

Comprehensive Annual Financial Report

for the fiscal year ended September 30, 2018

CITY OF TEXARKANA, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
September 30, 2018**

Prepared by:

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

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, 2018, 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, 2018. 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 31.73 square miles and serves a population estimated at 37,818. 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, 2017 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 80,000 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.

Permits for new non-residential construction increased from last year's value of around \$28,254,665 to around \$41,796,884 this year. Permits for non-residential additions, alterations and conversions decreased from \$15,276,599 to \$14,007,539 this year. Residential permits decreased from \$8,292,931 to \$5,895,000. Residential additions, alterations and conversions ended the year at \$705,946, a decrease from last year's number of \$1,687,227.

Notable commercial projects in progress and/or completed in 2018 include the following:

- Banks/Credit Unions/ Schools
 - LEISD Elementary
 - Loe & Birdwell

- Restaurants
 - Taco's 4 Life
 - Newk's
 - Chick Fil A
 - Crave Pizza
 - US Pizza
 - Taquitas Plus
 - Loca Luna
 - Taco Tico
 - Red Bone Brewery
 - The Benchmark American Brasserie

- Gym Facilities
 - Planet Fitness
 - The Sports Plex

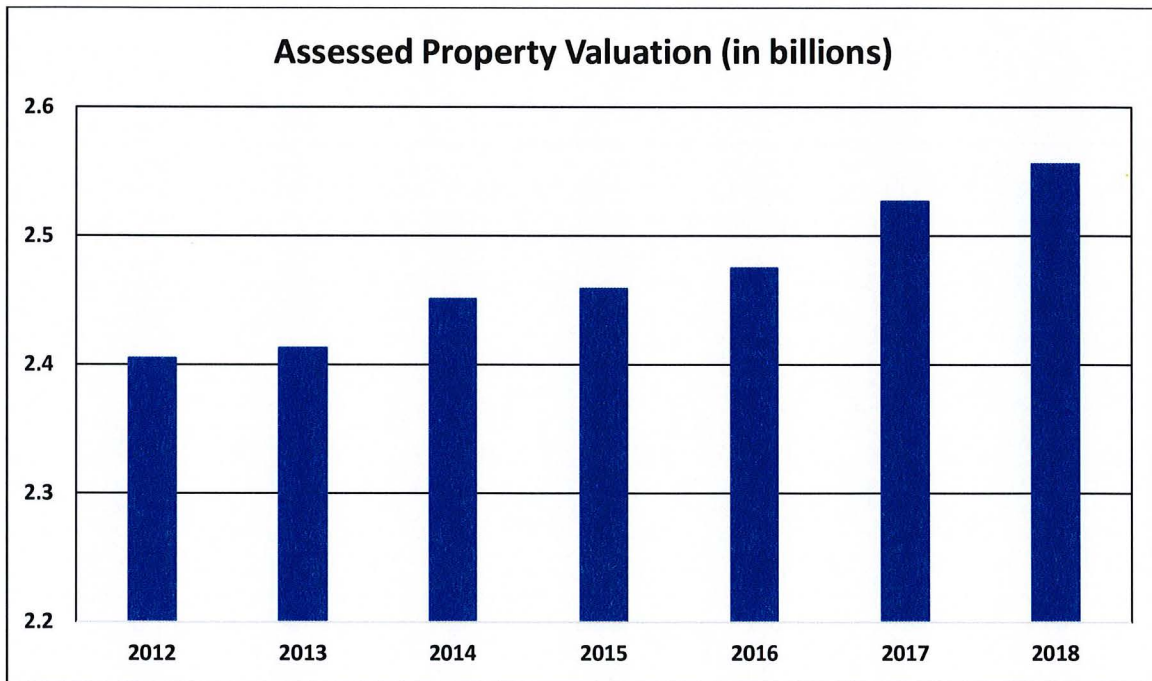
- Retail Shopping
 - O'Reilly's
 - Factory Connection
 - Fur Cuts

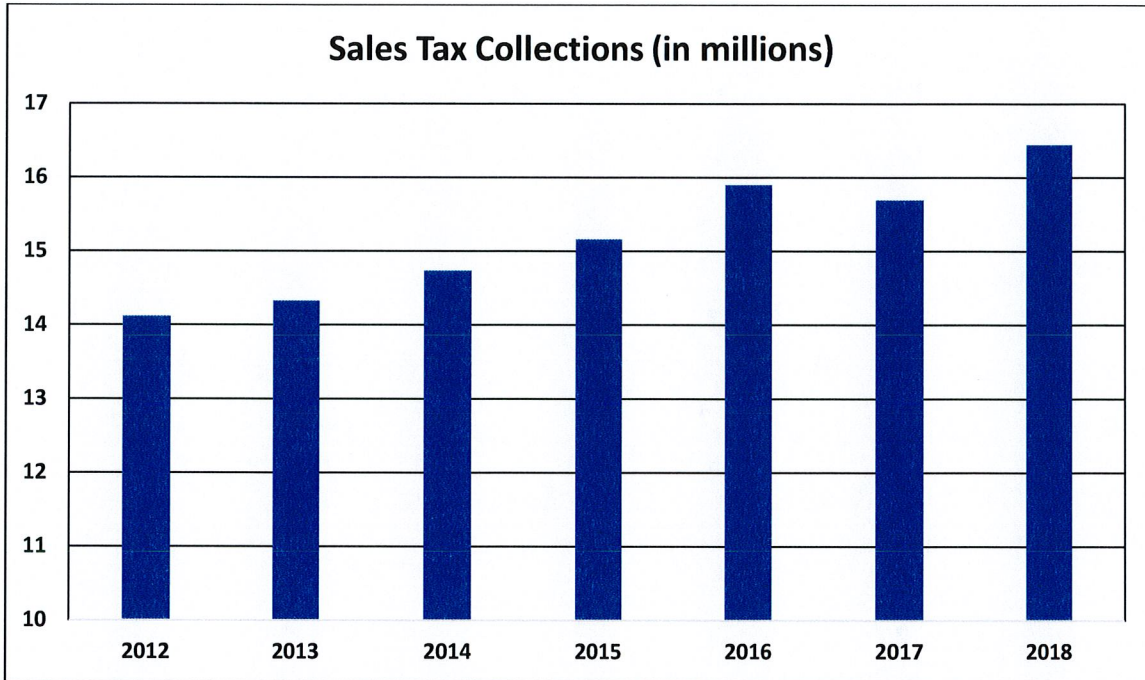
- Red Door Dance Academy
- Party City
- Road Runner X2
- Hill's Auto
- Creative Flooring

- Medical
 - Pleasant Grove Medical Spa
 - Pleasant Grove Family Clinic
 - BPL Plasma

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 general revenues in fiscal year 2018 compared to the prior fiscal year was \$538,004. In total, property tax revenue increased by \$331,400 (1.92%). Property tax revenue allocated to the general fund decreased by \$576,885 (4.62%), while property tax revenue allocated to the debt service fund and the TIRZ #1 fund increased by \$753,890 (17.69%) and \$154,395 (33.95%) respectively. Sales and other tax revenue increased by \$704,659 (4.44%), revenue from franchise receipts increased by \$89,325 (6.41%), municipal court collections increased by \$93,211 (5.37%), interest revenue increased by \$173,297 (165.29%), and various other revenues increased by \$54,397 (2.39%).

