benefit of \$1,022 for retired, disabled, vested terminated members, and surviving spouses.

## **3. Members Covered by the Fund**

The membership consisted of the following as of December 31, 2016:

Inactive plan members or beneficiaries currently receiving benefits	67
Active plan members	<u>77</u>
Total	<u><u>144</u></u>

## **4. Funding Policy**

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

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Plan 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 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

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

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.

The funding policy of the Texarkana Firemen's Relief and Retirement Fund requires contributions by the members at the rate elected by the members according to the Act. The City's contribution rate is determined annually by the City. Contributions for the year ended December 31, 2016 were as follows:

	<u>Amount</u>	<u>Percentage</u>
Employer	\$ 830,234	19.5%
Members	574,778	13.5%

The costs of administering the plan are paid from the Fund assets.

## **B. Net Pension Liability**

The Plan's net pension liability was measured as of December 31, 2016, 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, 2016. The components of the net pension liability of the employer on December 31, 2016 were as follows:

Total pension liability	\$ 39,052,755
Plan fiduciary net position	<u>(31,777,180)</u>
City's net pension liability	<u>\$ 7,275,575</u>
Plan fiduciary net position as a percentage of the total pension liability	81.4%

### **1. Actuarial Assumptions**

The total pension liability in the December 31, 2016 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.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

The long-term expected rate of return on pension plan investments for the December 31, 2016 actuarial valuation 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. These components were combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the asset allocation percentage (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:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected 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%
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 December 31, 2016 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, the 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.

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

### 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	\$ 11,434,921	7,275,575	3,741,940

### 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 Plan'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. Member and employer contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Investment transactions are recorded as of the date a transaction is agreed upon and investment income, from interest and dividends, is recorded when earned or declared. All other expenses are recognized when incurred.

### C. Changes in the Net Pension Liability

	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Amounts as of December 31, 2015	\$ 37,889,368	31,019,529	6,869,839
Changes for the year:			
Service cost	843,503		843,503
Interest	2,901,750		2,901,750
Differences between expected and actual experience			-
Contributions by the city		830,234	(830,234)
Contributions by the members		574,778	(574,778)
Net investment income		2,020,384	(2,020,384)
Benefit payments	(2,581,866)	(2,581,866)	-
Administrative expenses		(85,879)	85,879
Assumption changes			-
Net changes	1,163,387	757,651	405,736
Amounts as of December 31, 2016	\$ 39,052,755	31,777,180	7,275,575

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

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

For the year ended September 30, 2017, the City's GASB 68 pension expense was \$1,704,793. 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, 2017 are as follows:

Service cost	\$ 843,503
Interest	2,901,750
Member contributions	(574,778)
Projected earnings on pension plan investments	(2,355,083)
Amortization of differences between projected and actual earnings on plan investments	935,666
Amortization of changes of assumptions	(7,674)
Amortization of differences between expected and actual experience	(124,470)
Pension plan administrative expenses	85,879
Total pension expense	<u><u>\$ 1,704,793</u></u>

At September 30, 2017, 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	\$ 2,711,343	
Changes of assumptions		35,682
Differences between expected and actual experience		578,783
Contributions made after December 31, 2016 but before September 30, 2017	618,686	
Total	<u><u>\$ 3,330,029</u></u>	<u><u>\$ 614,465</u></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>
2018	\$ 803,522
2019	803,522
2020	640,928
2021	(65,205)
2022	(85,889)
Thereafter	
Total	<u><u>\$ 2,096,878</u></u>

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

## C. TOTAL ALL EMPLOYEE RETIREMENT SYSTEMS

<i>Plan</i>	<i>Net Pension Liability</i>	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>	<i>Pension Expenses/ Expenditures</i>
Governmental activities:				
TMRS Plan 1	\$ (6,206,463)	2,336,736	(1,448,976)	1,298,564
TMRS Plan 2	(8,339,605)	2,790,199	(125,628)	1,770,655
Firefighters Relief & Retirement Fund	(7,275,575)	3,330,029	(614,465)	1,704,793
Total governmental activities	(21,821,643)	8,456,964	(2,189,069)	4,774,012
Business-type activities:				
TMRS Plan 3	(4,831,754)	1,458,030	(544,761)	699,894
Total	\$ (26,653,397)	9,914,994	(2,733,830)	5,473,906

### NOTE 21 - POSTEMPLOYMENT HEALTH CARE BENEFITS

In addition to the retirement benefits described in Note 20, eligible employees hired before January 1, 2010 receive upon retirement 1) a lump sum payment of their sick leave balance at retirement which is equal to their sick leave hours (limited to 720 for non-Civil Service) valued at their hourly pay rate, and 2) an additional amount equal to their sick leave balance used to pay future monthly healthcare contributions. Since the sick leave balance in item 2 can only be used for healthcare it is required to be included as another post-employment benefit (OPEB).

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

#### Funding Policy

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

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

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

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

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<u>City</u>	<u>TWU</u>
Normal costs	\$ 464,025	109,786
Amortization of unfunded actuarial accrued liability	407,617	92,883
Annual required contribution	871,642	202,669
Interest on BOY net OPEB obligation	101,947	33,140
Adjustment	(99,319)	(47,913)
Annual OPEB cost	874,270	187,896
Contributions made	(471,821)	(24,562)
Increase (decrease) in OPEB obligation	402,449	163,334
OPEB at the beginning of period	2,548,669	823,165
OPEB at the end of period	<u>\$ 2,951,118</u>	<u>986,499</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, 2017 and the two preceding years were as follows:

<u>Plan</u>	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
City	9/30/2015	\$ 857,085	47.83%	2,110,887
	9/30/2016	856,845	48.91%	2,548,669
	9/30/2017	874,269	53.97%	2,591,118
TWU	9/30/2015	197,040	19.37%	644,284
	9/30/2016	197,505	13.17%	823,165
	9/30/2017	187,896	13.07%	986,499

## Funding Status and Funding Progress

The funded status of the plans as of September 30, 2017 was as follows:

### SCHEDULE OF FUNDING PROGRESS

<u>Plan</u>	<u>Fiscal Year Ended</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
City	9/30/2015	\$ -	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%
	9/30/2017		10,224,149	10,224,149	0%	19,018,675	54%
TWU	9/30/2015		1,726,186	1,726,186	0%	4,251,999	41%
	9/30/2016		1,726,186	1,726,186	0%	4,059,329	43%
	9/30/2017		1,606,126	1,606,126	0%	3,956,621	41%

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## Actuarial Methods and Assumptions

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

Valuation date	10/1/2016
Benefits valued	Medical and prescription drug benefits are valued. Dental benefits were not valued because retirees and their dependents may elect to continue dental coverage by paying 100% of the contribution rate. These benefits are excluded from the valuation since there is no cost to Texarkana.
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.

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

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-2014 Total table with projection MP-2015
Healthcare cost trend rates	7.50% for FY2017 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.

**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	Adjusted RP-2014 projected with generational improvement scale MP-2017		
Disability rates	None assumed		
Withdrawal rates	Sample rates are as follows:		
	<u>Age</u>	<u>Male</u>	<u>Female</u>
	20	17.9%	17.9%
	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.		

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

## 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:

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

## **NOTE 22 - DEFERRED COMPENSATION PLAN**

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

The City has delegated administrative and investment responsibilities to a third party administrator, ICMA Retirement Corporation, and as such, the plan assets do not meet the requirements for inclusion in the City's financial statements at September 30, 2017.

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

The table below presents a summary of the September 30, 2017, 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.

# CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<u>General</u>	<u>Debt Service</u>	<u>2017 Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Nonspendable for:					
Investment in joint venture	91,371				91,371
Restricted					
Noncurrent loans receivable				380,453	380,453
Court security and technology	391,524				391,524
Law enforcement	243,709			60,941	304,650
Health and welfare	23,742			477,930	501,672
Debt service fund		22,502			22,502
Tourism				414,228	414,228
Capital improvements			8,714,466	1,021,675	9,736,141
Committed					
Economic development				887,434	887,434
Assigned					
Police	3,553				3,553
Theatre				749,459	749,459
Insurance	111,951				111,951
Energy conservation	33,771				33,771
Economic development				1,183,581	1,183,581
Unassigned					
General fund	13,215,235				13,215,235
Special revenue funds				(221,313)	(221,313)
Total Fund Balances	<u>\$ 14,114,856</u>	<u>22,502</u>	<u>8,714,466</u>	<u>4,954,388</u>	<u>27,806,212</u>

## NOTE 24 – TAX ABATEMENTS

The City Council authorized Resolution 2016-121 and entered into a contract on February 27, 2017 to fund a rebate of an amount not to exceed 50% of the City’s portion of the ad valorem tax paid by a real estate holding company for a term not to exceed five years beginning January 1, 2018 and ending December 31, 2023. The agreement has a potential to be renewed for an additional five year period. No amount of ad valorem taxes were abated for the fiscal year ending September 30, 2017.

## NOTE 25 - CONTINGENT LIABILITIES

### Litigation

The City of Texarkana, Arkansas applied in federal court for an order to compel arbitration with the City of Texarkana, Texas, contending a right to arbitration over Texarkana Water Utilities (TWU) management issues. The specific relief requested in the application filed 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. This matter has been dormant for some time. 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

# CITY OF TEXARKANA, TEXAS

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## *Notes to the financial statements continued.*

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 federal court has dismissed with prejudice all claims against the police officer. The officer and the police department have denied liability and, now, contend that no viable claim exists with the dismissal of the claims against the police officer. Given the judicial rulings, an unfavorable outcome is unlikely. The claim is insured through Texas Municipal League – Intergovernmental Risk Pool.

The City sues for statutory penalties and costs for work performed to abate a nuisance in violation of Stormwater Management ordinances when a storm drain owned by the property owner collapsed. The property owner, in a counterclaim, contends, inaccurately, that the City owned the collapsed storm drain; and based upon that inaccurate contention, countersues for a taking of property and unspecified expenses related to the nuisance abatement. The case is set for trial in June, 2018. On the counterclaim, the City has denied liability and has affirmatively contended that the trial court lacks subject matter jurisdiction on the counterclaim for the failure of the property owner to comply with the Stormwater Management ordinances and his failure to comply with the notice provisions of the City Charter. Generally, courts treat successful counterclaims against governmental entities as an offset only to the extent of an entity's recovery; so pending any further pleading amendments, an unfavorable outcome on the counterclaim, however unlikely, should be treated only as an offset to any City recovery from the property owner of statutory penalties and reimbursement of nuisance abatement costs.

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 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

# CITY OF TEXARKANA, TEXAS

*Notes to the financial statements continued.*

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 officials 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 26- SUBSEQUENT PRONOUNCEMENTS**

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

Statement No. 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 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. 81, *Irrevocable Split-Interest Agreements*, issued in March 2016 will be effective for the year ending September 30, 2018. 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.

# CITY OF TEXARKANA, TEXAS

## *Notes to the financial statements continued.*

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.

Statement No. 84, *Fiduciary Activities*, issued in January 2017, will be effective for the fiscal year September 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are include to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

Statement No. 85, *Omnibus 2017*, issued in March 2017, will be effective for the fiscal year ending September 30, 2018. The objective of this Statement is to address issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, post-employment benefits (pensions and other post-employment benefits). The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

Statement No. 86, *Certain Debt Extinguishment Issues*, issued in May 2017, will be effective for the fiscal year ending September 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are place in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance.

Statement No. 87, *Leases*, issued in June 2017, will be effective for the fiscal year ending September 30, 2021. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangement.

## **NOTE 27 – SUBSEQUENT EVENTS**

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 62.75% Texas and 37.25% Arkansas.

# CITY OF TEXARKANA, TEXAS

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*Notes to the financial statements continued.*

The City of Texarkana, Texas, pursuant to Resolution 2017-072 approved by the City Council on July 10, 2017, sold the TexAmericas Center East Campus (TAC-E) Water System to Riverbend Water Resources District (RWRD) on January 26, 2018 in the amount of \$291,320, with the General Fund and Texas Utilities Enterprise Fund portions of the sale proceeds amounting to \$244,500 and \$46,820, respectively.

## **NOTE 28 – MANAGEMENT REVIEW**

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through March 29, 2018, the date the financial statements were available to be issued.

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## **Required Supplementary Information**

# CITY OF TEXARKANA, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION September 30, 2017

### 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>	<b>Actuarial Valuation 12/31/2016</b>
1. Total Pension Liability			
a. Service cost	\$ 968,730	969,892	940,760
b. Interest	2,746,753	2,842,733	2,830,664
c. Changes of benefit provisions			
d. Differences between expected and actual experience	(647,060)	(710,991)	(333,866)
e. Changes of assumptions		(72,483)	
f. Benefit payments	(1,738,559)	(1,657,168)	(1,721,423)
g. Net Change in Total Pension Liability	1,329,864	1,371,983	1,716,135
h. Total Pension Liability - Beginning	39,624,241	40,954,105	42,326,088
i. Total Pension Liability - Ending	<u>\$ 40,954,105</u>	<u>42,326,088</u>	<u>44,042,223</u>
2. Plan Fiduciary Net Position			
a. Contributions by the City	988,531	966,327	905,636
b. Contributions by the Employees	381,042	389,200	378,249
c. Net investment income	1,977,814	53,356	2,424,238
d. Benefit payments	(1,738,559)	(1,657,168)	(1,721,423)
e. Administrative Expenses	(20,649)	(32,500)	(27,384)
f. Other	(1,698)	(1,605)	(1,475)
g. Net Change in Plan Fiduciary Net Position	1,586,481	(282,390)	1,957,841
h. Plan Fiduciary Net Position - Beginning	34,573,828	36,160,309	35,877,919
i. Plan Fiduciary Net Position - Ending	<u>\$ 36,160,309</u>	<u>35,877,919</u>	<u>37,835,760</u>
3. City's Net Pension Liability - Ending [Item 1(i)-2(i)]	\$ 4,793,796	\$ 6,448,169	6,206,463
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.3%	84.8%	85.9%
5. Covered Payroll for Year (Estimated)	\$ 5,443,456	\$ 5,554,938	5,403,560
6. City's Net Pension Liability as a Percentage of Covered Payroll	88.1%	116.1%	114.86%

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, 2017

### 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>Actuarial Valuation 12/31/2016</b>
1. Total Pension Liability			
a. Service cost	\$ 1,199,684	1,300,193	1,297,239
b. Interest	3,070,141	3,180,026	3,199,561
c. Changes of benefit provisions			
d. Differences between expected and actual experience	(470,023)	(507,874)	106,689
e. Changes of assumptions		238,953	
f. Benefit payments	(2,135,093)	(2,277,497)	(2,610,374)
g. Net Change in Total Pension Liability	1,664,709	1,933,801	1,993,115
h. Total Pension Liability - Beginning	44,326,864	45,991,573	47,925,374
i. Total Pension Liability - Ending	<u>\$ 45,991,573</u>	<u>47,925,374</u>	<u>49,918,489</u>
2. Plan Fiduciary Net Position			
a. Contributions by the City	1,182,575	1,248,098	1,191,057
b. Contributions by the Employees	526,260	551,597	538,593
c. Net investment income	2,202,368	59,293	2,695,784
d. Benefit payments	(2,135,093)	(2,277,497)	(2,610,374)
e. Administrative Expenses	(22,995)	(36,119)	(30,454)
f. Other	(1,891)	(1,784)	(1,641)
g. Net Change in Plan Fiduciary Net Position	1,751,224	(456,412)	1,782,965
h. Plan Fiduciary Net Position - Beginning	38,501,107	40,252,331	39,795,919
i. Plan Fiduciary Net Position - Ending	<u>\$ 40,252,331</u>	<u>39,795,919</u>	<u>41,578,884</u>
3. City's Net Pension Liability - Ending [Item 1(i)-2(i)]	\$ 5,739,242	\$ 8,129,455	8,339,605
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.5%	83.0%	83.3%
5. Covered Payroll for Year (Estimated)	\$ 7,517,730	\$ 7,879,692	7,694,181
6. City's Net Pension Liability as a Percentage of Covered Payroll	76.3%	103.2%	108.4%

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, 2017

### 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>	<b>Actuarial Valuation 12/31/2016</b>
1. Total Pension Liability			
a. Service cost	\$ 641,973	\$ 663,135	\$ 675,932
b. Interest	1,594,823	1,643,709	1,638,155
c. Changes of benefit provisions			
d. Differences between expected and actual experience	(635,746)	(497,533)	(42,992)
e. Changes of assumptions		100,711	
f. Benefit payments	<u>(1,029,300)</u>	<u>(948,775)</u>	<u>(1,234,149)</u>
g. Net Change in Total Pension Liability	571,750	961,247	1,036,946
h. Total Pension Liability - Beginning	<u>22,976,845</u>	<u>23,548,595</u>	<u>24,509,842</u>
i. Total Pension Liability - Ending	<u>\$ 23,548,595</u>	<u>\$24,509,842</u>	<u>25,546,788</u>
2. Plan Fiduciary Net Position			
a. Contributions by the City	767,302	713,523	653,633
b. Contributions by the Employees	303,453	298,901	289,036
c. Net investment income	1,059,822	29,037	1,332,902
d. Benefit payments	(1,029,300)	(948,775)	(1,234,149)
e. Administrative Expenses	(11,065)	(17,687)	(15,053)
f. Other	<u>(910)</u>	<u>(872)</u>	<u>(811)</u>
g. Net Change in Plan Fiduciary Net Position	1,089,302	74,127	1,025,558
h. Plan Fiduciary Net Position - Beginning	<u>18,526,049</u>	<u>19,615,352</u>	<u>19,689,479</u>
i. Plan Fiduciary Net Position - Ending	<u>\$ 19,615,351</u>	<u>\$19,689,479</u>	<u>20,715,037</u>
3. City's Net Pension Liability - Ending [Item 1(i)-2(i)]	\$ 3,933,244	4,820,363	4,831,751
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.3%	80.3%	81.1%
5. Covered Payroll for Year (Estimated)	\$ 4,277,720	4,137,776	4233369
6. City's Net Pension Liability as a Percentage of Covered Payroll	91.9%	116.5%	114.1%

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, 2017

### TMRS PLAN #1 - Police Officers

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contributions	\$ 937,617	\$ 898,144	\$ 941,738
Contributions in relation to the actuarially determined contributions	<u>937,617</u>	<u>898,144</u>	<u>941,738</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,337,623	\$ 5,303,689	\$ 5,778,874
Contributions as a percentage of covered employee payroll	17.57%	16.93%	16.30%

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, 2017

### TMRS PLAN #2 - Other City Employees

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contributions	\$ 1,212,706	\$ 1,178,109	\$ 1,279,683
Contributions in relation to the actuarially determined contributions	<u>1,212,589</u>	<u>1,177,930</u>	<u>1,276,730</u>
Contribution deficiency	<u>\$ 117</u>	<u>\$ 179</u>	<u>\$ 2,953</u>
Covered employee payroll	\$ 7,675,943	\$ 7,566,064	\$ 8,134,762
Contributions as a percentage of covered employee payroll	15.80%	15.57%	15.69%

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

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## REQUIRED SUPPLEMENTARY INFORMATION September 30, 2017

### TMRS PLAN #3 - Water Utilities

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contributions	\$ 726,542	\$ 665,287	\$ 681,500
Contributions in relation to the actuarially determined contributions	<u>726,542</u>	<u>665,287</u>	<u>681,500</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Covered employee payroll	\$ 4,277,720	\$ 4,137,776	\$ 4,233,369
Contributions as a percentage of covered employee payroll	16.98%	16.08%	16.10%

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, 2017

### 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>	<b>Fiscal Year Ending 9/30/2017</b>
1. Total Pension Liability			
a. Service cost	\$ 840,561	\$ 905,833	\$ 843,503
b. Interest	2,767,672	2,879,964	2,901,750
c. Changes of benefit provisions			
d. Differences between expected and actual experience		(827,723)	
e. Changes of assumptions		(51,030)	
f. Benefit payments	<u>(1,903,832)</u>	<u>(2,545,333)</u>	<u>(2,581,866)</u>
g. Net Change in Total Pension Liability	1,704,401	361,711	1,163,387
h. Total Pension Liability - Beginning	<u>35,823,256</u>	<u>37,527,657</u>	<u>37,889,368</u>
i. Total Pension Liability - Ending	<u>37,527,657</u> <sup>3</sup>	<u>37,889,368</u>	<u>39,052,755</u> <sup>2</sup>
2. Plan Fiduciary Net Position			
a. Contributions by the City	790,379	795,780	830,234
b. Contributions by the firefighters	547,186	550,925	574,778
c. Net investment income	1,658,552	(1,001,621)	2,020,384
d. Benefit payments	(1,903,832)	(2,545,333)	(2,581,866)
e. Administrative Expenses	(42,978)	(24,699)	(85,879)
f. Other			
g. Net Change in Plan Fiduciary Net Position	<u>1,049,307</u>	<u>(2,224,948)</u>	<u>757,651</u>
h. Plan Fiduciary Net Position - Beginning	<u>32,195,170</u>	<u>33,244,477</u>	<u>31,019,529</u>
i. Plan Fiduciary Net Position - Ending	<u>33,244,477</u>	<u>31,019,529</u>	<u>31,777,180</u>
3. City's Net Pension Liability - Ending [Item 1(i)-2(i)]	\$ 4,283,180	\$ 6,869,839	\$ 7,275,575
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.6%	81.9%	81.4%
5. Covered Payroll for Year (Estimated)	\$ 4,160,599	\$ 4,080,926	\$ 4,257,615
6. City's Net Pension Liability as a Percentage of Covered Payroll	102.9%	168.3%	170.9%

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 beginning of year total pension liability, using the roll forward procedure allowed for GASB 68.

<sup>3</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

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## REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2017

### 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.

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

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

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

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

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

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

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

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

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

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

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

**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.

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**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 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.

**Emergency Solutions Grant Fund** – This fund was established to account for activity related to the grant program designed to provide the services necessary to help persons that are at-risk of homelessness or homeless quickly regain stability in permanent housing. The program is funded by the U. S. Department of Housing and Urban Development and is administered by the Texas Department of Housing and Community Affairs in the State of Texas.

**Airport Fund** – This fund was established to account for grant revenue received from the Texas Department of Transportation for airport maintenance at the Texarkana Regional – Webb Field Airport.

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## Capital Project Funds

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

**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, 2017

	<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	\$ 96,215	48,459	371,837	303,792	262,601	846,494
Investments - certificates of deposit			400,000			
Receivables (net of allowance for uncollectible):						
Property taxes						
Other taxes				167,313		
Accounts						34,652
Other government agencies	40,788					
Accrued interest					53,986	2,302
Loans	22,240	18,729			191,961	99,888
Due from other funds						
<b>TOTAL ASSETS</b>	<u>159,243</u>	<u>67,188</u>	<u>771,837</u>	<u>471,105</u>	<u>508,548</u>	<u>983,336</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts payable	35,537		22,378	29,072		3,897
Accrued payroll						3,706
Due to other funds	97,089					
<b>TOTAL LIABILITIES</b>	<u>132,626</u>	<u>-</u>	<u>22,378</u>	<u>29,072</u>	<u>-</u>	<u>7,603</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes						
Unavailable revenue - other taxes				27,805		
Unavailable revenue - grants	40,789					
Unavailable revenue - interest					53,985	
<b>TOTAL DEFERRED INFLOWS</b>	<u>40,789</u>	<u>-</u>	<u>-</u>	<u>27,805</u>	<u>53,985</u>	<u>-</u>
<b>FUND BALANCES</b>						
Restricted	19,669	67,188		414,228	454,563	88,299
Committed						887,434
Assigned			749,459			
Unassigned	(33,841)					
<b>TOTAL FUND BALANCE</b>	<u>(14,172)</u>	<u>67,188</u>	<u>749,459</u>	<u>414,228</u>	<u>454,563</u>	<u>975,733</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>159,243</u>	<u>67,188</u>	<u>771,837</u>	<u>471,105</u>	<u>508,548</u>	<u>983,336</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>
28,050	32,884		17,459	1,245,982		374	130,907	
				843,832				
7							79,924	
<u>28,057</u>	<u>32,884</u>	<u>-</u>	<u>17,459</u>	<u>2,089,814</u>	<u>-</u>	<u>374</u>	<u>210,831</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
				64,423				
				841,809				
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>841,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
28,057	32,884		17,459			374	210,831	
				1,183,582				
<u>28,057</u>	<u>32,884</u>	<u>-</u>	<u>17,459</u>	<u>1,183,582</u>	<u>-</u>	<u>374</u>	<u>210,831</u>	<u>-</u>
<u>28,057</u>	<u>32,884</u>	<u>-</u>	<u>17,459</u>	<u>2,089,814</u>	<u>-</u>	<u>374</u>	<u>210,831</u>	<u>-</u>

(Continued)

# CITY OF TEXARKANA, TEXAS

## BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS 9/30/2017

	<i>Special Revenue Funds</i>					
	<i>COC</i>	<i>EPA</i>		<i>EPA</i>	<i>Emergency</i>	
	<i>NEA</i> <i>Grant</i>	<i>Homeless</i> <i>Assistance</i> <i>Grant</i>	<i>Petroleum</i> <i>Grant</i>	<i>Revolving</i> <i>Loan</i> <i>Grant</i>	<i>Multipurpose</i> <i>Grant</i>	<i>Solutions</i> <i>Grant</i>
<b>ASSETS</b>						
Cash		29,378			75	
Investments - certificates of deposit						
Receivables (net of allowance for uncollectible):						
Property taxes						
Other taxes						
Accounts						
Other government agencies	81,796	56,485		11,549	72,797	
Accrued interest						
Loans					347,071	
Due from other funds						
<b>TOTAL ASSETS</b>	<u>81,796</u>	<u>85,863</u>	<u>-</u>	<u>11,549</u>	<u>72,872</u>	<u>347,071</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts payable		6,211		4,971	72,600	230
Accrued payroll						
Due to other funds	81,796	79,652		8,191	221	346,841
<b>TOTAL LIABILITIES</b>	<u>81,796</u>	<u>85,863</u>	<u>-</u>	<u>13,162</u>	<u>72,821</u>	<u>347,071</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes						
Unavailable revenue - other taxes						
Unavailable revenue - grants	81,796	35,959		3,913	6,944	57,298
Unavailable revenue - interest						
<b>TOTAL DEFERRED INFLOWS</b>	<u>81,796</u>	<u>35,959</u>	<u>-</u>	<u>3,913</u>	<u>6,944</u>	<u>57,298</u>
<b>FUND BALANCES</b>						
Restricted						
Committed						
Assigned						
Unassigned	(81,796)	(35,959)		(5,526)	(6,893)	(57,298)
<b>TOTAL FUND BALANCE</b>	<u>(81,796)</u>	<u>(35,959)</u>	<u>-</u>	<u>(5,526)</u>	<u>(6,893)</u>	<u>(57,298)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>81,796</u>	<u>85,863</u>	<u>-</u>	<u>11,549</u>	<u>72,872</u>	<u>347,071</u>

<i>Special Revenue Funds</i>		<i>Capital Project Funds</i>				<i>Total Nonmajor Governmental Fund</i>	
<i>Airport</i>	<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>	
	3,414,507	6	484,272	74	537,323	1,021,675	4,436,182
	400,000					-	400,000
	-						
	-						
	843,832					-	843,832
	167,313					-	167,313
	34,652					-	34,652
32,416	642,909					-	642,909
	56,288					-	56,288
	412,742					-	412,742
32,416	32,416					-	32,416
<u>64,832</u>	<u>6,004,659</u>	<u>6</u>	<u>484,272</u>	<u>74</u>	<u>537,323</u>	<u>1,021,675</u>	<u>7,026,334</u>
64,832	239,728					-	239,728
	3,706					-	3,706
	678,213					-	678,213
<u>64,832</u>	<u>921,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>921,647</u>
	841,809					-	841,809
	27,805					-	27,805
	226,699					-	226,699
	53,985					-	53,985
<u>-</u>	<u>1,150,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,150,298</u>
	1,333,552	6	484,272	74	537,323	1,021,675	2,355,227
	887,434					-	887,434
	1,933,041					-	1,933,041
	(221,313)					-	(221,313)
<u>-</u>	<u>3,932,714</u>	<u>6</u>	<u>484,272</u>	<u>74</u>	<u>537,323</u>	<u>1,021,675</u>	<u>4,954,389</u>
<u>64,832</u>	<u>6,004,659</u>	<u>6</u>	<u>484,272</u>	<u>74</u>	<u>537,323</u>	<u>1,021,675</u>	<u>7,026,334</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				1,398,007		
Franchise receipts						332,383
Charges for services			80,927			
Grants and entitlements	146,900					
Interest and dividends		247	3,518	1,426	2,266	15,544
Intergovernmental						
Other		2,946		105	12,787	
Total revenues	<u>146,900</u>	<u>3,193</u>	<u>84,445</u>	<u>1,399,538</u>	<u>15,053</u>	<u>347,927</u>
<b>EXPENDITURES:</b>						
Current:						
General government						170,063
Public safety						
Parks and recreation			313,832	506,540		
Health and welfare	125,322					
Capital outlay	59,413		17,020			
Total expenditures	<u>184,735</u>	<u>-</u>	<u>330,852</u>	<u>506,540</u>	<u>-</u>	<u>170,063</u>
Excess (deficiency) of revenues over expenditures	<u>(37,835)</u>	<u>3,193</u>	<u>(246,407)</u>	<u>892,998</u>	<u>15,053</u>	<u>177,864</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	87,836		312,397			
Transfers out			(1,335)	(874,602)		(650,547)
Total other financing sources (uses)	<u>87,836</u>	<u>-</u>	<u>311,062</u>	<u>(874,602)</u>	<u>-</u>	<u>(650,547)</u>
Net change in fund balances	50,001	3,193	64,655	18,396	15,053	(472,683)
Fund balances at beginning 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>
Fund balances at end of year	<u>(14,172)</u>	<u>67,188</u>	<u>749,459</u>	<u>414,228</u>	<u>454,563</u>	<u>975,733</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>
				454,679				
27,997	157		69	5,916		24	895	
55	7,063			134,438				
			13,359			7,500		4,719
<u>28,052</u>	<u>7,220</u>	<u>-</u>	<u>13,428</u>	<u>595,033</u>	<u>-</u>	<u>7,524</u>	<u>895</u>	<u>4,719</u>
					3			
14,005								
			5,733					
<u>14,005</u>	<u>-</u>	<u>-</u>	<u>5,733</u>	<u>-</u>	<u>3</u>	<u>7,500</u>	<u>-</u>	<u>-</u>
<u>14,047</u>	<u>7,220</u>	<u>-</u>	<u>7,695</u>	<u>595,033</u>	<u>(3)</u>	<u>24</u>	<u>895</u>	<u>4,719</u>
		74,368		(254,988)				
<u>-</u>	<u>-</u>	<u>74,368</u>	<u>-</u>	<u>(254,988)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
14,047	7,220	74,368	7,695	340,045	(3)	24	895	4,719
14,010	25,664	(74,368)	9,764	843,537	3	350	209,936	(4,719)
<u>28,057</u>	<u>32,884</u>	<u>-</u>	<u>17,459</u>	<u>1,183,582</u>	<u>-</u>	<u>374</u>	<u>210,831</u>	<u>-</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>Emergency</i>	
	<i>NEA</i> <i>Grant</i>	<i>Homeless</i> <i>Assistance</i> <i>Grant</i>	<i>Petroleum</i> <i>Grant</i>	<i>Revolving</i> <i>Loan</i> <i>Grant</i>	<i>EPA</i> <i>Multipurpose</i> <i>Grant</i>	<i>Solutions</i> <i>Grant</i>
<b>REVENUES:</b>						
Property taxes						
Taxes-other						
Franchise receipts						
Charges for services						
Grants and entitlements		99,418			413,127	
Interest and dividends						
Intergovernmental				20,647	173,928	
Other						
Total revenues	<u>-</u>	<u>99,418</u>	<u>-</u>	<u>20,647</u>	<u>173,928</u>	<u>413,127</u>
<b>EXPENDITURES:</b>						
Current:						
General government						
Public safety						
Parks and recreation	13,387					
Health and welfare		164,788		47,331	204,449	428,094
Capital outlay	81,796					78,000
Total expenditures	<u>95,183</u>	<u>164,788</u>	<u>-</u>	<u>47,331</u>	<u>204,449</u>	<u>506,094</u>
Excess (deficiency) of revenues over expenditures	<u>(95,183)</u>	<u>(65,370)</u>	<u>-</u>	<u>(26,684)</u>	<u>(30,521)</u>	<u>(92,967)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	13,387	55,082	217	25,141	23,375	35,669
Transfers out						
Total other financing sources (uses)	<u>13,387</u>	<u>55,082</u>	<u>217</u>	<u>25,141</u>	<u>23,375</u>	<u>35,669</u>
Net change in fund balances	(81,796)	(10,288)	217	(1,543)	(7,146)	(57,298)
Fund balances at beginning of year	<u>-</u>	<u>(25,671)</u>	<u>(217)</u>	<u>(3,983)</u>	<u>253</u>	
Fund balances at end of year	<u>(81,796)</u>	<u>(35,959)</u>	<u>-</u>	<u>(5,526)</u>	<u>(6,893)</u>	<u>(57,298)</u>