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





Unemployment in the City increased to 5.2%, which was slightly higher than the state and national rate of 3.7%

Long-Term Financial Planning

Unassigned fund balance in the general fund at September 30, 2018 is \$8,655,483, which represents 24.96% or 91 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 three new restaurants and a retail store 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 eighty-five percent (85%) 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.

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.

The South Regional Wastewater Treatment Plant (SRWWTP) is the main wastewater treatment facility for both sides of town. In 2018, a ten (10) year plan was developed to prioritize and schedule out needed upgrades and improvements at this facility. In 2018, \$280,166 was expended for repairs and machinery replacement. Both the Arkansas and Texas Utilities make annual revenue contributions to the joint SRWWTP depreciation account to provide funding for the identified expenditures. In 2019, utility staff updated and reprioritized the upgrades and replacements on the revolving ten (10) year capital replacement plan with \$3,435,500 in plant improvements scheduled, and approximately \$225,000 and \$360,000 in improvements planned for the 2019 and 2020 fiscal years respectively.

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. The current plant, located on New Boston Road, is over forty (40) years old and is co-owned by the City and other municipalities. Because this issue is of vital importance to all water users in the region, 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. 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

- In 2018, City employees received a two percent (2%) cost of living adjustment with a minimum increase of \$500 per employee. 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 2018 budget. The City maintains an interactive inventory of all structures that are candidates for demolition and continually makes updates as new information becomes available. Demolition efforts are concentrated in specific neighborhoods with the goal of revitalizing an entire neighborhood. One hundred and two (102) structures have been demolished since the inception of this program in August of 2014.
- Long-range financial planning continues to be a priority for the City.
 - The budgeting process for the general fund captures five years of current and projected financial data.
 - The Capital Replacement Fund continues to be successful in updating City vehicles and major equipment through a rolling replacement schedule.
 - The Technology Fund also offers a replacement schedule that reflects average useful life and ensures continual updating of computer equipment for maximum performance.
 - The City established a Major Street Maintenance Fund in fiscal year 2018. This fund is used to address city-wide street maintenance needs as they arise, rather than incurring additional costs by delaying projects until future dates. A transfer of \$3 million from the City's water department allowed for the completion of seventy-five (75) projects spanning twelve (12) miles of city streets.

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, 2017. This was the twenty-eighth (28th) 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, 2018, which marks the third 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,

A handwritten signature in cursive script that reads "Kristin Peebles". The signature is written in black ink and is positioned above the printed name and title.

Kristin Peebles, CPA
Chief Financial Officer

July 1, 2019



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, 2017

Christopher P. Morill

Executive Director/CEO

CITY COUNCIL

BOB BRUGGEMAN
Mayor

JEAN H. MATLOCK
Councilmember, Ward 1

MARY HART
Councilmember, Ward 2

BETTY WILLIAMS
Councilmember, Ward 3

CHRISTIE ALCORN
Councilmember, Ward 4

WILLIAM HARP
Councilmember, Ward 5

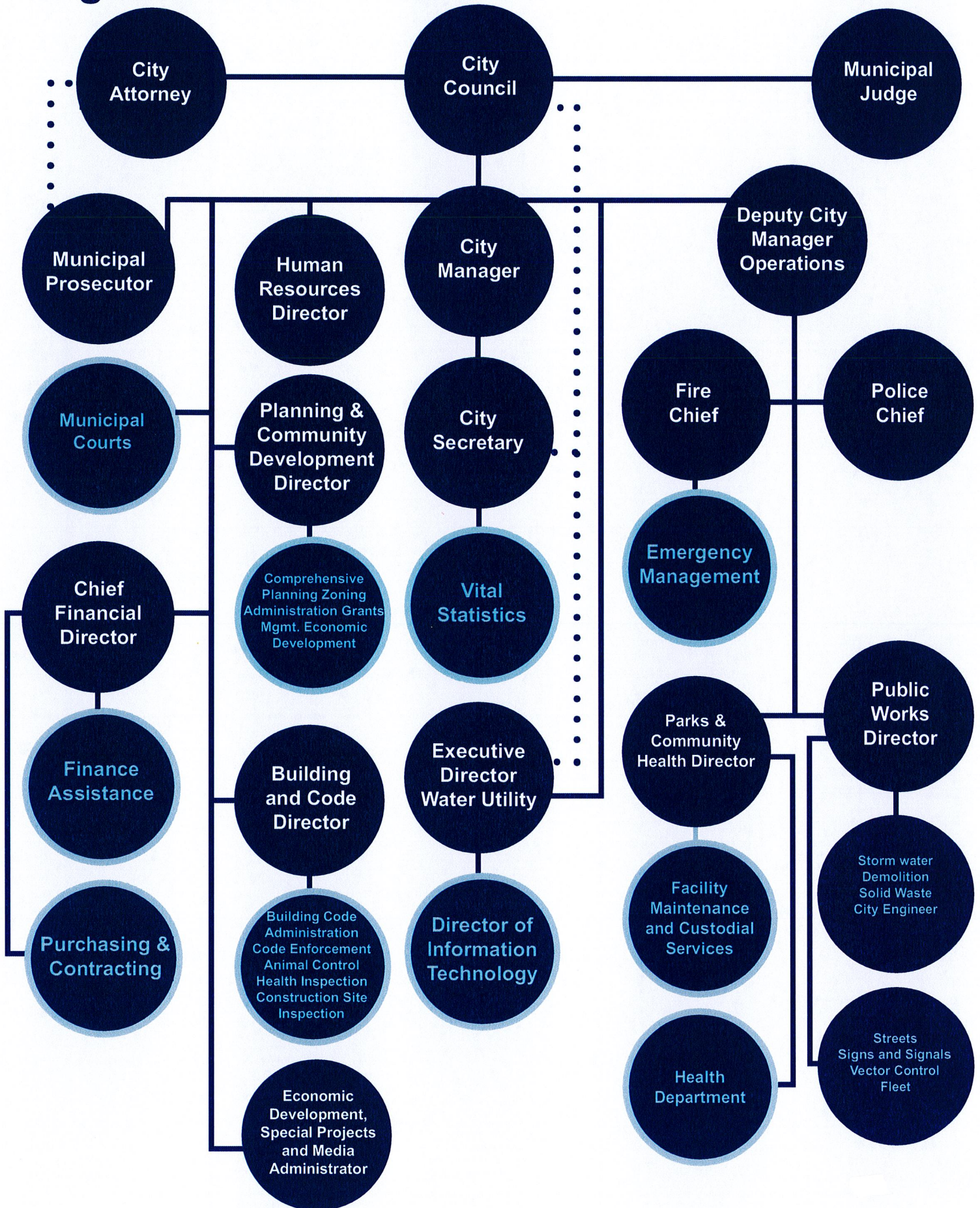
JOSH DAVIS
Councilmember, Ward 6

SHIRLEY JASTER
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, 2018, 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, 2017 (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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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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, 2018 and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension plan trend information on pages 9 through 22 and pages 108 through 115, 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 July 3, 2019, 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 solely 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 the effectiveness of the City of Texarkana, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Texarkana, Texas' internal control over financial reporting and compliance.