<i>Special Revenue Funds</i>		<i>Capital Projects Funds</i>				<i>Total Nonmajor Governmental Fund</i>	
<i>Airport</i>	<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>	
	454,679					-	454,679
	1,398,007					-	1,398,007
	332,383					-	332,383
	80,927					-	80,927
	687,442					-	687,442
	30,117	7	2,461	2	3,980	6,450	36,567
32,416	368,492					-	368,492
	41,416					-	41,416
<u>32,416</u>	<u>3,393,463</u>	<u>7</u>	<u>2,461</u>	<u>2</u>	<u>3,980</u>	<u>6,450</u>	<u>3,399,913</u>
	170,066					-	170,066
	14,005					-	14,005
	833,759					-	833,759
	975,717					-	975,717
64,832	308,561	4,071	31,103	1,026	1,370,911	1,407,111	1,715,672
<u>64,832</u>	<u>2,302,108</u>	<u>4,071</u>	<u>31,103</u>	<u>1,026</u>	<u>1,370,911</u>	<u>1,407,111</u>	<u>3,709,219</u>
<u>(32,416)</u>	<u>1,091,355</u>	<u>(4,064)</u>	<u>(28,642)</u>	<u>(1,024)</u>	<u>(1,366,931)</u>	<u>(1,400,661)</u>	<u>(309,306)</u>
32,416	659,888					-	659,888
	(1,781,472)					-	(1,781,472)
<u>32,416</u>	<u>(1,121,584)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,121,584)</u>
-	(30,229)	(4,064)	(28,642)	(1,024)	(1,366,931)	(1,400,661)	(1,430,890)
	3,962,943	4,070	512,914	1,098	1,904,254	2,422,336	6,385,279
<u>-</u>	<u>3,932,714</u>	<u>6</u>	<u>484,272</u>	<u>74</u>	<u>537,323</u>	<u>1,021,675</u>	<u>4,954,389</u>
							(concluded)

# CITY OF TEXARKANA, TEXAS

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**HOUSING AND COMMUNITY DEVELOPMENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2017**

	<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	\$ 376,613	1,043,699	146,900	(896,799)
Total revenues	<u>376,613</u>	<u>1,043,699</u>	<u>146,900</u>	<u>(896,799)</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	376,613	920,113	125,322	794,791
Capital outlay		59,413	59,413	-
Total expenditures	<u>376,613</u>	<u>979,526</u>	<u>184,735</u>	<u>794,791</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>64,173</u>	<u>(37,835)</u>	<u>(102,008)</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in			87,836	87,836
Total other financing sources/uses	<u>-</u>	<u>-</u>	<u>87,836</u>	<u>87,836</u>
Net change in fund balances	-	64,173	50,001	(14,172)
Fund balances at beginning of year	<u>(64,173)</u>	<u>(64,173)</u>	<u>(64,173)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (64,173)</u>	<u>-</u>	<u>(14,172)</u>	<u>(14,172)</u>

# CITY OF TEXARKANA, TEXAS

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## HOME FUND

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

#### BUDGET AND ACTUAL

For the Year Ended September 30, 2017

	<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	\$ -		-	-
Investment earnings:				
Interest	-	200	247	47
Other			2,946	2,946
Total revenues	<u>-</u>	<u>200</u>	<u>3,193</u>	<u>2,993</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare			-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	200	3,193	2,993
Fund balances at beginning of year	<u>63,995</u>	<u>63,995</u>	<u>63,995</u>	<u>-</u>
Fund balances at end of year	<u>\$ 63,995</u>	<u>64,195</u>	<u>67,188</u>	<u>2,993</u>

# CITY OF TEXARKANA, TEXAS

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**THEATRE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2017**

	<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	75,000	80,927	5,927
Investment earnings:				
Interest and dividends	3,800	4,300	3,518	(782)
Total revenues	<u>68,800</u>	<u>79,300</u>	<u>84,445</u>	<u>5,145</u>
<b>EXPENDITURES:</b>				
Current:				
Parks and recreation	379,657	302,732	313,832	(11,100)
Capital outlay	43,750	30,000	17,020	12,980
Total expenditures	<u>423,407</u>	<u>332,732</u>	<u>330,852</u>	<u>1,880</u>
Excess (deficiency) of revenues over expenditures	<u>(354,607)</u>	<u>(253,432)</u>	<u>(246,407)</u>	<u>7,025</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	312,397	312,397	312,397	-
Transfers out	<u>(1,335)</u>	<u>(1,335)</u>	<u>(1,335)</u>	-
Total other financing sources/uses	<u>311,062</u>	<u>311,062</u>	<u>311,062</u>	-
Net change in fund balances	(43,545)	57,630	64,655	7,025
Fund balances at beginning of year	<u>684,804</u>	<u>684,804</u>	<u>684,804</u>	-
Fund balances at end of year	<u>\$ 641,259</u>	<u>742,434</u>	<u>749,459</u>	<u>7,025</u>

# CITY OF TEXARKANA, TEXAS

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**HOTEL/MOTEL TAX FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2017**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Taxes-other	\$ 1,306,639	1,440,000	1,398,007	(41,993)
Investment earnings:				
Interest and dividends	1,000	1,800	1,426	(374)
Other	1,500		105	105
Total revenues	<u>1,309,139</u>	<u>1,441,800</u>	<u>1,399,538</u>	<u>(42,262)</u>
<b>EXPENDITURES:</b>				
Current:				
Parks and recreation	692,940	707,233	506,540	200,693
Total expenditures	<u>692,940</u>	<u>707,233</u>	<u>506,540</u>	<u>200,693</u>
Excess of revenues over expenditures	<u>616,199</u>	<u>734,567</u>	<u>892,998</u>	<u>158,431</u>
<b>OTHER FINANCING USES:</b>				
Transfers out	(874,602)	(874,602)	(874,602)	-
Total other financing uses	<u>(874,602)</u>	<u>(874,602)</u>	<u>(874,602)</u>	<u>-</u>
Net change in fund balances	(258,403)	(140,035)	18,396	158,431
Fund balances at beginning of year	<u>395,832</u>	<u>395,832</u>	<u>395,832</u>	<u>-</u>
Fund balances at end of year	<u>\$ 137,429</u>	<u>255,797</u>	<u>414,228</u>	<u>158,431</u>

# CITY OF TEXARKANA, TEXAS

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**HOUSING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2017**

	<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	\$ 825	1,400	2,266	866
Other			12,787	12,787
Total revenues	<u>825</u>	<u>1,400</u>	<u>15,053</u>	<u>13,653</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	<u>439,000</u>	-	-	-
Total expenditures	<u>439,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(438,175)	1,400	15,053	13,653
Fund balances at beginning of year	<u>439,510</u>	<u>439,510</u>	<u>439,510</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,335</u>	<u>440,910</u>	<u>454,563</u>	<u>13,653</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, 2017**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Franchise receipts	\$ 346,450	340,000	332,383	(7,617)
Investment earnings:				
Interest and dividends	7,500	7,000	15,544	8,544
Other	244,500			-
Total revenues	<u>598,450</u>	<u>347,000</u>	<u>347,927</u>	<u>927</u>
<b>EXPENDITURES:</b>				
Current:				
General government	<u>444,839</u>	<u>442,933</u>	<u>170,063</u>	<u>272,870</u>
Total expenditures	<u>444,839</u>	<u>442,933</u>	<u>170,063</u>	<u>272,870</u>
Excess (deficiency) of revenues over expenditures	<u>153,611</u>	<u>(95,933)</u>	<u>177,864</u>	<u>273,797</u>
<b>OTHER FINANCING USES:</b>				
Transfers out	<u>(650,000)</u>	<u>(650,547)</u>	<u>(650,547)</u>	<u>-</u>
Total other financing uses	<u>(650,000)</u>	<u>(650,547)</u>	<u>(650,547)</u>	<u>-</u>
Net change in fund balances	(496,389)	(746,480)	(472,683)	273,797
Fund balances at beginning of year	<u>1,448,416</u>	<u>1,448,416</u>	<u>1,448,416</u>	<u>-</u>
Fund balances at end of year	<u>\$ 952,027</u>	<u>701,936</u>	<u>975,733</u>	<u>273,797</u>

# CITY OF TEXARKANA, TEXAS

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**LAW ENFORCEMENT BLOCK GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2017**

	<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	\$ 27,997	27,997	27,997	-
Investment earnings:				
Interest and dividends		55	55	-
Total revenues	<u>27,997</u>	<u>28,052</u>	<u>28,052</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	<u>27,997</u>	<u>14,005</u>	<u>14,005</u>	<u>-</u>
Total expenditures	<u>27,997</u>	<u>14,005</u>	<u>14,005</u>	<u>-</u>
Net change in fund balances	-	14,047	14,047	-
Fund balances at beginning of year	<u>14,010</u>	<u>14,010</u>	<u>14,010</u>	<u>-</u>
Fund balances at end of year	<u>\$ 14,010</u>	<u>28,057</u>	<u>28,057</u>	<u>-</u>

# CITY OF TEXARKANA, TEXAS

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**LAW ENFORCEMENT PROGRAMS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2017**

	<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	\$ 65	115	157	42
Intergovernmental	7,250	6,953	7,063	110
Total revenues	<u>7,315</u>	<u>7,068</u>	<u>7,220</u>	<u>152</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	8,000	7,000		7,000
Total expenditures	<u>8,000</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Net change in fund balances	(685)	68	7,220	7,152
Fund balances at beginning of year	<u>25,664</u>	<u>25,664</u>	<u>25,664</u>	<u>-</u>
Fund balances at end of year	<u>\$ 24,979</u>	<u>25,732</u>	<u>32,884</u>	<u>7,152</u>

# CITY OF TEXARKANA, TEXAS

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**BROWNFIELD GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2017**

	<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	\$ -			-
Total revenues	-	-	-	-
<b>EXPENDITURES:</b>				
Current:				
Public safety				-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
<b>OTHER FINANCING USES:</b>				
Transfers in	-	74,368	74,368	-
Total other financing sources	-	74,368	74,368	-
Net change in fund balances	-	74,368	74,368	-
Fund balances at beginning of year	(74,368)	(74,368)	(74,368)	-
Fund balances at end of year	\$ (74,368)	-	-	-

# CITY OF TEXARKANA, TEXAS

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**DONATIONS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2017**

	<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	30	69	39
Other	30,000	20,206	13,359	(6,847)
Total revenues	<u>30,030</u>	<u>20,236</u>	<u>13,428</u>	<u>(6,808)</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	29,750	29,750	5,733	24,017
Capital outlay	250	250		250
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>5,733</u>	<u>24,267</u>
Net change in fund balances	30	(9,764)	7,695	17,459
Fund balances at beginning of year	<u>9,764</u>	<u>9,764</u>	<u>9,764</u>	<u>-</u>
Fund balances at end of year	<u>\$ 9,794</u>	<u>-</u>	<u>17,459</u>	<u>17,459</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, 2017**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Property taxes	\$ 515,638	512,414	454,679	(57,735)
Investment earnings:				
Interest and dividends	2,500	5,000	5,916	916
Intergovernmental	400,000	134,438	134,438	-
Total revenues	<u>918,138</u>	<u>651,852</u>	<u>595,033</u>	<u>(56,819)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	500	500	-	500
Capital outlay	1,026,911	-	-	-
Total expenditures	<u>1,027,411</u>	<u>500</u>	<u>-</u>	<u>500</u>
Excess of revenues over expenditures	<u>(109,273)</u>	<u>651,352</u>	<u>595,033</u>	<u>(56,319)</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers out	<u>(254,988)</u>	<u>(254,988)</u>	<u>(254,988)</u>	<u>-</u>
Total other financing sources/uses	<u>(254,988)</u>	<u>(254,988)</u>	<u>(254,988)</u>	<u>-</u>
Net change in fund balances	(364,261)	396,364	340,045	(56,319)
Fund balances at beginning of year	<u>843,537</u>	<u>843,537</u>	<u>843,537</u>	<u>-</u>
Fund balances at end of year	<u>\$ 479,276</u>	<u>1,239,901</u>	<u>1,183,582</u>	<u>(56,319)</u>

# CITY OF TEXARKANA, TEXAS

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**TIRZ #2 FUND**

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

**BUDGET AND ACTUAL**

**For the Year Ended September 30, 2017**

	<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				-
Other	\$ -			-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES:</b>				
General government	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>
Net change in fund balances	-	(3)	(3)	-
Fund balances at beginning of year	<u>3</u>	<u>3</u>	<u>3</u>	<u>-</u>
Fund balances at end of year	<u>\$ 3</u>	<u>-</u>	<u>-</u>	<u>-</u>

# CITY OF TEXARKANA, TEXAS

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**ROTARY SPLASH PARK FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2017**

	<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	9	24	15
Other		7,500	7,500	-
Total revenues	<u>4</u>	<u>7,509</u>	<u>7,524</u>	<u>15</u>
<b>EXPENDITURES:</b>				
Capital outlay	<u>354</u>	<u>7,859</u>	<u>7,500</u>	<u>359</u>
Total expenditures	<u>354</u>	<u>7,859</u>	<u>7,500</u>	<u>359</u>
Net change in fund balances	(350)	(350)	24	374
Fund balances at beginning of year	<u>350</u>	<u>350</u>	<u>350</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>-</u>	<u>374</u>	<u>374</u>

# CITY OF TEXARKANA, TEXAS

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**CDBG REVOLVING LOANS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2017**

	<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	\$ 3,950	1,974	895	(1,079)
Total revenues	<u>3,950</u>	<u>1,974</u>	<u>895</u>	<u>(1,079)</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	3,450	1,474	895	(579)
Fund balances at beginning of year	<u>209,936</u>	<u>209,936</u>	<u>209,936</u>	<u>-</u>
Fund balances at end of year	<u>\$ 213,386</u>	<u>211,410</u>	<u>210,831</u>	<u>(579)</u>

# CITY OF TEXARKANA, TEXAS

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**SUPPORTIVE HOUSING GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2017**

	<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	-	4,719		(4,719)
Total other financing sources/uses	-	4,719	-	(4,719)
Net change in fund balances	-	4,719	4,719	-
Fund balances at beginning of year	(4,719)	(4,719)	(4,719)	-
Fund balances at end of year	\$ (4,719)	-	-	-

# CITY OF TEXARKANA, TEXAS

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**NEA GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2017**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Intergovernmental	\$ 100,000	100,000		(100,000)
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
<b>EXPENDITURES:</b>				
Current:				
Parks and recreation	100,000	106,179	13,387	92,792
Capital outlay			<u>81,796</u>	<u>(81,796)</u>
Total expenditures	<u>100,000</u>	<u>106,179</u>	<u>95,183</u>	<u>10,996</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(6,179)</u>	<u>(95,183)</u>	<u>(89,004)</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	-	6,179	13,387	7,208
Total other financing sources/uses	<u>-</u>	<u>6,179</u>	<u>13,387</u>	<u>7,208</u>
Net change in fund balances	-	-	(81,796)	(81,796)
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>(81,796)</u>	<u>(81,796)</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, 2017**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Intergovernmental	\$ 406,920	440,192	99,418	(340,774)
Total revenues	<u>406,920</u>	<u>440,192</u>	<u>99,418</u>	<u>(340,774)</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	406,920	440,158	164,788	275,370
Total expenditures	<u>406,920</u>	<u>440,158</u>	<u>164,788</u>	<u>275,370</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>34</u>	<u>(65,370)</u>	<u>(65,404)</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	-	25,637	55,082	29,445
Total other financing sources/uses	<u>-</u>	<u>25,637</u>	<u>55,082</u>	<u>29,445</u>
Net change in fund balances	-	25,671	(10,288)	(35,959)
Fund balances at beginning of year	<u>(25,671)</u>	<u>(25,671)</u>	<u>(25,671)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (25,671)</u>	<u>-</u>	<u>(35,959)</u>	<u>(35,959)</u>

# CITY OF TEXARKANA, TEXAS

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**EPA PETROLEUM GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2017**

	<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 of revenues over expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	-	217	217	-
Total other financing sources/uses	-	217	217	-
Net change in fund balances	-	217	217	-
Fund balances at beginning of year	(217)	(217)	(217)	-
Fund balances at end of year	\$ (217)	-	-	-

# CITY OF TEXARKANA, TEXAS

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**EPA REVOLVING LOAN GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2017**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Intergovernmental	\$ 813,810	868,036	20,647	(847,389)
Total revenues	<u>813,810</u>	<u>868,036</u>	<u>20,647</u>	<u>(847,389)</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	810,810	877,536	47,331	830,205
Capital outlay	<u>3,000</u>	<u>3,000</u>		<u>3,000</u>
Total expenditures	<u>813,810</u>	<u>880,536</u>	<u>47,331</u>	<u>833,205</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(12,500)</u>	<u>(26,684)</u>	<u>(14,184)</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	-	16,483	25,141	8,658
Total other financing sources/uses	<u>-</u>	<u>16,483</u>	<u>25,141</u>	<u>8,658</u>
Net change in fund balances	-	3,983	(1,543)	(5,526)
Fund balances at beginning of year	<u>(3,983)</u>	<u>(3,983)</u>	<u>(3,983)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (3,983)</u>	<u>-</u>	<u>(5,526)</u>	<u>(5,526)</u>

# CITY OF TEXARKANA, TEXAS

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**EPA MULTIPURPOSE GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2017**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Intergovernmental	\$ 30,000	123,910	173,928	50,018
Total revenues	<u>30,000</u>	<u>123,910</u>	<u>173,928</u>	<u>50,018</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	30,000	132,679	204,449	(71,770)
Total expenditures	<u>30,000</u>	<u>132,679</u>	<u>204,449</u>	<u>(71,770)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(8,769)</u>	<u>(30,521)</u>	<u>(21,752)</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	-	8,516	23,375	14,859
Transfers out	-	-	-	-
Total other financing sources/uses	<u>-</u>	<u>8,516</u>	<u>23,375</u>	<u>14,859</u>
Net change in fund balances	-	(253)	(7,146)	(6,893)
Fund balances at beginning of year	<u>253</u>	<u>253</u>	<u>253</u>	<u>-</u>
Fund balances at end of year	<u>\$ 253</u>	<u>-</u>	<u>(6,893)</u>	<u>(6,893)</u>

# CITY OF TEXARKANA, TEXAS

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**EMERGENCY SOLUTIONS GRANT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 For the Year Ended September 30, 2017**

	<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	\$ 600,000	603,600	413,127	(190,473)
Total revenues	<u>600,000</u>	<u>603,600</u>	<u>413,127</u>	<u>(190,473)</u>
<b>EXPENDITURES:</b>				
Current:				
Health and welfare	600,000	611,677	428,094	183,583
Capital outlay			78,000	(78,000)
Total expenditures	<u>600,000</u>	<u>611,677</u>	<u>506,094</u>	<u>105,583</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(8,077)</u>	<u>(92,967)</u>	<u>(296,056)</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	-	8,077	35,669	27,592
Total other financing sources/uses	<u>-</u>	<u>8,077</u>	<u>35,669</u>	<u>27,592</u>
Net change in fund balances	-	-	(57,298)	(268,464)
Fund balances at beginning of year				-
Fund balances at end of year	<u>\$ -</u>	<u>-</u>	<u>(57,298)</u>	<u>(268,464)</u>

# CITY OF TEXARKANA, TEXAS

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**AIRPORT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2017**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Intergovernmental	\$ -	59,104	32,416	(26,688)
Total revenues	-	59,104	32,416	(26,688)
<b>EXPENDITURES:</b>				
Capital outlay		100,000	64,832	35,168
Total expenditures	-	100,000	64,832	35,168
Excess (deficiency) of revenues over expenditures	-	(40,896)	(32,416)	8,480
<b>OTHER FINANCING SOURCES/USES</b>				
Transfers in	-	40,896	32,416	(8,480)
Total other financing sources/uses	-	40,896	32,416	(8,480)
Net change in fund balances	-	-	-	-
Fund balances at beginning of year				-
Fund balances at end of year	\$ -	-	-	-

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## **Nonmajor Enterprise Funds**

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

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

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

# CITY OF TEXARKANA, TEXAS

## COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS

September 30, 2017

	<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	\$ -	4,989	4,989
Receivables (net of allowance for uncollectible):			
Accounts		40,444	40,444
Due from other funds	59,573		59,573
Total current assets	<u>59,573</u>	<u>45,433</u>	<u>105,006</u>
Noncurrent assets:			
Restricted assets:			
Cash	175,811	24,986	200,797
Investments - certificates of deposit	675,000		675,000
Accounts receivable		341,137	341,137
Accrued interest	5,459		5,459
Total noncurrent assets	<u>856,270</u>	<u>366,123</u>	<u>1,222,393</u>
<b>TOTAL ASSETS</b>	<u>915,843</u>	<u>411,556</u>	<u>1,327,399</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	9,980	73,411	83,391
Accrued liabilities		4,967	4,967
Due to other funds		86,999	86,999
Total current liabilities	<u>9,980</u>	<u>165,377</u>	<u>175,357</u>
Noncurrent liabilities:			
Capital improvement deposits	905,863	246,179	1,152,042
Total noncurrent liabilities	<u>905,863</u>	<u>246,179</u>	<u>1,152,042</u>
<b>TOTAL LIABILITIES</b>	<u>915,843</u>	<u>411,556</u>	<u>1,327,399</u>
<b>NET POSITION</b>			
Unrestricted			-
<b>TOTAL NET POSITION</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>

# CITY OF TEXARKANA, TEXAS

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**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
For the Year Ended September 30, 2017**

	<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	\$ -	1,112,557	1,112,557
Total operating revenues	<u>-</u>	<u>1,112,557</u>	<u>1,112,557</u>
<b>OPERATING EXPENSES</b>			
Contract water & sewer expense-International Paper		1,113,030	1,113,030
Total operating expense	<u>-</u>	<u>1,113,030</u>	<u>1,113,030</u>
Operating income (loss)	<u>-</u>	<u>(473)</u>	<u>(473)</u>
<b>NONOPERATING REVENUES</b>			
Interest revenue - investments		473	473
Total nonoperating revenues	<u>-</u>	<u>473</u>	<u>473</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, 2017

	<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	\$ -	1,054,979	1,054,979
Cash paid to suppliers		(1,029,060)	(1,029,060)
Cash paid to employees		(109,672)	(109,672)
Net cash provided (used) from operating activities	<u>-</u>	<u>(83,753)</u>	<u>(83,753)</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(588,570)		(588,570)
Capital improvement deposits received	568,205		568,205
Interest received on capital improvement deposits	7,685		7,685
Net cash used from capital and related financing activities	<u>(12,680)</u>	<u>-</u>	<u>(12,680)</u>
<b>Cash flows from investing activities:</b>			
Purchase of investments	(400,000)		(400,000)
Proceeds from sale of investments	325,000		325,000
Interest received on investments	(4,891)	473	(4,418)
Net cash provided from investing activities	<u>(79,891)</u>	<u>473</u>	<u>(79,418)</u>
Net increase (decrease) in cash	(92,571)	(83,280)	(175,851)
Cash, beginning of year	<u>268,382</u>	<u>113,255</u>	<u>381,637</u>
Cash, end of year	<u>\$ 175,811</u>	<u>29,975</u>	<u>205,786</u>

# CITY OF TEXARKANA, TEXAS

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## COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended September 30, 2017

	<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)	\$ -	(473)	(473)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
(Increase) decrease in assets:			
Accounts receivable		(57,578)	(57,578)
Increase (decrease) in liabilities:			
Accounts payable		(24,792)	(24,792)
Accrued liabilities		(414)	(414)
Due to other funds		(496)	(496)
Total adjustments	<u>-</u>	<u>(83,280)</u>	<u>(83,280)</u>
Net cash provided from operating activities	<u>\$ -</u>	<u>(83,753)</u>	<u>(83,753)</u>

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## **Internal Service Funds**

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

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

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

# CITY OF TEXARKANA, TEXAS

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## COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS September 30, 2017

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 2,704,545	363,402	3,067,947
Receivables (net of allowance for uncollectible):			
Accounts	40,368		40,368
Other government agencies	48,865		48,865
Inventory		27,484	27,484
<b>TOTAL ASSETS</b>	<u>2,793,778</u>	<u>390,886</u>	<u>3,184,664</u>
 <b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	411,261	13,363	424,624
Accrued payroll		11,834	11,834
<b>TOTAL LIABILITIES</b>	<u>411,261</u>	<u>25,197</u>	<u>436,458</u>
 <b>NET POSITION</b>			
Unrestricted	<u>2,382,517</u>	<u>365,689</u>	<u>2,748,206</u>
<b>TOTAL NET POSITION</b>	<u>\$ 2,382,517</u>	<u>365,689</u>	<u>2,748,206</u>

# CITY OF TEXARKANA, TEXAS

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

### INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2017

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 5,654,180	166,589	5,820,769
Other		16,728	16,728
Total revenues	<u>5,654,180</u>	<u>183,317</u>	<u>5,837,497</u>
<b>OPERATING EXPENSES</b>			
Benefit payments	5,758,336		5,758,336
Cost of sales and service		1,290,332	1,290,332
Total expenditures	<u>5,758,336</u>	<u>1,290,332</u>	<u>7,048,668</u>
Operating income (loss)	<u>(104,156)</u>	<u>(1,107,015)</u>	<u>(1,211,171)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	17,743	1,971	19,714
Total nonoperating revenues (expenses)	<u>17,743</u>	<u>1,971</u>	<u>19,714</u>
Income (loss) before transfers	(86,413)	(1,105,044)	(1,191,457)
Transfers in		923,663	923,663
Transfers out		<u>(2,160)</u>	<u>(2,160)</u>
Change in net position	(86,413)	(183,541)	(269,954)
Total net position - beginning	<u>2,468,930</u>	<u>549,230</u>	<u>3,018,160</u>
Total net position - ending	<u>\$ 2,382,517</u>	<u>365,689</u>	<u>2,748,206</u>

# CITY OF TEXARKANA, TEXAS

## COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended September 30, 2017

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
<b>Cash flows from operating activities:</b>			
Cash received from users	\$ 1,502,736		1,502,736
Cash received from interfund services provided and used	4,296,073	1,119,640	5,415,713
Cash paid to suppliers	(5,715,603)	(920,893)	(6,636,496)
Cash paid to employees		(266,180)	(266,180)
Net cash provided from operating activities	<u>83,206</u>	<u>(67,433)</u>	<u>15,773</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers to other funds		(2,160)	(2,160)
Net cash provided (used) from noncapital financing activities	-	<u>(2,160)</u>	<u>(2,160)</u>
<b>Cash flows from investing activities:</b>			
Interest received from investments	17,743	1,971	19,714
Net cash provided from investing activities	<u>17,743</u>	<u>1,971</u>	<u>19,714</u>
Net increase in cash	100,949	(67,622)	33,327
Cash at beginning of year	2,603,596	431,024	3,034,620
Cash at end of year	<u>2,704,545</u>	<u>363,402</u>	<u>3,067,947</u>
<b><u>Reconciliation of Operating Income to Net Cash</u></b>			
<b><u>Provided by Operating Activities</u></b>			
Operating income (loss)	<u>(104,156)</u>	<u>(1,107,015)</u>	<u>(1,211,171)</u>
<b>Adjustments to Reconcile Operating Income to Net Cash</b>			
<b>Provided by Operating Activities</b>			
Transfers from other funds		923,663	923,663
Transfers to other funds		128,819	128,819
<b>(Increase) decrease in assets:</b>			
Accounts receivable	192,873	12,657	205,530
Due from other government agencies	(48,243)		(48,243)
Inventory		(1,363)	(1,363)
<b>Increase (decrease) in liabilities:</b>			
Accrued liabilities	42,732	(25,276)	17,456
Accrued payroll		1,246	1,246
Due to other governments		(164)	(164)
Total adjustments	<u>187,362</u>	<u>1,039,582</u>	<u>1,226,944</u>
Net cash provided by operating activities	<u>\$ 83,206</u>	<u>(67,433)</u>	<u>15,773</u>

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## **Fiduciary Funds**

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

### **Agency Funds**

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

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

# CITY OF TEXARKANA, TEXAS

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

For the Year Ended September 30, 2017

	<i>Balance October 1, 2016</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance September 30, 2017</i>
<b>POLICE EVIDENCE FUND</b>				
<b>Assets</b>				
Cash	\$ 16,830	1,985	(1,985)	16,830
<b>Total Assets</b>	<u>16,830</u>	<u>1,985</u>	<u>(1,985)</u>	<u>16,830</u>
<b>Liabilities</b>				
Escrow Deposits	16,830	(1,985)	1,985	16,830
<b>Total Liabilities</b>	<u>16,830</u>	<u>(1,985)</u>	<u>1,985</u>	<u>16,830</u>
<b>Net position</b>	<u>-</u>	<u>3,970</u>	<u>(3,970)</u>	<u>-</u>
<b>DRUG ENFORCEMENT ESCROW FUND</b>				
<b>Assets</b>				
Cash	136,198	75,313	(112,326)	99,185
<b>Total Assets</b>	<u>136,198</u>	<u>75,313</u>	<u>(112,326)</u>	<u>99,185</u>
<b>Liabilities</b>				
Escrow deposits	136,198	(112,326)	75,313	99,185
<b>Total liabilities</b>	<u>136,198</u>	<u>(112,326)</u>	<u>75,313</u>	<u>99,185</u>
<b>Net position</b>	<u>-</u>	<u>187,639</u>	<u>(187,639)</u>	<u>-</u>
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash	153,028	77,298	(114,311)	116,015
<b>Total assets</b>	<u>153,028</u>	<u>77,298</u>	<u>(114,311)</u>	<u>116,015</u>
<b>Liabilities</b>				
Escrow deposits	153,028	(114,311)	77,298	116,015
<b>Total liabilities</b>	<u>153,028</u>	<u>(114,311)</u>	<u>77,298</u>	<u>116,015</u>
<b>Net position</b>	<u>\$ -</u>	<u>191,609</u>	<u>(191,609)</u>	<u>-</u>