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

July 3, 2019

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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, 2018. 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 \$165,832,127 (net position). Of this amount, \$147,599,376 (89%) are invested in capital assets which do not directly generate revenue and are not available to generate liquid capital. Net position restricted for specific purposes total \$13,527,799 (8%). The remaining \$4,704,952 (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 decreased by \$4,820,338 during this fiscal year. The change in net position from operations of governmental activities decreased by \$488,290 while the change in net position from operations of business-type activities decreased by \$4,332,048.
- Unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors, increased by \$53,337.
- At the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$30,241,221, an increase of \$2,435,009 from last year. \$8,516,380 of this amount or 28.16% of the total fund balance is available for spending at the City's discretion (unassigned fund balance).
- Within the combined governmental fund balances, \$90,274 is non-spendable for joint venture investments. Another \$8,299,613 is restricted, \$3,277,171 is committed, and \$10,057,783 is assigned. Total unassigned fund balance is \$8,516,380 and is equal to 24.5% of general fund expenditures.
- The City has approximately 90 days of expenditures in the unassigned fund balance of the general fund at year end.
- The City's total long-term liabilities decreased by \$2,815,065 (2.8%) due to regularly scheduled debt service payments.

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 24 - 27 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental funds

statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-six (26) governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Debt Service Fund, both of which are considered to be major funds. Data from the other twenty-four (24) 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 28 - 33 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Texarkana, Texas Water Utilities (TWU), which is considered to be a major fund of the City. Data from the other two (2) enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is presented in the form of combining statements elsewhere in this report. These internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 34 - 39 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Texarkana, Texas' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 40 - 41 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 42 - 106 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 - 115 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 117 – 158 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 \$165,832,127 as of September 30, 2018. The largest portion of the City’s net position (\$147,599,376 or 89%), 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>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	51,390,824	50,838,584	18,722,691	21,594,759	70,113,515	72,433,343
Capital assets	133,329,215	130,659,168	64,946,421	66,923,816	198,275,636	197,582,984
Total assets	<u>184,720,039</u>	<u>181,497,752</u>	<u>83,669,112</u>	<u>88,518,575</u>	<u>268,389,151</u>	<u>270,016,327</u>
Deferred outflows of resource	<u>2,511,410</u>	<u>9,246,151</u>	<u>1,156,162</u>	<u>1,458,030</u>	<u>3,667,572</u>	<u>10,704,181</u>
Long-term liabilities	85,474,999	86,981,061	11,528,874	12,837,877	97,003,873	99,818,938
Other liabilities	<u>2,515,613</u>	<u>3,605,946</u>	<u>3,360,480</u>	<u>4,209,329</u>	<u>5,876,093</u>	<u>7,815,275</u>
Total liabilities	<u>87,990,612</u>	<u>90,587,007</u>	<u>14,889,354</u>	<u>17,047,206</u>	<u>102,879,966</u>	<u>107,634,213</u>
Deferred inflows of resource	<u>1,461,300</u>	<u>1,889,069</u>	<u>1,883,330</u>	<u>544,761</u>	<u>3,344,630</u>	<u>2,433,830</u>
Net position						
Net invested in capital asset:	88,593,873	86,912,466	59,005,503	59,720,017	147,599,376	146,632,483
Restricted	8,726,421	12,305,856	4,801,378	7,062,511	13,527,799	19,368,367
Unrestricted	459,243	(950,495)	4,245,709	5,602,110	4,704,952	4,651,615
Total net position	<u>97,779,537</u>	<u>98,267,827</u>	<u>68,052,590</u>	<u>72,384,638</u>	<u>165,832,127</u>	<u>170,652,465</u>

An additional portion of the City's net position of \$13,527,799 (8%) represents resources that are subject to external restrictions on their usage. All restricted assets of the City relating to both governmental activities and business-type activities are being held for purposes established by state and local laws, future construction, and debt service reserve requirements on the City's outstanding debt. The remaining balance of unrestricted net position in the amount of \$4,704,952 (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 \$3,222,287. Cash and investments increased by \$1,316,633. Accounts receivable decreased by \$623,769. Joint venture investments in the Texarkana Regional Airport, Texarkana Urban Transit District, Bi-State Justice Center, and the Bowie Central Appraisal District decreased by \$267,186. The balance of internal fund receivables decreased by \$128,072, capital assets increased by \$2,670,047, and inventory decreased by \$1,510.

Deferred outflows of resources decreased by \$6,734,741. Deferred pension outflows decreased by \$7,943,005. Deferred pension outflows represent the contributions made by the City after the liability measurement dates, but prior to the fiscal year end. Also included are changes in investment experience for pension plan investments. The deferred charge on refunding, which accounts for the difference in the carrying value of refunded debt and its reacquisition price, decreased by \$109,089. Deferred outflows for other post-employment benefits increased by \$1,317,353 as a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Total liabilities decreased by \$2,596,395. Liabilities recorded for net pension liability and other post-employment benefits increased by \$2,338,539. Bonds payable, certificates of obligation, and obligations under capital leases decreased by \$3,938,284 due to regularly scheduled debt service payments and capital lease transactions. Contracts payable decreased by \$1,031,765 due to the completion of several capital projects. Accounts payable decreased by \$234,697. Accrued compensated absences, accrued payroll, due to other governments and other changes in smaller liability accounts make up the remaining increase of \$269,812.

Business Type Activities:

The business type activities total assets decreased 5.5%, current and other assets decreased 13.3%, and capital assets decreased 3.0%. Total liabilities also decreased \$2,157,852, or 12.7% as long-term liabilities decreased 10.2% while other liabilities decreased 16.8%. TWU enterprise fund assets decreased \$4,507,171 or 5.2% while total liabilities decreased 12.3% or \$1,943,632 for the year.