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

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# CITY OF TEXARKANA, TEXAS

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## **CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY SOURCE September 30, 2017**

Governmental funds capital assets:

Land	\$ 47,032,128
Buildings	32,213,699
Improvements other than buildings	8,592,976
Infrastructure	124,224,772
Machinery and equipment	6,902,143
Licensed vehicles	9,264,632
Construction in progress	6,409,642
Total governmental funds capital assets	<u>\$ 234,639,992</u>

Investments in governmental funds capital assets by source:

General fund	\$ 143,082,614
Special revenue funds	5,055,772
Capital projects funds	86,501,606
Total governmental funds capital assets	<u>\$ 234,639,992</u>

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

# CITY OF TEXARKANA, TEXAS

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## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION AND ACTIVITY September 30, 2017

<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	
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		249,164	64,064
Urban transportation			
Street maintenance		513,747	866,098
Fleet Maintenance		278,315	59,261
Inspection			
Sign and signal			
Stormwater management			
Total public works	<u>-</u>	<u>1,041,226</u>	<u>989,423</u>
Health and welfare			
Community development		6,500	
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
<u>244,500</u>	<u>479,194</u>	<u>-</u>	<u>-</u>	<u>47,032,128</u>
				<u>47,774,798</u>
	6,000	1,477,118	1,612,691	15,332,142
	151,192	388,079		539,271
	70,807	293,821		427,628
	30,320	73,434		103,754
	31,350			31,350
	14,414			14,414
23,602	550,115	3,363,866	432,439	6,970,069
<u>23,602</u>	<u>854,198</u>	<u>5,596,318</u>	<u>2,045,130</u>	<u>23,418,628</u>
2,684,999	216,050	357,624		3,571,901
	6,950			6,950
118,267,619	1,740,074	2,346,149	2,269,114	126,002,801
	91,719	103,570	529,454	1,062,319
	42,433	286,608	45,605	374,646
			1,620	1,620
			35,600	35,600
<u>120,952,618</u>	<u>2,097,226</u>	<u>3,093,951</u>	<u>2,881,393</u>	<u>131,055,837</u>
			411,300	417,800
107,791	15,389			123,180
<u>107,791</u>	<u>15,389</u>	<u>-</u>	<u>411,300</u>	<u>540,980</u>

# CITY OF TEXARKANA, TEXAS

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**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
September 30, 2017**

<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		5,250,842	2,161,837
Recreational programs		290,229	4,054,010
Perot Theatre		3,061,434	51,468
Perot Theatre building maintenance		259,262	
Airport			
Library		2,621,241	46,228
Convention Center		5,067,933	986,686
Total parks and recreation	<u>-</u>	<u>16,550,941</u>	<u>7,300,229</u>
Total governmental funds capital assets	<u>\$ 47,032,128</u>	<u>32,213,699</u>	<u>8,592,976</u>

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

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<u><i>Infrastructure</i></u>	<u><i>Machinery and Equipment</i></u>	<u><i>Licensed Vehicles</i></u>	<u><i>Construction in Progress</i></u>	<u><i>Total</i></u>
	6,100			6,100
2,693,482	1,384,197	574,363	942,883	13,007,604
23,420	1,523,305			5,890,964
	82,330		128,936	3,324,168
	71,805			331,067
	64,832			64,832
67,149	6,438			2,741,056
112,210	317,129			6,483,958
<u>2,896,261</u>	<u>3,456,136</u>	<u>574,363</u>	<u>1,071,819</u>	<u>31,849,749</u>
<u>124,224,772</u>	<u>6,902,143</u>	<u>9,264,632</u>	<u>6,409,642</u>	<u>234,639,992</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, 2017

<b>Function and activity</b>	<i>Governmental Funds Capital Assets</i>				<i>Governmental Funds Capital Assets</i>
	<i>9/30/2016</i>	<i>Additions</i>	<i>Deductions</i>	<i>Transfers</i>	<i>9/30/2017</i>
<b>General government</b>					
City manager	\$ 68,022				68,022
Municipal court	89,543				89,543
Finance administration	340,605				340,605
Economic development	244,500				244,500
Other - unclassified	47,032,128				47,032,128
<b>Total general government</b>	<b>47,774,798</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,774,798</b>
<b>Public safety</b>					
Police administration	14,622,004	1,090,279	(75,731)	(304,410)	15,332,142
Patrol division	824,724		(285,453)		539,271
Services division	292,636		(66,533)	201,525	427,628
Criminal investigation	201,525			(201,525)	-
Narcotics operations	103,754				103,754
JAG Grant	31,350				31,350
Law enforcement	14,414				14,414
Fire administration	6,555,055	466,664	(17,424)	(34,226)	6,970,069
<b>Total public safety</b>	<b>22,645,462</b>	<b>1,556,943</b>	<b>(445,141)</b>	<b>(338,636)</b>	<b>23,418,628</b>
<b>Public works</b>					
Engineering design	141,966	26,667		3,403,268	3,571,901
Urban transportation	6,950				6,950
Street maintenance	121,170,651	6,608,234	(418,325)	(1,357,759)	126,002,801
Fleet Maintenance	46,253	1,061,659	(45,593)		1,062,319
Inspection	275,637	72,171	(12,387)	39,225	374,646
Sign and signal	3,403,730	1,158		(3,403,268)	1,620
Stormwater management	1,234,245			(1,198,645)	35,600
<b>Total public works</b>	<b>126,279,432</b>	<b>7,769,889</b>	<b>(476,305)</b>	<b>(2,517,179)</b>	<b>131,055,837</b>
<b>Health and welfare</b>					
Community development	15,692	402,108			417,800
Environmental services	39,225			(39,225)	-
Farmers' market	123,180				123,180
<b>Total health and welfare</b>	<b>178,097</b>	<b>402,108</b>	<b>-</b>	<b>(39,225)</b>	<b>540,980</b>

# 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, 2017

Function and activity	<i>Governmental Funds Capital Assets</i>	<i>Additions</i>	<i>Deductions</i>	<i>Transfers</i>	<i>Governmental Funds Capital Assets</i>
	<i>9/30/2016</i>				<i>9/30/2017</i>
Parks and recreation					
Parks and recreation administration	6,100				6,100
Parks maintenance	11,540,852	2,764,041	(98,683)	(1,198,606)	13,007,604
Recreational programs	4,419,397	1,471,567			5,890,964
Perot Theatre	3,195,232	128,936			3,324,168
Perot Theatre building maintenance	311,112	19,955			331,067
Sports Promotion	50,540			(50,540)	-
Airport		64,832			64,832
Library	2,741,056				2,741,056
Convention Center	6,483,958				6,483,958
Total parks and recreation	<u>28,748,247</u>	<u>4,449,331</u>	<u>(98,683)</u>	<u>(1,249,146)</u>	<u>31,849,749</u>
Total governmental funds capital assets	<u>\$ 225,626,036</u>	<u>14,178,271</u>	<u>(1,020,129)</u>	<u>(4,144,186)</u>	<u>234,639,992</u>

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

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## **Component Unit**

# CITY OF TEXARKANA, TEXAS

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## BALANCE SHEET COMPONENT UNIT - HEALTH CENTER September 30, 2017

### ASSETS

Cash	\$ 508,453
Receivables (net of allowance for uncollectible):	
Other government agencies	102,196
<b>TOTAL ASSETS</b>	<u>610,649</u>

### LIABILITIES AND FUND BALANCES

Liabilities:	
Accounts payable	31,686
Accrued payroll	23,402
Deferred revenue	51,440
<b>TOTAL LIABILITIES</b>	<u>106,528</u>

### Fund Balances:

Unassigned	504,121
<b>TOTAL FUND BALANCES</b>	<u>504,121</u>

<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 610,649</u>
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# CITY OF TEXARKANA, TEXAS

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## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE COMPONENT UNIT - HEALTH CENTER For the Year Ended September 30, 2017

### REVENUES

Charges for services	\$ 282,638
Grants and entitlements	572,104
Investment earnings:	
Interest and dividends	2,651
Intergovernmental	216,635
Other	3,273
Total revenues	<u>1,077,301</u>

### EXPENDITURES

Current:	
Health and welfare	<u>956,575</u>
Total expenditures	<u>956,575</u>
Net change in fund balance	120,726
Fund balance at beginning of year	<u>383,395</u>
Fund balance at end of year	<u>\$ 504,121</u>

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**Statistical Section**

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## Statistical Section

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

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

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

**Debt Capacity** - Schedule 15 through Schedule 19 - The schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

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

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

# CITY OF TEXARKANA, TEXAS

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

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

Unaudited - see accompanying auditors' report

<i>Fiscal Year</i>				
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
82,719,452	83,155,796	85,106,547	85,391,477	86,912,466
13,196,487	8,118,578	4,277,958	4,342,782	12,305,856
5,815,734	11,274,308	4,979,007	4,051,074	(950,495)
<u>101,731,673</u>	<u>102,548,682</u>	<u>94,363,512</u>	<u>93,785,333</u>	<u>98,267,827</u>
58,503,625	57,691,676	58,283,054	58,709,850	59,720,017
8,744,657	10,809,056	10,183,541	8,914,641	7,062,511
2,932,377	2,000,694	(314,620)	2,757,977	5,602,110
<u>70,180,659</u>	<u>70,501,426</u>	<u>68,151,975</u>	<u>70,382,468</u>	<u>72,384,638</u>
141,223,077	140,847,472	143,389,601	144,101,327	146,632,483
21,941,144	18,927,634	14,461,499	13,257,423	19,368,367
8,748,111	13,275,002	4,664,387	6,809,051	4,651,615
<u>171,912,332</u>	<u>173,050,108</u>	<u>162,515,487</u>	<u>164,167,801</u>	<u>170,652,465</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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Expenses</b>				
Governmental activities:				
Current:				
General government	\$ 7,494,737	6,677,826	6,009,327	5,523,459
Public safety	13,812,910	16,495,996	17,460,252	17,142,327
Public works	5,682,854	6,755,059	7,271,760	7,117,788
Parks and recreation	2,926,214	2,755,050	2,906,975	3,027,226
Health and welfare	1,391,078	1,724,892	1,630,227	1,659,584
Interest on long-term debt	1,947,304	1,868,860	2,246,394	2,747,460
Total governmental activities expenses	<u>33,255,097</u>	<u>36,277,683</u>	<u>37,524,935</u>	<u>37,217,844</u>
Business-type activities:				
Water and Sewer	<u>15,361,311</u>	<u>16,166,206</u>	<u>16,154,126</u>	<u>15,592,718</u>
Total business-type activities expenses	<u>15,361,311</u>	<u>16,166,206</u>	<u>16,154,126</u>	<u>15,592,718</u>
Total primary government expenses	<u><u>48,616,408</u></u>	<u><u>52,443,889</u></u>	<u><u>53,679,061</u></u>	<u><u>52,810,562</u></u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	966,780	978,806	1,057,194	957,111
Public safety	1,839,093	2,148,979	1,735,896	1,619,345
Other activities	607,380	572,359	678,445	645,522
Operating grants and contributions	1,476,933	2,513,783	1,552,787	1,133,876
Capital grants and contributions	355,900		293,158	
Total governmental activities program revenues	<u>5,246,086</u>	<u>6,213,927</u>	<u>5,317,480</u>	<u>4,355,854</u>
Business-type activities:				
Charges for services:				
Water and sewer	13,988,748	15,184,072	15,259,196	16,030,015
Capital grants and contributions	41,822		199,074	
Total business-type activities program revenues	<u>14,030,570</u>	<u>15,184,072</u>	<u>15,458,270</u>	<u>16,030,015</u>
Total primary government program revenues	<u><u>\$ 19,276,656</u></u>	<u><u>21,397,999</u></u>	<u><u>20,775,750</u></u>	<u><u>20,385,869</u></u>

Unaudited - see accompanying auditors' report

*Fiscal Year*

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
5,984,631	6,797,714	7,114,857	7,416,500	8,011,669	8,357,159
17,624,401	16,886,838	16,681,701	16,272,709	16,396,091	17,875,634
7,461,167	7,498,517	7,545,126	7,464,975	8,881,205	9,044,672
2,918,560	3,379,678	3,012,271	3,408,188	3,446,421	3,517,538
2,451,906	2,335,011	1,915,780	1,436,864	1,671,102	1,532,646
2,593,982	2,167,516	2,262,532	2,043,793	2,085,451	1,770,944
<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>	<u>42,098,593</u>
15,840,902	15,813,999	15,841,333	15,736,026	15,734,804	16,409,625
<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>16,409,625</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>	<u>58,508,218</u>
583,956	981,567	887,114	812,556		1,107,648
1,725,816	1,698,464	1,733,651	2,192,611	1,838,438	1,890,660
581,768	748,273	756,869	1,020,804	856,602	1,017,640
2,467,647	1,851,104	1,323,001	1,514,552	1,628,327	1,659,145
	566,142	808,174			
<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>5,675,093</u>
16,136,042	15,642,192	15,198,786	15,448,372	16,775,322	17,130,716
	39,387	38,071	118,869	39,327	39,365
<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>17,170,081</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>	<u>22,845,174</u>

(Continued)

# CITY OF TEXARKANA, TEXAS

**STATISTICAL SECTION**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**Schedule 2 Continued**

	<i>Fiscal Year</i>			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	(28,009,011)	(30,063,756)	(32,207,455)	(32,861,990)
Business-type activities	(1,330,741)	(982,134)	(695,856)	437,297
Total primary government net expense	<u>(29,339,752)</u>	<u>(31,045,890)</u>	<u>(32,903,311)</u>	<u>(32,424,693)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Property taxes	11,456,172	13,346,908	13,584,920	13,655,104
Sales taxes	13,045,922	13,392,204	13,148,821	13,800,353
Franchise taxes	2,230,071	2,196,103	2,197,528	2,070,004
Other taxes	1,261,153	1,183,855	1,379,404	1,278,680
Unrestricted investment earnings	663,762	198,386	243,935	211,155
Gain on sale of capital assets				
Miscellaneous	1,231,150	1,486,346	1,451,676	1,211,493
Transfers	17,325	18,900	18,900	268,900
Total governmental activities	<u>29,905,555</u>	<u>31,822,702</u>	<u>32,025,184</u>	<u>32,495,689</u>
Business-type activities:				
Unrestricted investment earnings	348,128	94,880	48,472	65,121
Miscellaneous	873,709	943,294	1,655,675	1,070,149
Transfers	(17,325)	(18,900)	(18,900)	(268,900)
Total business-type activities program revenues	<u>1,204,512</u>	<u>1,019,274</u>	<u>1,685,247</u>	<u>866,370</u>
<b>Change in Net Position</b>				
Governmental activities	1,896,544	1,758,946	(182,271)	(366,301)
Business-type activities	(126,229)	37,140	989,391	1,303,667
Total primary government	<u>1,770,315</u>	<u>1,796,086</u>	<u>807,120</u>	<u>937,366</u>

<i>Fiscal Year</i>					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2016</u>
(33,675,460)	(33,219,724)	(33,023,458)	(32,502,506)	(36,168,572)	(36,423,500)
295,140	(132,420)	(604,476)	(168,785)	1,079,845	760,456
<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>	<u>(35,663,044)</u>
15,577,638	15,763,817	16,450,285	16,304,576	15,979,531	17,441,622
14,114,271	14,326,770	14,735,398	15,164,177	15,899,829	15,693,696
2,002,603	2,005,690	2,006,662	1,970,362	1,789,518	1,724,035
1,264,118	1,351,583	1,248,856	1,273,131	1,661,189	1,468,143
186,700	170,967	88,788	107,914	105,702	254,679
			89,385		
1,235,793	365,470	169,481	180,820	135,724	4,283,822
3,318,900	1,086,504	18,900	18,900	18,900	39,997
<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>	<u>40,905,994</u>
50,601	38,346	62,088	60,910	60,226	152,275
965,964	1,069,254	1,055,847	1,140,886	1,109,322	1,129,436
(3,318,900)	(1,086,504)	(18,900)	(18,900)	(18,900)	(39,997)
<u>(2,302,335)</u>	<u>21,096</u>	<u>1,099,035</u>	<u>1,182,896</u>	<u>1,150,648</u>	<u>1,241,714</u>
4,024,563	1,851,077	1,694,912	2,606,759	(578,179)	4,482,494
(2,007,195)	(111,324)	494,559	1,014,111	2,230,493	2,002,170
<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>	<u>6,484,664</u>

(Concluded)

# CITY OF TEXARKANA, TEXAS

## STATISTICAL SECTION

### Program Revenues by Function/ Program

#### Last Ten Fiscal Years

#### Schedule 3

(accrual basis of accounting)

	<i>Program Revenues</i>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Function/ Program</b>					
Governmental activities:					
General government	\$ 1,565,525	1,436,165	1,385,662	1,049,720	750,688
Public safety	2,153,738	2,991,916	2,604,636	2,112,675	2,321,374
Public works	671,838	446,057	509,842	223,836	332,797
Parks and Recreation	167,696	238,500	296,044	315,563	527,139
Health and welfare	687,289	1,101,289	521,296	654,060	1,427,189
Subtotal governmental activities	<u>5,246,086</u>	<u>6,213,927</u>	<u>5,317,480</u>	<u>4,355,854</u>	<u>5,359,187</u>
<i>Business-type activities:</i>					
Water and sewer	<u>14,030,570</u>	<u>15,084,072</u>	<u>15,458,270</u>	<u>16,030,015</u>	<u>16,136,042</u>
Subtotal business-type activities	<u>14,030,570</u>	<u>15,084,072</u>	<u>15,458,270</u>	<u>16,030,015</u>	<u>16,136,042</u>
Total primary government	<u>\$ 19,276,656</u>	<u>21,297,999</u>	<u>20,775,750</u>	<u>20,385,869</u>	<u>21,495,229</u>

Unaudited -see accompanying auditors' report

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*Program Revenues*

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1,145,219	1,061,405	1,436,416	408,024	1,466,198
1,988,390	2,252,465	2,502,162	2,112,647	2,542,648
680,520	979,029	564,645	425,131	454,190
365,251	355,000	304,110	295,790	336,621
<u>1,666,170</u>	<u>860,910</u>	<u>733,190</u>	<u>1,081,775</u>	<u>875,436</u>
<u>5,845,550</u>	<u>5,508,809</u>	<u>5,540,523</u>	<u>4,323,367</u>	<u>5,675,093</u>
<u>15,681,579</u>	<u>15,236,857</u>	<u>15,567,241</u>	<u>16,814,649</u>	<u>17,170,081</u>
<u>15,681,579</u>	<u>15,236,857</u>	<u>15,567,241</u>	<u>16,814,649</u>	<u>17,170,081</u>
<u>21,527,129</u>	<u>20,745,666</u>	<u>21,107,764</u>	<u>21,138,016</u>	<u>22,845,174</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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011*</u>	<u>2012</u>
<b>General Fund</b>					
Reserved	\$ 491,130	372,368	379,637		
Unreserved	205,066	551,949	1,550,244		
Nonspendable				93,257	101,081
Restricted				499,889	478,043
Committed					
Assigned				2,172,462	462,852
Unassigned	3,595,302	4,245,301	3,371,709	2,785,910	7,808,993
Total General Fund	<u>4,291,498</u>	<u>5,169,618</u>	<u>5,301,590</u>	<u>5,551,518</u>	<u>8,850,969</u>
<b>All Other Governmental Funds</b>					
Reserved	7,093,884	4,356,314	25,434,284		
Unreserved, designated for					
Convention center	827,949	1,183,828	201,975		
Unreserved					
Special revenue fund	1,757,441	2,400,757	2,369,474		
Debt service fund	1,748,284	1,707,982	1,538,656		
Capital projects fund	786,593	622,126	469,315		
Nonspendable					
Special revenue fund				638,311	310,426
Restricted					
Special revenue fund				1,309,318	854,290
Debt service fund				670,992	318,394
Capital projects fund				19,599,146	14,388,271
Committed					
Special revenue fund				1,911,341	1,751,275
Assigned					
Special revenue fund				697,434	1,371,484
Unassigned					
Special revenue fund				(23,568)	(338,733)
Debt service fund					
Capital projects fund					(741,393)
Total all other governmental funds	<u>\$ 12,214,151</u>	<u>10,271,007</u>	<u>30,013,704</u>	<u>24,802,974</u>	<u>17,914,014</u>

\* 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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
98,990	93,432	88,297	90,247	91,371
330,049	689,448	675,143	648,797	658,975
	35,000		20,848	
36,021	128,739	268,073	145,932	149,274
10,327,257	9,304,806	10,511,161	12,003,407	13,215,235
<u>10,792,317</u>	<u>10,251,425</u>	<u>11,542,674</u>	<u>12,909,231</u>	<u>14,114,855</u>
261,448	325,693	411,561	353,067	380,453
499,913	4,624,343	568,030	882,022	953,099
			76,937	22,502
12,070,107	2,515,323	2,806,712	2,422,336	9,736,141
1,149,318	1,112,025	1,267,865	1,372,641	887,434
862,925	942,542	1,102,850	1,528,344	1,933,041
(340,465)	(139,462)	(94,755)	(173,131)	(221,313)
(104,606)	(146,654)	(173,968)		
		(31,268)		
<u>14,398,640</u>	<u>9,233,810</u>	<u>5,857,027</u>	<u>6,462,216</u>	<u>13,691,357</u>

# CITY OF TEXARKANA, TEXAS

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

	<i>Fiscal Year</i>			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>REVENUES:</b>				
Taxes	27,941,371	30,037,456	30,258,026	30,846,064
Fees and permits	309,680	395,834	395,511	200,558
Charges for services	694,878	677,603	846,054	760,200
Municipal court	1,734,734	2,051,942	1,648,799	1,723,251
Grants and entitlements	884,610	1,182,928	1,013,367	766,275
Investment earnings	620,674	173,039	233,463	199,616
Intergovernmental	284,794	507,715	677,714	289,924
Sale of capital assets				780,731
Other	1,021,179	935,364	467,527	335,346
Total revenues	<u>33,491,920</u>	<u>35,961,881</u>	<u>35,540,461</u>	<u>35,901,965</u>
<b>EXPENDITURES:</b>				
Current:				
General government	7,171,027	6,326,081	5,638,878	5,167,206
Public safety	13,615,418	15,178,168	16,291,717	15,479,970
Public works	3,467,370	4,036,371	4,004,301	4,077,566
Parks and recreation	2,496,629	2,159,831	2,282,880	2,342,064
Health and welfare	613,902	1,497,632	1,419,374	1,483,147
Miscellaneous	612,979	9,609	16,448	11,134
Capital outlay	7,960,625	3,650,301	6,115,692	6,859,040
Debt service:				
Principal retirement	2,583,789	2,685,087	2,552,290	3,472,228
Interest and fiscal charges	1,573,889	1,502,725	1,897,567	2,415,565
Bond issuance costs	12,820		394,530	
Total expenditures	<u>40,108,448</u>	<u>37,045,805</u>	<u>40,613,677</u>	<u>41,307,920</u>
Excess (deficiency) of revenues over expenditures	<u>(6,616,528)</u>	<u>(1,083,924)</u>	<u>(5,073,216)</u>	<u>(5,405,955)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	408,440	488,197	593,911	1,510,273
Transfers out	(391,115)	(469,297)	(752,978)	(1,065,120)
Bonds issued			24,420,000	
Tax notes issued	1,200,000			
Payments to refunded bond escrow agent				
Bond premium			446,830	
Capital lease			332,847	
Discount on bonds issued			(92,725)	
Total other financing sources (uses)	<u>1,217,325</u>	<u>18,900</u>	<u>24,947,885</u>	<u>445,153</u>
Net change in fund balances	<u>(5,399,203)</u>	<u>(1,065,024)</u>	<u>19,874,669</u>	<u>(4,960,802)</u>
Debt Service as a percentage of noncapital expenditures	12.9%	12.5%	12.9%	17.1%

Unaudited -see accompanying auditors' report

*Fiscal Year*

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
33,042,265	33,432,131	33,976,724	34,290,500	35,562,155	36,156,991
185,615	245,003	241,751	726,386	579,704	596,610
622,632	1,175,867	560,530	377,102	868,486	956,020
1,715,643	1,631,182	1,652,149	2,023,923	1,671,117	1,733,350
1,999,673	794,466	626,421	369,114	258,240	708,218
178,533	167,813	79,017	82,785	96,316	180,985
321,621	1,092,352	1,518,657	1,006,232	923,001	633,866
<u>288,508</u>	<u>647,550</u>	<u>447,449</u>	<u>357,902</u>	<u>632,649</u>	<u>556,701</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>	<u>41,522,741</u>
5,687,089	6,096,316	5,778,132	6,500,409	7,144,935	7,789,701
15,729,556	15,370,410	14,913,921	14,900,200	14,033,527	14,989,492
3,815,722	3,843,357	4,085,840	4,674,794	5,069,600	5,149,470
2,133,616	2,393,470	2,234,747	2,429,448	2,428,568	2,381,295
2,272,270	2,144,737	1,727,656	1,073,624	1,483,091	1,286,529
12,141,083	4,651,366	8,921,568	5,152,652	3,136,260	9,459,729
3,788,802	3,780,647	3,747,283	3,639,164	3,643,800	3,730,323
2,301,087	2,182,138	2,047,350	1,939,214	1,851,466	1,538,361
219,427	193,000				449,593
<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>46,774,493</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>	<u>(5,251,752)</u>
4,277,448	4,472,167	995,874	1,089,860	1,621,310	2,171,120
(2,406,073)	(4,630,978)	(2,392,810)	(2,186,683)	(2,627,481)	(3,052,626)
14,845,000	14,550,000				23,250,000
(11,805,488)	(15,788,017)				(9,792,779)
1,150,861	1,270,367				1,110,802
82,905	21,512	45,013	86,851	1,177,496	
<u>6,144,653</u>	<u>(104,949)</u>	<u>(1,351,923)</u>	<u>(1,009,972)</u>	<u>171,325</u>	<u>13,686,517</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>	<u>8,434,765</u>
16.9%	16.6%	16.8%	15.9%	15.4%	15.3%

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# CITY OF TEXARKANA, TEXAS

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**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>
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
2106	16,186,609	15,899,829	1,868,181	1,607,536	35,562,155
2017	17,178,991	15,693,696	1,724,035	1,560,269	36,156,991
Percentage change	6.13%	-1.30%	-7.72%	-2.94%	1.67%

*Unaudited - see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

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## 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>
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
2017	2016	409,551,523	2,117,305,243	2,526,856,766	0.700000	17,687,997

Note:

- (1) Tax rate per \$100 of assessed value.
- (2) Detail for Frozen Items & Late Penalty Gain and Adjustments not available for tax years 2007 through 2013.

Source: Bowie Central Appraisal District

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<i>Frozen Items &amp; Late Penalty Gain (2)</i>	<i>Total Tax Levy</i>	<i>Adjustments</i>	<i>Adjusted Tax Levy</i>	<i>Tax Distribution</i>		
				<i>General Fund</i>	<i>Debt Service</i>	<i>TIRZ #1</i>
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
(501,103)	17,186,894	30,201	17,217,095	12,253,406	4,435,124	528,565

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Direct and Overlapping Property Tax Rates

(per \$100 of assessed value)

#### Last Ten Fiscal Years

#### Schedule 8

<i>Fiscal Year</i>	<i>City Direct Rates</i>			<i>Total City Direct Rate</i>
	<i>General</i>	<i>General Obligation Debt Service</i>	<i>TIRZ #1</i>	
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
2017	0.498151	0.180332	0.021517	0.70000

Source: Bowie Central Appraisal District

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

*Unaudited -see accompanying auditors' report*

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*Overlapping Rates*

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<i>Texarkana Independent School District</i>	<i>Bowie County</i>	<i>Texarkana College</i>	<i>Liberty-Eylau Independent School District</i>	<i>Pleasant Grove Independent School District</i>
1.339	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
1.425	0.424322	0.110718	1.37	1.44

# CITY OF TEXARKANA, TEXAS

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

<u>Taxpayer</u>	<u>Rank</u>	<u>2017</u>	
		<u>2016 Assessed Valuation (1) (2)</u>	<u>Percentage of Total Assessed Valuation</u>
AEP Southwestern Electric Power Co	1	\$ 27,307,655	1.08%
GG&A Central Mall Partners	2	27,289,221	1.08%
Christus Health Ark La Tx	3	23,586,026	0.93%
Rancho Texarkana Investors LLC	4	17,334,429	0.69%
MPT of Texarkana - Steward LLC	5	17,113,444	0.68%
Sterno Candle Lamp	6	12,877,146	0.51%
LPG Apartments LP	7	12,343,121	0.49%
Arklatex Real Estate	8	11,875,890	0.47%
William Gregg Orr	9	11,704,107	0.46%
Waggoner Creek Crossing LP	10	11,649,777	0.46%
Windstream Communications, Inc.			
Candle Corporation of America			
Richmond Road Apartments LP			
Arden Texarkana LLC ETAL			
Merchant Holding Dev LLC			
Walmart Stores #01-2123			
Total principal taxpayers		<u>\$173,080,816</u>	<u>6.85%</u>

(1) Net of exemptions

(2) Source - Bowie Central Appraisal District

Unaudited - see accompanying auditors' report

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<i>2008</i>		
<i>Rank</i>	<i>2007 Assessed Valuation (1) (2)</i>	<i>Percentage of Total Assessed Valuation</i>
3	\$ 21,057,223	0.98%
1	33,938,821	1.58%
2	24,064,509	1.12%
4	17,375,757	0.81%
5	16,410,170	0.76%
6	15,294,750	0.71%
7	14,040,320	0.65%
8	13,132,555	0.61%
9	12,470,096	0.58%
10	<u>11,971,368</u>	<u>0.56%</u>
	<u>\$ 179,755,569</u>	<u>8.36%</u>

# CITY OF TEXARKANA, TEXAS

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

<i>Fiscal Year</i>	<i>Tax Roll Year</i>	<i>Total 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>
2008	2007	11,339,330	10,918,808	96.29%	393,334	11,312,142	99.76%
2009	2008	12,971,666	12,634,807	97.40%	304,188	12,938,995	99.75%
2010	2009	13,507,427	13,056,769	96.66%	429,088	13,485,857	99.84%
2011	2010	13,533,009	13,150,342	97.17%	340,578	13,490,920	99.69%
2012	2011	15,479,476	15,117,864	97.66%	311,023	15,428,887	99.67%
2013	2012	15,599,509	15,256,890	97.80%	281,245	15,538,135	99.61%
2014	2013	15,886,117	15,514,090	97.66%	302,391	15,816,481	99.56%
2015	2014	16,000,266	15,452,342	96.58%	257,326	15,709,668	98.18%
2016	2015	16,051,708	15,748,536	98.11%	181,671	15,930,207	99.24%
2017	2016	17,217,095	16,814,025	97.66%		16,814,025	97.66%

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

Source - Bowie Central Appraisal District.