CITY OF TEXARKANA, TEXAS' CHANGES IN NET POSITION

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues						
Charges for services	\$ 3,821,919	4,015,948	17,663,399	17,130,716	21,485,318	21,146,664
Operating grants and contributions	2,695,060	1,659,145			2,695,060	1,659,145
Capital grants and contributions			22,539	39,365	22,539	39,365
General revenues:						
Property taxes	17,432,676	17,441,622			17,432,676	17,441,622
Other taxes	19,921,901	18,885,874			19,921,901	18,885,874
Other revenue	1,057,169	4,538,501	1,352,502	1,281,711	2,409,671	5,820,212
Total revenue	<u>44,928,725</u>	<u>46,541,090</u>	<u>19,038,440</u>	<u>18,451,792</u>	<u>63,967,165</u>	<u>64,992,882</u>
Expenses:						
General government	9,748,511	8,357,159			9,748,511	8,357,159
Public safety	17,965,103	17,875,634			17,965,103	17,875,634
Public works	9,119,545	9,044,672			9,119,545	9,044,672
Parks and recreation	3,630,516	3,517,538			3,630,516	3,517,538
Health and welfare	1,790,592	1,532,646			1,790,592	1,532,646
Interest on long-term debt	1,908,617	1,770,944			1,908,617	1,770,944
Water and sewer			16,173,218	16,409,625	16,173,218	16,409,625
Total expenses	<u>44,162,884</u>	<u>42,098,593</u>	<u>16,173,218</u>	<u>16,409,625</u>	<u>60,336,102</u>	<u>58,508,218</u>
Change in net position before transfers	765,841	4,442,497	2,865,222	2,042,167	3,631,063	6,484,664
Transfers	6,018,900	39,997	(6,018,900)	(39,997)	-	-
Change in net position	<u>6,784,741</u>	<u>4,482,494</u>	<u>(3,153,678)</u>	<u>2,002,170</u>	<u>3,631,063</u>	<u>6,484,664</u>
Beginning net position, as previously reported	98,267,827	93,785,333	72,384,638	70,382,468	170,652,465	164,167,801
Prior period adjustment	(7,273,031)		(1,178,370)		(8,451,401)	
Beginning net position, as restated	<u>90,994,796</u>	<u>93,785,333</u>	<u>71,206,268</u>	<u>70,382,468</u>	<u>162,201,064</u>	<u>164,167,801</u>
Ending net position	<u>\$ 97,779,537</u>	<u>98,267,827</u>	<u>68,052,590</u>	<u>72,384,638</u>	<u>165,832,127</u>	<u>170,652,465</u>

Total Statement of Activities

The total result of the City's activity is a decrease in total net position of \$4,820,338 during the current fiscal year, of which \$3,631,063 was the positive change in net position and \$8,451,401 was due to prior period adjustment. Net position related to business-type activities decreased by \$4,332,048, while net position from governmental activities decreased by \$488,290. Additional related information may be found in the governmental activities section on pages 26 – 27 of this report.

Governmental Activities:

Governmental activities showed a decrease in net position of \$488,290. Key elements of this change are summarized as follows:

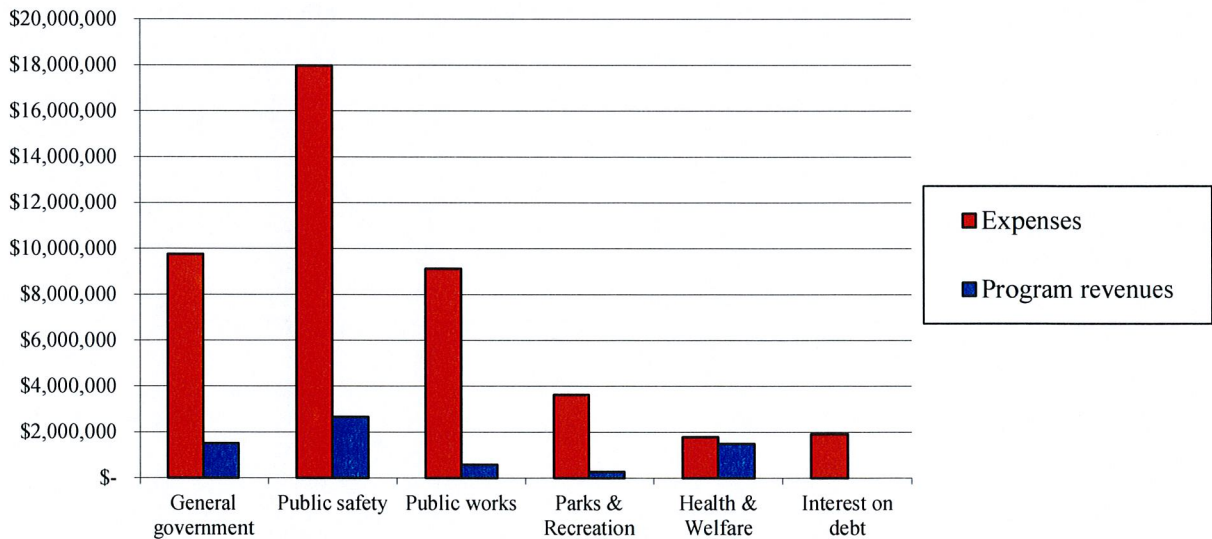
Revenues

- Charges for Services \$3,821,919
 - Decrease of \$194,029 or 4.8%
- Operating Grants and Contributions \$2,695,060
 - Increase of \$1,035,915 or 62.4%
- Property Taxes \$17,432,676
 - Decrease of \$8,946 or 0.05%
- Sales and Other Taxes \$19,921,901
 - Increase of \$1,036,027 or 5.5%
- Other Revenue \$1,057,169
 - Decrease of \$3,481,332 or 76.7%
- Transfers \$6,018,900
 - Increase of \$5,978,903 or 14,948.37%

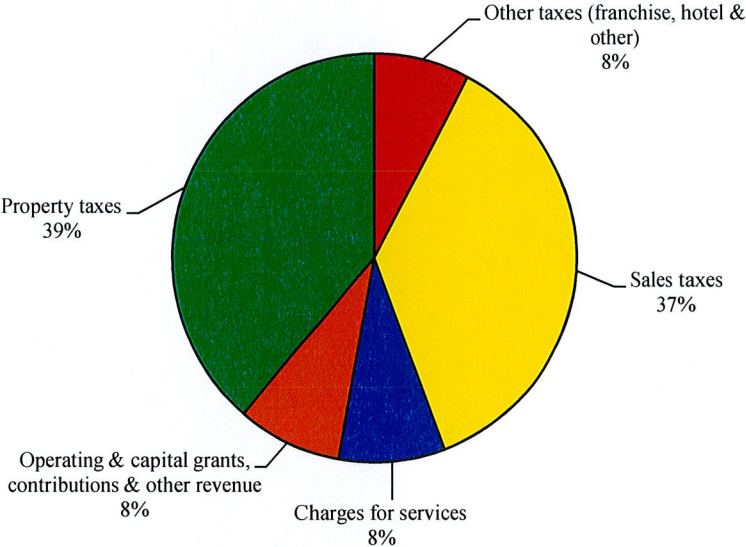
Expenses

- General Government \$9,748,511
 - Increase of \$1,391,352 or 16.64%
- Public Safety \$17,965,103
 - Increase of \$89,469 or 0.50%
- Public Works \$9,119,545
 - Increase of \$74,873 or 0.82%
- Parks and Recreation \$3,630,516
 - Increase of \$112,978 or 3.21%
- Health and Welfare \$1,790,592
 - Increase of \$257,946 or 16.83%
- Interest on Long-Term Debt \$1,908,617
 - Increase of \$137,673 or 7.77%
- Prior Period Adjustment for implementation of GASB Statement No. 75 \$7,273,031

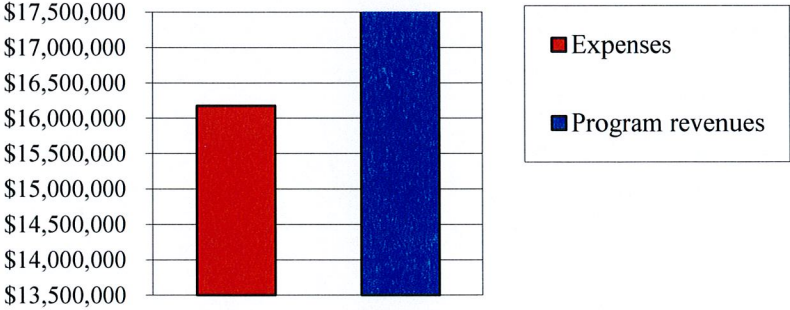
EXPENSES AND PROGRAM REVENUES –GOVERNMENTAL ACTIVITIES



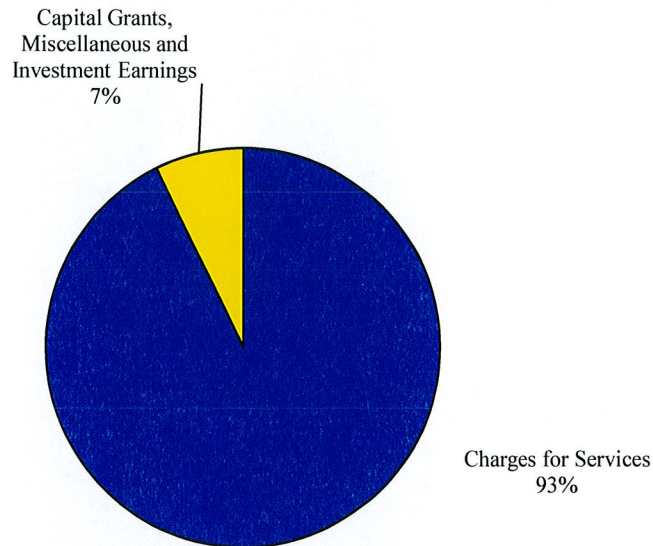
REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



EXPENSES AND PROGRAM REVENUES – BUSINESS-TYPE ACTIVITIES



REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES



Business Type Activities:

Business type activities had a net decrease in net position of \$4,332,048. TWU had a decrease of \$4,203,976 in net position with an increase of 3.5% in operating revenue as water sales increased 4.2%, and wholesale water sales increased 7.5%. Total revenue for the business type activities increased \$586,648 as charges for services increased 3.1%, and other revenue increased by 5.5%. Total expenses decreased \$236,407, or 1.4%, and TWU operating expenses excluding depreciation decreased \$370,181, or 3.2% from last year. TWU depreciation expense increased \$41,257, or 1.2%. The TWU change in net position before contributions and transfers was \$2,970,755, which was an increase of 44.9% from the prior year. The change in net position before transfers for business type activities overall was \$2,865,222, which was an increase of \$823,055 from last year. As a percentage of revenues, the 2018 net change in position before contributions and transfers was 15.0%, compared to 11.1% 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 \$30,241,221 an increase of \$2,435,009, in comparison with the prior year. This increase is due mostly to the following:

- Capital project funds decreased by \$4,429,558 due to expenditures for several capital projects around the City, including Forest Lake Estates street reconstruction, Cowhorn Creek Corridor project, dredging of the Spring Lake Park pond, building and parking lot improvements for the fire department, street department, fleet, and SOTC.
- Non-major special revenue funds increased by \$2,111,715. The Economic Development Fund increased by \$386,432 due to franchise fee revenue collected in excess of expenditures. The TIRZ #1 Fund increased by \$832,082 due to property tax revenue from City collections and contributions from Bowie County in excess of expenditures. The Housing and Community Development Fund increased by \$554,375 due to the City's participation in the 108-loan program. Combined changes for various other special revenue funds was an increase of \$338,826.
- The City's Debt Service Fund increased by a net of \$184,282, as a result of normal debt service and other expenditures for the year (\$5,650,663), offset by property tax and investment revenue deposited into the Fund (\$5,018,797), and transfers from other funds for debt service payments (\$816,148).
- General Fund increased by \$4,568,570 for the year due to general revenue of \$34,359,789 offset by general expenditures of \$34,665,987 and net transfers in of \$4,874,768.

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 \$8,655,483, while the total fund balance was \$18,683,425. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balances to total fund expenditures. Unassigned fund balances represent 25.0% of the total General Fund expenditures, while total fund balance represents 53.8% 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 \$206,784. 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 the City's long-term general obligation debt. The fund expended \$5,650,663 in debt payments during this fiscal year, an increase of \$423,625 from last year. This increase 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 2018 fiscal year, the City had combined ending fund balances in its special revenue funds of \$6,044,429, an increase in fund balance of \$2,111,715 due to total revenue for special revenue funds of \$5,094,099 offset by expenditures of \$2,377,934 and net transfers out of \$604,450.

At the end of fiscal year 2018 the City had a total of five (5) capital project funds included in other governmental funds, with total fund balances of \$5,306,583, a decrease of \$4,429,558 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 \$4,559,508 for the fiscal year and included Forest Lake Estates street reconstruction, Cowhorn Creek Corridor project, dredging of the Spring Lake Park pond, building and parking lot improvements for the fire department, street department, fleet, and SOTC.

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 2018 was \$4,245,709, which was a decrease of \$1,356,401 from 2017. The TWU portion of \$3,758,138 was a decrease of \$1,228,329 from the prior year. This decrease consisted of a net loss of \$3,025,606, a reduction of \$1,178,370 for a prior period adjustment required for current year implementation of GASB 75 that changed the accounting treatment for other post-employment benefits, and a \$2,975,647 decrease in restricted funds for the year. The change in restricted funds for fiscal year 2018 consisted of a decrease of \$2,261,133 in TWU restricted accounts and a decrease of \$714,514 in the amount invested in capital assets, net of the related debt. The increase in investments in capital assets for the year of \$1,094,515 was funded by several accounts including Capital Improvement, Infrastructure, Depreciation, Technology, Equipment, and Composting. The net decrease of \$714,514 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 \$2,398,414, a decrease from last year of \$349,792 (12.7%). 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 \$364,471, 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 increased by \$14,679, due to revenue and net transfers in of \$1,290,426 of in excess of cost of sales and service of \$1,275,747.

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 \$3,041,825 for the calendar year of 2017 and net position totaled \$34,819,005. 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 \$24,617 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 \$1,807.

General Fund Budgetary Highlights

The fund balance difference between the original budget and final amended budget totaled a \$2,407,337 decrease.

The decrease can be summarized as follows:

- Revised revenue in the General Fund increased by \$736,628.
 - Projected increase in sales and other taxes \$212,364
 - Projected increase in charges for services \$156,348
 - Projected increase in investment earnings \$105,806
 - Projected increase in other revenue \$142,698
 - Total of other small increases projected \$119,412
- Revised expenditures for the General Fund increased by \$2,909,877 over adopted due mostly to an increase in capital outlay projects associated with the Major Street Maintenance Fund.
- Net transfers in decreased by \$234,088 due mostly to a change in transfers from the Economic Development Fund to the General Fund.