# CITY OF TEXARKANA, TEXAS

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**STATISTICAL SECTION**  
**Direct and Overlapping Sales Tax Rates**  
(per \$100 of assessed value)  
**Last Ten Fiscal Years**  
**Schedule 11**

<i>Fiscal Year</i>	<i>City Direct Rate</i>	<i>Bowie County</i>
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%
2017	1.50%	0.50%

Source: Texas Comptroller Website

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

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

(in thousands of gallons)

Last Ten Fiscal Years

Schedule 12

Type of Customer	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Residential	937,401	914,376	926,250	1,164,446	1,141,614
Commercial	652,537	585,553	596,290	735,020	769,874
Member Cities	936,941	916,698	928,052	1,014,877	1,071,608
Wholesale	<u>683,562</u>	<u>676,645</u>	<u>717,840</u>	<u>683,856</u>	<u>650,888</u>
Total	<u><u>3,210,441</u></u>	<u><u>3,093,272</u></u>	<u><u>3,168,432</u></u>	<u><u>3,598,199</u></u>	<u><u>3,633,984</u></u>

#### Total Direct Rate per 1,000 Gallons

Residential (2)	\$ 2.59	3.01	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)	1.95	2.26	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	0.64	0.98	0.77	0.65	0.83

(1) Includes TexAmericas Center usage of 334,092 (in 000's).

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

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<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1,027,446	1,417,354	1,376,505	1,287,088	1,188,352
717,174	991,064	951,031	973,341	904,554
952,637	874,055	817,986	850,476	872,256
<u>958,491</u>	<u>948,195</u>	<u>918,397</u>	<u>995,876</u>	<u>1,021,527 (1)</u>
<u><u>3,655,748</u></u>	<u><u>4,230,668</u></u>	<u><u>4,063,919</u></u>	<u><u>4,106,781</u></u>	<u><u>3,986,689</u></u>

3.01	3.01	3.01		
			1.75	1.75
			2.00	2.00
			3.25	3.25
			3.75	3.75
			4.00	4.00
2.26	2.26	2.26		
			3.25	3.25
			3.25	3.25
			3.25	3.25
			3.25	3.25
			3.25	3.25
0.7308	0.7448	0.7275	0.7986	0.8109

# CITY OF TEXARKANA, TEXAS

**STATISTICAL SECTION**  
**Water and Sewer Rates - Texarkana, Texas Water Utilities**  
**Last Ten Fiscal Years**  
**Schedule 13**

<i>Fiscal Year</i>	<i>Water</i>		<i>Sewer</i>	
	<i>Monthly Minimum 2000 Gals</i>	<i>Rate per 1000 Gals Over Minimum</i>	<i>Monthly Minimum 2000 Gals</i>	<i>Rate per 1000 Gals Over Minimum</i>
<b>Residential</b>				
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	(3)	10.52	3.77
2017	8.15	(3)	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>				
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	(3)	10.52	4.41
2017	9.28	(3)	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>2017</i>			<i>2008</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	\$ 603,417	4.73%	1	\$ 726,460	6.91%
West Fraser	2	232,446	1.82%			
Christus St. Michael Hospital	3	365,805	2.87%	4	234,939	2.23%
Wadley Hospital	4	186,262	1.46%	3	154,569	1.47%
LaSalle Southwest Corrections	5	233,674	1.83%			
Texarkana, Texas ISD	6	140,007	1.10%	7	120,208	1.14%
Texarkana Housing Authority	7	138,672	1.09%	5	228,317	2.17%
Alcoa	8	76,683	0.60%	2	253,083	2.41%
River Crossing Apartments	9	111,558	0.87%			
City of Texarkana, Texas	10	89,641	0.70%			
Civigenics Texas Inc.				6	144,374	1.37%
Brighton Manor/Woodlands Apartments				8	137,811	1.31%
Woodlands Apartments				9	101,976	0.97%
Texarkana College				10	72,902	0.69%
Totals		<u>\$ 2,178,165</u>	17.07%		<u>\$ 2,174,639</u>	20.67%

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

Unaudited - see accompanying auditors' report

# CITY OF TEXARKANA, TEXAS

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

<i>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>
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
2017	28,922,007	(7) 28,239,573	(8)		905,236

- (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.
- (7) The City issued \$9,090,000 in General Obligation Refunding Bonds in 2016.
- (8) The City issued \$14,160,000 in Certificates of Obligation in 2017.

*Unaudited -see accompanying auditors' report*

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***Business-type Activities***

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<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>
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
2,878,083	3,731,217	64,676,116	6.70%	1,707

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Ratios of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita Last Ten Fiscal Years Schedule 16

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt (2)</u>
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
2017	37,887	2,526,856,766	60,039,663

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

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<i>Less Debt Service Funds</i>	<i>Less Debt Payable From Enterprise Funds (2)</i>	<i>Net Bonded Debt</i>	<i>Ratio of Net Bonded Debt to Assessed Value</i>	<i>Net Bonded Debt per Capita</i>
1,748,284	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
22,502	2,878,083	57,139,078	2.26	1,508

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# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

### Direct and Overlapping Governmental Activities Debt

September 30, 2017

#### 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	\$ 58,066,816	100.00%	<u>\$ 58,066,816</u>
Overlapping:			
Texarkana Independent School District	50,942,461	75.65%	38,537,972
Bowie County	33,193,434	56.35%	18,704,500
Liberty-Eylau Independent School District	24,970,000	41.72%	10,417,484
Pleasant Grove School District	28,980,000	84.41%	24,462,018
Red Lick Independent School District	4,730,000	7.77%	<u>367,521</u>
Subtotal - Overlapping debt			<u>92,489,495</u>
Total direct and overlapping			<u><u>\$ 150,556,311</u></u>
Per capita overlapping debt			<u><u>\$ 3,974</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.

Unaudited - see accompanying auditors' report

# CITY OF TEXARKANA, TEXAS

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**STATISTICAL SECTION**  
**Legal Debt Margin**  
**Last Ten Fiscal Years**  
**Schedule 18**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Assessed value of real property	<u>1,771,117,978</u>	<u>1,997,924,581</u>	<u>2,104,527,844</u>	<u>2,104,527,844</u>
Debt limit - 25% of assessed value of real property	<u>442,779,495</u>	<u>499,481,145</u>	<u>526,131,961</u>	<u>526,131,961</u>
Total general obligation bonded debt	-	17,867,429	16,509,387	15,108,573
Less amount available in Debt Service Fund	<u>-</u>	<u>(1,707,982)</u>	<u>(1,538,656)</u>	<u>(670,992)</u>
Total amount of debt applicable to debt limit	<u>-</u>	<u>16,159,447</u>	<u>14,970,731</u>	<u>14,437,581</u>
Legal debt margin	<u>442,779,495</u>	<u>483,321,698</u>	<u>511,161,230</u>	<u>511,694,380</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.

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<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
<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>2,117,305,243</u>	<u>2,526,856,766</u>
<u>532,506,669</u>	<u>539,232,766</u>	<u>537,145,084</u>	<u>522,428,619</u>	<u>529,326,311</u>	<u>631,714,192</u>
15,808,814	27,636,147	27,290,448	25,298,564	22,741,681	28,922,007
<u>(318,397)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,937)</u>	<u>(22,502)</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>28,899,505</u>
<u>517,016,252</u>	<u>511,596,619</u>	<u>509,854,636</u>	<u>497,130,055</u>	<u>506,661,567</u>	<u>602,814,687</u>

# CITY OF TEXARKANA, TEXAS

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

<i>Fiscal Year</i>	<i>Gross Revenue(2)</i>	<i>Operating Expenses (3)</i>	<i>Net Revenue Available For Debt Service</i>	<i>Debt Service Requirements (4)</i>	<i>Coverage</i>
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
2017	17,313,475	11,650,159	5,663,316	566,159	10.00

Notes:

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

*Unaudited - see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

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

<i>Fiscal Year</i>	<i>Population</i>	<i>Median Age</i>	<i>Per Capita Income</i>	<i>Unemployment Rate</i>	<i>Personal Income (\$)</i>
2008	36,350 (1)	35.7 (4)	22,291 (2)	5.1 (4)	810,277,850
2009	35,682 (4)	37.1 (4)	22,326 (4)	7.2 (6)	796,636,332
2010	36,411 (3)	36.4 (6)	25,336 (6)	7.2 (6)	922,509,096
2011	36,411 (6)	38 (6)	23,007 (6)	7.9 (6)	837,707,877
2012	36,411 (6)	36.5 (6)	23,297 (6)	5.7 (6)	848,267,067
2013	36,998 (6)	36.5 (6)	23,297 (6)	6.8 (6)	861,942,406
2014	37,332 (6)	37 (6)	24,118 (6)	5.8 (6)	900,373,176
2015	37,857 (6)	37 (6)	24,095 (6)	4.8 (6)	912,164,415
2016	37,831 (6)	37 (6)	24,285 (6)	4.6 (6)	918,725,835
2017	37,887 (6)	37.4 (6)	25,491 (6)	4.1 (6)	965,777,517

Notes:

- (1) Estimate of City of Texarkana, Texas.
- (2) 2000 U.S. Census. (ATCOG)
- (3) 2010 U. S. Census. (City of Texarkana, Texas)
- (4) Sites on Texas.com
- (5) Personal income calculated by multiplying estimated population by per capita income.
- (6) Economic Development Director, City of Texarkana, Texas

*Unaudited -see accompanying auditors' report*

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# CITY OF TEXARKANA, TEXAS

## STATISTICAL SECTION

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

#### Current Year and Nine Years Ago Schedule 21

<i>Employer</i>	<i>2017</i>			<i>2008</i>		
	<i>Employees</i>	<i>Rank</i>	<i>Percentage of Total MSA Employ- ment (1)</i>	<i>Employees</i>	<i>Rank</i>	<i>Percentage of Total MSA Employ- ment (2)</i>
Red River Army Depot & Tenants	4,800	1	7.72%	6,000	1	10.38%
Christus St. Michael Health Care	1,800	2	2.89%	1,792	2	3.10%
Cooper Tire & Rubber	1,750	3	2.81%	1,575	3	2.72%
Wal-Mart/Sam's	1,200	4	1.93%	1,100	5	1.90%
Southern Refrigerated Transport	1,200	5	1.93%			
Texarkana Texas ISD	1,150	6	1.85%	795	8	1.38%
Domtar (fr. Georgia Pacific)	900	7	1.45%	1,300	4	2.25%
International Paper	800	8	1.29%	960	6	1.66%
Wadley Regional Medical Ctr	750	9	1.21%	925	7	1.60%
Harte Hanks	700	10	1.13%	750	10	1.30%
Texarkana AR ISD	675		1.09%	785	9	1.36%
<b>Total</b>	<b>15,725</b>		<b>25.30%</b>	<b>15,982</b>		<b>27.65%</b>

Source:

Chamber of Commerce, Texas Workforce Commission LMI Tracer

Notes:

(1) MSA employment for 2017 is 62,200

(2) MSA employment for 2008 is 57,800

*Unaudited - see accompanying auditors' report*

# CITY OF TEXARKANA, TEXAS

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## STATISTICAL SECTION

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>General government</b>				
Purchasing- General Services	4	3	3	3
Finance / Accounting	6	5	6	6
Building Maintenance	3	3	3	3
City Manager	1	1	1	1
City Secretary	1	1	2	2
Research and Vital Statistics	2	2	2	2
Human Resources	5	4	5	4
City Attorney	2.0	0	0	0
Municipal Court	7.5	8.5	8	9
Quality Assurance	0	0	1	1
Marketing	0	0	1	2
<b>Public safety</b>				
Police Administration	3	7	7	5
Uniform Services- Patrol	74	65	69	72
Support Services	11	9	10	31.5
Criminal Investigation	17.5	18.5	18.5	0
CMV Enforcement Unit	0	0	2	2
Narcotics	2	3	4	3
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	2	0	0	0
Engineering	7	7	7	7
Engineering & Infrastructure Administration	2	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	0	2	2	2
Code Enforcement	0	3	3	3
Stormwater Management	0	0	0	0
<b>Health and welfare</b>				
Community Development	3	3	3	3
Environmental Services	3	2	2	2
Environmental Health Services	2	1	1	1
Demolition	4	1	1	1
Animal Control	2	2	2	2

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<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
3	0	0	0	0	0
6	8	8	8	8	8
3	3	2	0	0	0
1	1	2	9	10	11
2	2	3	0	0	0
2	2	3	0	0	0
4	4	4	4	4	5
0	0	0	0	0	0
8	8.5	7.5	9.5	8.5	8.5
1	1	0	0	0	0
2	1.5	1	0	0	0
11	9	8	6	2	2
66	63	62	61	59	62
31.5	32	31	31	39	37
0	0	0	0	0	0
2	0	0	0	0	0
0	0	0	0	0	0
2	3	4	81	78	79
73	72	70	0	0	0
0	5	6	0	0	0
0	0	0	0	0	0
2	0	0	0	0	0
0	0	0	0	0	0
7	4	4	3	2	7
2	2	2	2	1	1
38	32	30	36	36	39
7	7	6	13	12	13
6	6	5	6	6	0
2	1.5	0	0	0	0
3	3	3	0	0	0
2	2	2	2	2	0
3.5	5	5	5.5	5.5	6
2	2	2	0	0	0
1	1	1	0	0	0
0	0	0	0	0	0
2	2	2	0	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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Parks and recreation				
Parks Administration	2	2	2	2
Parks Maintenance	24	24	19	19
Recreational Programs	5.5	5.5	3.5	3.5
Senior Citizen Programs	2.5	2.5	1	1
Community Center / Weed & Seed	3	3	1	1
Library	12.5	12.5	16	16
Teen Court	1	1	1	0
Veterans Affairs	0.5	0.5	1	1
Family Health Center				
Administration	5	4	4	3.15
Community	6	5	6	1.5
WIC	7	5	7	7
Reproductive	7	6	7	10.95
TB	0	0	0	0
Public Health Response	2	0	0	0
Tobacco	0	0	0	0
Diabetes	0	0	0	0
Central Records - Dispatch	54	54	53	53
MPO	2.5	2.5	3	3
Fleet	11	9	8	6
Total	<u>443.5</u>	<u>423.5</u>	<u>432.0</u>	<u>431.6</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.

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<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
2	2	2	2	2	2
19	20	21	17	16	17
3.5	3	3	4	5	5
1	1	1	0	0	0
1	1	1	0	0	0
16	12.5	13.5	11	10.5	12.5
0	0	0	0	0	0
1	0.5	0.5	0.5	0	0
3	4	4	3	3	3
2	1	1	1	1	1
7	6	7	7	6	7.5
8	5	4	5	4	5
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1	2	1	0	0	0
54	41	38	41	40	39
3	1.5	3	3	2	2
6	6	4	6	6	6
<u>422.5</u>	<u>389.0</u>	<u>377.5</u>	<u>377.5</u>	<u>368.5</u>	<u>378.5</u>

# CITY OF TEXARKANA, TEXAS

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b><u>Function/Program</u></b>				
General government				
Birth certificate requests	5,695	5,278	6,138	5,937
Public safety				
Police				
Commissioned officers	94	94	100	99
Calls for service	43,554	45,673	43,518	42,407
Total citations issued	8,879	11,606	10,536	11,003
Custody arrests	4,032	5,085	4,010	4,105
Fire				
Firefighters	79	79	78	78
Responses- Fire	281	250	256	306
Responses- EMS/Rescue	1,357	1,494	1,479	1,478
Responses- Other	1,139	978	1,098	1,062
Inspections	3,983	3,988	2,837	2,867
Public works				
Street resurfacing (miles)	(1)	(1)	(1)	1.5
Building permits issued	484	1,188	768	591
Building permits (\$)	76,804,888	44,937,572	49,115,042	63,049,176
Water				
Average daily consumption (millions of gallons)	10.938	10.255	11.207	9.518
Raw water production (millions of gallons)	11.882	11.978	13.949	10.61
Wastewater				
Average daily sewage treatment (millions of gallons)				
South Regional Plant	10.762	10.524	10.778	8.328
Wagner Creek Plant	1.190	1.257	1.253	0.747
Airlines				
Scheduled airline arrivals and departures per day	10	(1)	(1)	(1)
Passengers enplaning and deplaning per year	70,000			

Source: Various City Departments

Notes:

(1) No information available

Unaudited -see accompanying auditors' report

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<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
5,832	5,758	6,056	6,257	6,718	7,137
99	96	95	90	91	91
42,625	38,712	41,556	38,622	39,562	38,878
12,993	10,558	12,507	11,012	9,244	9,594
4,125	3,243	2,383	3,488	3,429	4,059
78	77	78	78	78	78
258	259	220	264	250	246
1,770	1,753	1,871	1,761	1,748	1,770
1,088	1,109	1,022	1,005	1,096	1,010
3,910	3,950	3,950	4,032	4,028	3,445
(1)	(1)	(1)	(1)	2	1
559	577	443	481	544	580
43,348,566	40,844,204	37,317,875	58,075,585	38,254,996	57,433,786
11.201	12.368	11.467	10.677	8.815	10.395
11.74	12.997	12.062	11.545	9.888	11.134
7.514	6.642	8.062	8.890	10.130	8.009
1.116	1.3	1.678	1.673	1.730	1.422
4	6	6	6	6	6
60,000	66,338	68,674	71,500	67,642	70,031

# CITY OF TEXARKANA, TEXAS

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

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government				
Buildings	2	2	4	4
Public safety				
Police Stations	1	1	1	1
Number of vehicles	72	63	69	62
Fire Stations	5	5	5	5
Fire Apparatus	9	9	9	10
Other motorized vehicles	6	6	6	10
Public works				
Buildings	3	3	2	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	14	14	12	12
Park acreage developed	500	500	500	500
Park acreage partially developed	1,330	1,330	1,330	1,330
Playgrounds	20	20	26	26
Swimming pools	0	0	0	0
Tennis courts	6	6	4	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	5
Soccer fields	10	10	12	13
Restroom facilities	15	17	17	17
Boat ramp	1	1	1	2
Splash pad	0	0	0	0
Perot Theatre	1	1	1	1

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<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
4	4	4	4	4	4
1	1	1	1	1	1
80	80	72	80	72	74
5	5	5	5	5	5
10	10	7	9	9	9
16	16	8	8	9	8
2	4	4	4	4	4
257	259	260	261	262	262
8	8	8	8	8	8
15	15	15	15	15	15
30	31	31	32	33	33
3,150	3,200	3,200	3,200	3,250	3,250
12	12	12	12	12	12
587	587	587	587	587	587
1,330	1,330	1,330	1,330	1,330	1,330
27	26	24	26	25	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	1	1	1	1
1	1	1	1	1	1
19	19	19	19	19	19
8	8	8	8	8	8
10	10	10	10	9	9
13	12	10	12	13	13
17	17	18	18	18	18
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1

# CITY OF TEXARKANA, TEXAS

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

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Library				
Number of libraries	1	1	1	1
Health and Welfare				
Buildings	1	1	1	1
Water				
Water mains (miles)	462	473	479	484
Water connections	13,032	12,951	12,937	12,962
Fire hydrants	1,963	2,013	2,051	2,079
Plant capacity (million gallons per day)	18	18	18	18
Wastewater				
Sanitary sewer mains (miles)	329	330	328	340
Sewer connections	12,512	12,418	12,436	12,435
Sewer plant capacity ( millions gallons per day)	20	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

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<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1	1	1	1	1	1
1	1	1	1	1	1
504	479	483	486	473	498
13,119	13,133	13,170	13,224	13,285	13,377
2,172	2,115	2,139	2,169	2,183	2,188
18	18	18	18	18	18
343	340	337	342	336	357
12,518	12,584	12,622	12,677	12,719	12,774
20	20	20	20	20	20
1	1	1	1	1	1
1,200	1,200	1,200	1,200	1,200	1,200
6,601	6,601	6,601	6,601	6,601	6,601

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## **Schedule of Federal Awards Section**

# CITY OF TEXARKANA, TEXAS

## SUMMARY OF AUDITORS' RESULTS For the Year Ended September 30, 2017

PROGRAM	DESCRIPTION
Type of Report of Financial Statements	Unmodified Opinion
Significant Deficiencies in Internal Control	None
Material Weaknesses in Internal Control	None
Noncompliance Material to Financial Statements	None
Significant Deficiencies in Internal Controls over Major Programs	None
Material Weaknesses Involving Significant Deficiencies over Major Programs	None
Type of Report on Compliance with Major Programs	Qualified Opinion – Emergency Solutions Grant Program
Findings for Federal Awards as Defined in OMB Circular A-133	Schedule of Findings Reference 2017-001
Major Federal Programs	14.231 U. S. Department of Housing and Urban Development – Emergency Solutions Grant Program  10.557 U. S. Department of Agriculture – Special Supplemental Nutrition Program for Women, Infants and Children
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
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, 2017

<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	\$ 158,381
Homeland Security Grant Program	97.067	Office of the Governor-Homeland Security Grants Division	State Homeland Security Program - 3044601	17,769
<b>Total Department of Homeland Security</b>				<b>176,150</b>
<b>United States Department of Justice</b>				
Bulletproof Vest Partnership Program	16.607	Texas Governors Office Criminal Justice Division, 2015-DJ-BX-0576	Law Enforcement Block Grant J.A.G.--2015-DJ-BX-0576	14,961
<b>Total United States Department of Justice</b>				<b>14,961</b>
<b>Department of Transportation</b>				
National Priority Safety Programs	20.616		Selective Traffic Enforcement Program (STEP)- 2017-TexarkPD-CIOT-00041	5,503
National Priority Safety Programs	20.616		Selective Traffic Enforcement Program (STEP)- 2017-TexarkPD-IDM-00019	3,849
Highway Planning and Construction	20.205	Texas Department of Transportation	Federal Transit Capital and Operating Assistance Formula Grant--50-16XF0017	137,107
Highway Planning and Construction	20.205	Arkansas Highway Transportation Department,50-16XF0017	Federal Transit Capital and Operating Assistance Formula Grant--50-16XF0017	39,556
<b>Total Highway Planning and Construction</b>				<b>186,015</b>
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	137,107
<b>Total Department of Transportation</b>				<b>323,122</b>

# CITY OF TEXARKANA, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2017

<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 Environmental Protection Agency</b>				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		EPA Revolving Loan Fund--BF- 00F62501	24,560
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		EPA Multipurpose Grant--BF- 00F62801	180,872
Total Brownfields Assessment and Cleanup Cooperative Agreements				<u>205,432</u>
<b>Total United States Environmental Protection Agency</b>				<u><b>205,432</b></u>
<b>Department of Health and Human Services</b>				
Immunization Cooperative Agreements	93.268		Preventative Health and Health	125,762
Preventive Health and Health Services Block Grant	93.991		RLSS/LPHS--2016-001076-00	76,418
<b>Total Department of Health and Human Services</b>				<u><b>202,180</b></u>
<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	65,978
Community Development Block Grants/Entitlement Grants	14.218		Community Development Block Grant - Entitlement (CDBG)--B- 16-MC-48-1000	30,920
Total Community Development Block Grant Program				<u>96,898</u>
Emergency Solutions Grant Program	14.231	Texas Department of Housing and Community Affairs - E16-DC-48-0001	Emergency Solutions Grant Program -- E16-DC-48-0001	<u>470,425</u>
Continuum of Care Program	14.267		Continuum of Care Program-- TX0387L6T071501	45,915
Continuum of Care Program	14.267		Continuum of Care-- TX0387L6T071602	83,324
Total Continuum of Care Program				<u>129,239</u>
<b>Total Department of Housing and Urban Development</b>				<u><b>696,562</b></u>

# CITY OF TEXARKANA, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2017

<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	21,253
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		NSS-WIC Card Participation--2017-049812	383,821
<b>Total United States Department of Agriculture</b>				<b>405,074</b>
<b>National Endowment for the Humanities</b>				
Promotion of the Arts-Grants to Organizations and Individuals	45.024		National Endowment for the Arts--15-4292-7123	81,796
<b>Total National Endowment for the Humanities</b>				<b>81,796</b>
<b>Total Expenditures of Federal Awards</b>				<b>\$ 2,105,277</b>

The accompanying notes are an integral part of this schedule.

# CITY OF TEXARKANA, TEXAS

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## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2017

### 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, 2017. 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, 2017, 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, 2016 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, 2017, 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 29, 2018. 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

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TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **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.

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

March 29, 2018

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# HOLLIDAY, LEMONS & COX, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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, 2017. The City of Texarkana, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with 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' compliance.

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### ***Basis for Qualified Opinion on Emergency Solutions Grant Program***

As described in the accompanying schedule of findings and questioned costs, the City of Texarkana, Texas did not comply with the requirements regarding EFDA 14.231 Emergency Solutions Grant Program as described in finding Reference 2017-001 for Allowable Costs, Matching and 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.

### ***Qualified Opinion on Emergency Solutions Grant Program***

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 the Emergency Solutions Grant Program for the year ended September 30, 2017.

### **Other Matters**

The City of Texarkana, Texas's response to the noncompliance 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.

### **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.

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

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

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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 29, 2018

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# CITY OF TEXARKANA, TEXAS

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended September 30, 2017

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

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

***Reference 2016-002 Community Development Block Grant – Entitlements (CDBG)***

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

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

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

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

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

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

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

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

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

***Reference 2016-006 Continuum of Care CFDA 14.267 – Reporting***

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

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# CITY OF TEXARKANA, TEXAS

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## SCHEDULE OF FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

For the Year Ended September 30, 2017

### *Emergency Solutions Grant Program CFDA 14.231 – Allowable Cost, Matching and Reporting Reference 2017-001*

#### **Condition**

**Allowable Costs:** TDHCA conducted a monitoring review of the City’s Emergency Solutions grant program on September 12-15, 2017. The State reported their findings to the City in a letter dated February 7, 2018 which included findings of questioned costs of \$78,903. The City responded to the State’s review in a letter dated March 1, 2018 in which the City reimbursed the State \$535 for unsupported grant expenses. The City anticipates reimbursement for these expenses from the respective sub recipients.

**Matching:** We also noted the City did not report the required amount of matching for the ESG grant to Texas Department of Housing and Community Affairs on the ESG Program Expenditure Report as of September 30, 2017. The amount of TDHCA funds requested to date as reported on this report was \$470,247, however the matching funds were reported as \$35,696. The matching funds were short by \$434,551. As part of the final grant reporting in October 2017, the City reported matching contributions of \$708,225 to TDHCA.

**Reporting:** We noted the City’s monthly expenditure reports for the Emergency Solutions Grant Program (ESG) were not filed timely as required. The twelve monthly grant reports were each filed late. The reports along with the due dates, and filing dates are shown below:

<u>Report Date</u>	<u>Due Date</u>	<u>Subrecipient Approval Date</u>	<u>TDHCA Approval Date</u>
October 2016	11/15/2016	3/6/2017	3/8/2017
November 2016	12/15/2016	3/9/2017	3/10/2017
December 2016	1/15/2017	3/31/2017	3/31/2017
January 2017	2/15/2017	5/19/2017	5/22/2017
February 2017	3/15/2017	6/6/2017	6/12/2017
March 2017	4/15/2017	6/20/2017	6/23/2017
April 2017	5/15/2017	9/25/2017	9/29/2017
May 2017	6/15/2017	10/27/2017	10/27/2017
June 2017	7/15/2017	10/30/2017	11/1/2017
July 2017	8/15/2017	11/3/2017	11/8/2017
August 2017	9/15/2017	11/16/2017	11/16/2017
September 2017	10/15/2017	12/4/2017	12/4/2017

#### **Criteria**

**Allowable Costs:** Section 6 and Section 9 of the ESG award contract provide guidelines regarding the allowable costs of the ESG program. Generally, the program covers (1) the rehabilitation or conversion of buildings for use as emergency shelter for the homeless, (2) the payment of certain expenses related to operating emergency shelters, (3) essential services related to emergency shelters and street outreach for the homeless, and (4) homelessness prevention and rapid re-housing assistance.

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# CITY OF TEXARKANA, TEXAS

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## SCHEDULE OF FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT For the Year Ended September 30, 2017

### *Emergency Solutions Grant Program CFDA 14.231 – Reporting and Matching Reference 2017-001 (Continued)*

**Matching:** Section 8 of the ESG award contract states “Subrecipient shall match the amount of funds provided by Department under the Contract.” The contract budget shown on Exhibit B of the ESG award contract for \$600,000 of grant funds requires a matching contribution of \$600,000 by the City. The matching contribution reported as of September 30, 2017 of \$35,696 was short of the \$470,247 by \$434,551 as of September 30, 2017. Subsequently, as part of the final grant reporting in October 2017, the City reported matching contributions of \$708,225 to TDHCA.

**Reporting:** Section 12.B of the ESG award contract states “Subrecipients shall electronically submit to the Department no later than the fifteenth (15th) day of each month following the preceding month in the Contract Term a performance report listing required demographic information, the number of persons assisted, and the outcomes achieved in the previous month, and an expenditure report listing all expenditures of funds under this Contract during the previous month.”

#### ***Cause***

The City did not properly expend grant funds on allowable costs, file the monthly grant reports and report matching amounts as required in a timely manner.

#### ***Effect***

The City may not be in compliance with ESG grant requirements for allowable costs, matching and reporting. The TDHCA monitoring report included findings of the City of Texarkana, Texas noncompliance and questioned costs of \$78,503 in the ESG grant, as well as deficiencies in matching and reporting. Based on the City’s response to TDHCA monitoring report, the City repaid \$535 to the State as reimbursement of grant expenses. The City has not yet received a reply from the State as to the current status of the monitoring review or the State’s acceptance of the City response letter, reimbursement, and subsequent grant reports filed as to matching.

#### ***Recommendation***

We recommend all grant compliance requirements be followed as required by federal and state guidelines. We recommend the City follow up with the TDHCA office to ensure the City’s response to the TDHCA monitoring report is deemed as acceptable or if further action is required. 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.

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# CITY OF TEXARKANA, TEXAS

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## **SCHEDULE OF FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT For the Year Ended September 30, 2017**

### ***Emergency Solutions Grant Program CFDA 14.231 – Reporting and Matching Reference 2017-001 (Continued)***

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

The City will follow up with TDHCA to verify that the supporting documentation provided in response to the monitoring review meets all requirements and is deemed acceptable. 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 to sub-recipients. Responsible departments will continue to meet with the City Manager on a periodic basis to review the status of each grant and verify that reporting deadlines are met. All grant related draw requests and supporting documentation are required to be reviewed by the Finance department prior to submission of the request.

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