The difference between the final amended budgeted fund balance and the actual fund balance was an increase of \$1,028,940. Most of the increase is related to personnel savings associated with vacancies combined with favorable revenue results.

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, 2018, amounts to \$198,275,636 (net of accumulated depreciation), compared to \$197,582,984 in 2017, an increase of \$692,652. Investment in capital assets related to governmental activities of \$133,329,215 increased by \$2,670,047, 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 \$64,946,421, a decrease of \$1,977,395, 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 - \$2,373,476
- Cowhorn Creek Corridor Project - \$192,978
- Spring Lake Park Dredging - \$466,598
- Roof Replacements & Other Building and Parking Lot Improvements - \$722,024
- Kress Building Demolition - \$197,792
- Linear Park - \$196,416

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Land	\$ 46,864,128	47,032,128	1,419,703	1,419,703	48,283,831	48,451,831
Buildings	15,147,062	14,604,426	929,804	985,970	16,076,866	15,590,396
Improvements other than buildings	3,609,827	2,841,197	49,935,803	51,463,956	53,545,630	54,305,153
Machinery and equipment	5,217,707	3,880,161	2,399,029	2,251,647	7,616,736	6,131,808
Licensed vehicles	3,779,270	3,422,821			3,779,270	3,422,821
Infrastructure	52,361,055	52,468,793			52,361,055	52,468,793
Construction in progress	6,350,166	6,409,642	2,844,290	3,042,820	9,194,456	9,452,462
Property under capital lease			7,417,792	7,759,720	7,417,792	7,759,720
Total capital assets	<u>\$ 133,329,215</u>	<u>130,659,168</u>	<u>64,946,421</u>	<u>66,923,816</u>	<u>198,275,636</u>	<u>197,582,984</u>

Additional information on the City’s capital assets can be found in Note 6 in this report on pages 61 – 63.

Debt Administration

At the end of the current fiscal year the City of Texarkana, Texas had total debt outstanding of \$97,003,873. Of this amount, \$85,474,999 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 2018, this amount was \$11,528,874.

OUTSTANDING DEBT AT YEAR END

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
General obligation bonds	\$ 26,302,263	28,922,007			26,302,263	28,922,007
Revenue bonds			2,633,290	2,878,083	2,633,290	2,878,083
Certificates of obligation	26,991,089	28,239,573			26,991,089	28,239,573
Capital leases	835,180	905,236	3,307,629	3,731,217	4,142,809	4,636,453
Accrued compensated absences	4,235,167	4,141,484	400,392	410,327	4,635,559	4,551,811
Net pension and other post employment liabilities	27,111,300	24,772,761	5,187,563	5,818,250	32,298,863	30,591,011
Total	\$ 85,474,999	86,981,061	11,528,874	12,837,877	97,003,873	99,818,938

The City’s total debt decreased by \$2,815,065 (2.8%) during the current fiscal year. This decrease is due to normal debt service payments offset by increases in accrued compensated absences, net pensions and other post-employment (OPEB) liabilities. The City’s General Obligation, Certificates of Obligation, and Revenue bond ratings are listed below:

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

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City’s local property tax rate for this fiscal year was \$.70000 per \$100 assessed valuation of which \$.200862 per \$100 was for annual debt service.

Additional information on the City’s long-term debt can be found in Notes 16-18 on pages 73 – 78 of this report.

Economic Factors and Next Year’s Budgets and Rates

The unemployment rate for the City as of the fiscal year end was 5.2, compared to 4.1 last year. This rate is slightly higher than the State and National rate of 3.7.

Sales tax collections are projected to comprise about forty eight percent (45.8%) of the City's proposed budget for the 2019 fiscal year. Collections are budgeted to increase two percent (2.00%) over the final budgeted revenue for 2018.

Total assessed value of property within the City for the 2019 budget year (based on the 2018 certified valuation) increased by \$36,457,380 (1.4%) from last year. Current tax revenues allocated to the Debt Service Fund next year will decrease from the prior year to just over twenty two percent (22.2%) of current collections. The City Council has elected not to increase the property tax rate of .70 per \$100 valuation for the 2019 fiscal year. Total current property tax collections across all funds (General Fund, Debt Service Fund, TIRZ 1 Fund) is expected to increase by \$260,894 which is a 1.5% increase from last year's budget. The property tax revenue to be raised from new property added to the tax roll is \$120,828.

All the above factors were considered in preparing the City's budget for the 2018-2019 fiscal year. The adopted 2019 General Fund budget is a balanced budget with an approved use of fund balance for the pay-off of the 2012 GO Refunding Bond. The ending unassigned General Fund balance is projected to be approximately twenty-one percent (21%) of budgeted reoccurring General Fund expenditures.

The Texas Revenue Fund of TWU is projected to end the 2018-2019 budget year with a balance of \$3,516,883 or approximately 18% of total budgeted expenditures.

Requests for Information

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

Basic Financial Statements

CITY OF TEXARKANA, TEXAS

STATEMENT OF NET POSITION

September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Health
ASSETS				
Cash	\$ 25,321,626	4,050,973	29,372,599	622,112
Investments:				
Certificates of deposit	5,231,817	2,062,500	7,294,317	
Corporate stocks	1,000		1,000	
Receivables (net of allowance for uncollectibles):				
Property taxes	1,755,466		1,755,466	
Other taxes	393,973		393,973	
Accounts	183,585	2,328,617	2,512,202	
Other government agencies	3,692,487	169,148	3,861,635	141,066
Accrued interest	69,615	33,161	102,776	
Loans	400,426		400,426	
Internal balances	(487,571)	487,571	-	
Inventory	25,974	572,702	598,676	
Prepaid items		50,952	50,952	
Net investment in direct financing lease		14,804	14,804	
Restricted assets:				
Cash		3,314,689	3,314,689	
Investments		3,992,500	3,992,500	
Accrued interest		59,524	59,524	
Accounts receivable		130,611	130,611	
Prepaid capital improvement deposits		1,185,088	1,185,088	
Net investment in direct financing lease		269,851	269,851	
Investments in joint venture	14,802,426		14,802,426	
Capital assets (net of accumulated depreciation):				
Land	46,864,128	1,419,703	48,283,831	
Buildings	15,147,062	929,804	16,076,866	275,009
Improvements other than buildings	3,609,827	49,935,803	53,545,630	
Infrastructure	52,361,055		52,361,055	
Machinery and equipment	5,217,707	2,399,029	7,616,736	14,792
Licensed vehicles	3,779,270		3,779,270	
Property under capital leases		7,417,792	7,417,792	
Construction in progress	6,350,166	2,844,290	9,194,456	
TOTAL ASSETS	184,720,039	83,669,112	268,389,151	1,052,979
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	513,959	1,156,162	1,670,121	
Deferred outflows from other post employment benefits	1,317,353		1,317,353	
Deferred charge on refunding	680,098		680,098	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,511,410	1,156,162	3,667,572	-

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

*Component
Unit*

Primary Government

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Health</i>
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LIABILITIES

Accounts payable	1,354,873	706,754	2,061,627	27,428
Contracts payable	170,651	57,205	227,856	
Accrued liabilities	875,125	222,612	1,097,737	23,529
Due to other governments	107,429		107,429	
Unearned revenue	7,535		7,535	
Accrued interest payable from restricted assets		18,411	18,411	
Customer deposits		702,894	702,894	
Capital improvement deposits		1,601,926	1,601,926	
Other liabilities and escrow deposits		50,678	50,678	
Long-term liabilities				
Due within one year:				
Bonds payable	2,225,000	250,000	2,475,000	
Certificates of obligation	1,810,000		1,810,000	
Obligations under capital leases	225,157	427,342	652,499	
Accrued compensated absences	278,996	56,468	335,464	
Due in more than one year:				
Net pension liabilities	14,744,941	2,974,761	17,719,702	
Net other postemployment liabilities	12,366,359	2,212,802	14,579,161	
Bonds payable	24,077,263	2,383,290	26,460,553	
Certificates of obligation	25,181,089		25,181,089	
Obligations under capital leases	610,023	2,880,287	3,490,310	
Accrued compensated absences	3,956,171	343,924	4,300,095	
TOTAL LIABILITIES	87,990,612	14,889,354	102,879,966	50,957

DEFERRED INFLOWS OF RESOURCES

Deferred inflows from pension	1,457,358	1,798,688	3,256,046	
Deferred inflows from other post employment benefits	3,942	84,642	88,584	
TOTAL DEFERRED INFLOWS OF RESOURCES	1,461,300	1,883,330	3,344,630	-

NET POSITION

Net invested in capital assets	88,593,873	59,005,503	147,599,376	289,801
Restricted for:				
Noncurrent loans receivable	372,047		372,047	
Court security and technology	408,657		408,657	
Law enforcement	302,675		302,675	
Health and welfare	1,157,092		1,157,092	
Parks	882		882	
Public safety radio	75,398		75,398	
Tourism	619,722		619,722	
Construction		2,903,817	2,903,817	
Capital maintenance		1,132,515	1,132,515	
Debt service	483,365	765,046	1,248,411	
Capital improvements	5,306,583		5,306,583	
Unrestricted	459,243	4,245,709	4,704,952	712,221
TOTAL NET POSITION	\$ 97,779,537	68,052,590	165,832,127	1,002,022

CITY OF TEXARKANA, TEXAS

STATEMENT OF ACTIVITIES For the Year Ended September 30, 2018

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>
Primary government				
Governmental activities:				
General government	\$ 9,748,511	860,962	639,575	
Public safety	17,965,103	1,990,244	673,152	
Public works	9,119,545	409,112	172,656	
Parks and recreation	3,630,516	262,572	14,516	
Health and welfare	1,790,592	299,029	1,195,161	
Interest on long-term debt	1,908,617			
Total governmental activities	<u>44,162,884</u>	<u>3,821,919</u>	<u>2,695,060</u>	<u>-</u>
Business-type activities:				
Water and sewer	16,173,218	17,663,399		22,539
Total business-type activities	<u>16,173,218</u>	<u>17,663,399</u>	<u>-</u>	<u>22,539</u>
Total primary government	<u>60,336,102</u>	<u>21,485,318</u>	<u>2,695,060</u>	<u>22,539</u>
Component unit				
Component unit - Health	954,360	272,916	822,107	
Total component unit	<u>\$ 954,360</u>	<u>272,916</u>	<u>822,107</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, previously reported
Prior period adjustment
Net position, beginning of year, as restated
Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position

<i>Primary Government</i>		<i>Component Unit</i>	
<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Health</i>
(8,247,974)		(8,247,974)	
(15,301,707)		(15,301,707)	
(8,537,777)		(8,537,777)	
(3,353,428)		(3,353,428)	
(296,402)		(296,402)	
(1,908,617)		(1,908,617)	
<u>(37,645,905)</u>	<u>-</u>	<u>(37,645,905)</u>	<u>-</u>
	1,512,720	1,512,720	
<u>-</u>	<u>1,512,720</u>	<u>1,512,720</u>	<u>-</u>
<u>(37,645,905)</u>	<u>1,512,720</u>	<u>(36,133,185)</u>	<u>-</u>
			140,663
			<u>140,663</u>
17,432,676		17,432,676	
16,446,745		16,446,745	
1,844,779		1,844,779	
1,516,506		1,516,506	
113,871		113,871	
545,540	171,431	716,971	8,318
511,629	1,181,071	1,692,700	
6,018,900	(6,018,900)	-	
<u>44,430,646</u>	<u>(4,666,398)</u>	<u>39,764,248</u>	<u>8,318</u>
<u>6,784,741</u>	<u>(3,153,678)</u>	<u>3,631,063</u>	<u>148,981</u>
98,267,827	72,384,638	170,652,465	853,041
(7,273,031)	(1,178,370)	(8,451,401)	
<u>90,994,796</u>	<u>71,206,268</u>	<u>162,201,064</u>	<u>853,041</u>
<u>\$ 97,779,537</u>	<u>68,052,590</u>	<u>165,832,127</u>	<u>1,002,022</u>

CITY OF TEXARKANA, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 12,545,526	190,257	9,968,018	22,703,801
Investments:				
Certificates of deposit	3,978,102		1,253,715	5,231,817
Corporate stocks	1,000			1,000
Receivables (net of allowance for uncollectible):				
Property taxes	38,387	16,033	756,564	810,984
Other taxes	223,459		170,514	393,973
Accounts	42,576		45,420	87,996
Other government agencies	3,476,171		213,928	3,690,099
Accrued interest	4,928		64,687	69,615
Loans			400,426	400,426
Due from other funds	125,105	494	868,830	994,429
Investment in joint venture	90,274			90,274
TOTAL ASSETS	<u>20,525,528</u>	<u>206,784</u>	<u>13,742,102</u>	<u>34,474,414</u>
LIABILITIES				
Accounts payable	823,303		197,350	1,020,653
Contracts payable			170,651	170,651
Accrued payroll	861,989		3,994	865,983
Due to other governments	60,609		46,820	107,429
Due to other funds			994,429	994,429
Other liabilities and escrow deposits	7,535			7,535
TOTAL LIABILITIES	<u>1,753,436</u>	<u>-</u>	<u>1,413,244</u>	<u>3,166,680</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - charges for services	19,424			19,424
Unavailable revenue - property taxes			754,606	754,606
Unavailable revenue - other taxes			7,623	7,623
Unavailable revenue - grants	69,243		129,667	198,910
Unavailable revenue - interest			64,500	64,500
Unavailable revenue - intergovernmental			21,450	21,450
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>88,667</u>	<u>-</u>	<u>977,846</u>	<u>1,066,513</u>
FUND BALANCES (DEFICIT)				
Nonspendable for:				
Investment in joint venture	90,274			90,274
Restricted	689,749	206,784	7,403,080	8,299,613
Committed			3,277,171	3,277,171
Assigned	9,247,919		809,864	10,057,783
Unassigned (deficit)				
General fund	8,655,483			8,655,483
Special revenue funds			(139,103)	(139,103)
TOTAL FUND BALANCES	<u>18,683,425</u>	<u>206,784</u>	<u>11,351,012</u>	<u>30,241,221</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 20,525,528</u>	<u>206,784</u>	<u>13,742,102</u>	<u>34,474,414</u>

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

CITY OF TEXARKANA, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION September 30, 2018

Total governmental funds balances	\$ 30,241,221
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.	133,329,215
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.	944,482
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,066,513
Internal service funds are used by management to charge the costs of insurance and fleet services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	1,910,843
Long-term liabilities, including bonds payable, are not due and payable in the current periods and therefore are not reported in the funds.	(84,424,889)
Equity interest in joint ventures are not current financial resources and therefore may not be reported in the funds.	<u>14,712,152</u>
Net position of governmental activities	<u><u>\$ 97,779,537</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, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 11,885,963	5,015,354	609,074	17,510,391
Other taxes	16,560,617		1,536,688	18,097,305
Franchise receipts	1,480,977		363,801	1,844,778
Fees and permits	554,698			554,698
Charges for services	910,889		72,231	983,120
Municipal court	1,826,561			1,826,561
Grants and entitlements	60,158		1,666,593	1,726,751
Interest and dividends	278,136	3,443	212,752	494,331
Intergovernmental	341,332		739,970	1,081,302
Other	460,458		23,020	483,478
Total revenues	<u>34,359,789</u>	<u>5,018,797</u>	<u>5,224,129</u>	<u>44,602,715</u>
EXPENDITURES				
Current:				
General government	8,037,270		258,117	8,295,387
Public safety	15,252,299		53,398	15,305,697
Public works	5,142,191			5,142,191
Parks and recreation	1,617,382		819,952	2,437,334
Health and welfare	354,293		1,231,796	1,586,089
Capital outlay	4,018,822		4,574,179	8,593,001
Debt service:				
Principal retirement	226,639	3,565,000		3,791,639
Interest and fiscal charges	17,091	2,085,663		2,102,754
Total expenditures	<u>34,665,987</u>	<u>5,650,663</u>	<u>6,937,442</u>	<u>47,254,092</u>
Excess (deficiency) of revenues over expenditures	<u>(306,198)</u>	<u>(631,866)</u>	<u>(1,713,313)</u>	<u>(2,651,377)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	6,027,633	816,148	522,609	7,366,390
Transfers out	(1,309,446)		(1,127,139)	(2,436,585)
Capital lease financing	156,581			156,581
Total other financing sources (uses)	<u>4,874,768</u>	<u>816,148</u>	<u>(604,530)</u>	<u>5,086,386</u>
Net change in fund balances	4,568,570	184,282	(2,317,843)	2,435,009
Fund balances at beginning of year	<u>14,114,855</u>	<u>22,502</u>	<u>13,668,855</u>	<u>27,806,212</u>
Fund balances at end of year	<u>\$ 18,683,425</u>	<u>206,784</u>	<u>11,351,012</u>	<u>30,241,221</u>

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

CITY OF TEXARKANA, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended September 30, 2018

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

Net change in fund balances - total governmental funds	\$ 2,435,009
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.	3,315,341
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.	(645,294)
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.	9,488
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.	(314,115)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items.	3,829,195
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.	(93,683)
Net pension and other postemployment obligations reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(1,263,391)
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.	(221,720)
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>(266,089)</u>
Change in net position of governmental activities	<u>\$ 6,784,741</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, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Property taxes	\$ 11,772,412	11,859,947	11,885,963	26,016
Other taxes	16,220,100	16,432,464	16,560,617	128,153
Franchise receipts	1,420,820	1,460,750	1,480,977	20,227
Fees and permits	599,370	524,450	554,698	30,248
Charges for services	730,602	886,950	910,889	23,939
Municipal court	1,684,110	1,660,270	1,826,561	166,291
Grants and entitlements	10,000	45,611	60,158	14,547
Investment earnings	71,750	177,556	278,136	100,580
Intergovernmental	204,224	259,320	341,332	82,012
Other	370,378	513,076	460,458	(52,618)
Total revenues	<u>33,083,766</u>	<u>33,820,394</u>	<u>34,359,789</u>	<u>539,395</u>
EXPENDITURES				
Current:				
General government	8,331,420	8,566,811	8,037,270	529,541
Public safety	15,298,219	15,090,382	15,252,299	(161,917)
Public works	5,717,514	5,344,619	5,142,191	202,428
Parks and recreation	1,576,868	1,613,551	1,617,382	(3,831)
Health and welfare	587,532	437,067	354,293	82,774
Capital outlay	278,753	3,664,767	4,018,822	(354,055)
Debt service:				
Principal	238,914	227,010	226,639	371
Interest	22,201	17,091	17,091	-
Total expenditures	<u>32,051,421</u>	<u>34,961,298</u>	<u>34,665,987</u>	<u>295,311</u>
Excess (deficiency) of revenue over expenditures	<u>1,032,345</u>	<u>(1,140,904)</u>	<u>(306,198)</u>	<u>834,706</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	6,286,609	6,042,109	6,027,633	(14,476)
Transfers out	(1,371,987)	(1,361,575)	(1,309,446)	52,129
Capital leases			156,581	156,581
Total other financing sources (uses)	<u>4,914,622</u>	<u>4,680,534</u>	<u>4,874,768</u>	<u>194,234</u>
Net change in fund balance	5,946,967	3,539,630	4,568,570	1,028,940
Fund balances at beginning of year	<u>14,114,855</u>	<u>14,114,855</u>	<u>14,114,855</u>	<u>-</u>
Fund balance at end of year	<u>\$ 20,061,822</u>	<u>17,654,485</u>	<u>18,683,425</u>	<u>1,028,940</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, 2018

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Texarkana, Texas Water Utilities	Other Proprietary Funds	Total	
ASSETS				
Current assets:				
Cash	\$ 3,924,344	126,629	4,050,973	2,617,825
Investments	2,062,500		2,062,500	
Receivables (net of allowance for uncollectible):				
Accounts	2,280,746	47,870	2,328,616	95,589
Accrued interest	33,161		33,161	
Other government agencies	169,148		169,148	2,388
Due from other funds	62,865	352,384	415,249	
Inventory	572,702		572,702	25,974
Prepaid expenses	50,952		50,952	
Net investment in direct financing lease	14,804		14,804	
Total current assets	<u>9,171,222</u>	<u>526,883</u>	<u>9,698,105</u>	<u>2,741,776</u>
Noncurrent assets:				
Restricted assets:				
Cash	2,998,691	315,998	3,314,689	
Investments	3,592,500	400,000	3,992,500	
Accrued interest	51,161	8,363	59,524	
Accounts receivable		130,611	130,611	
Total restricted assets	<u>6,642,352</u>	<u>854,972</u>	<u>7,497,324</u>	<u>-</u>
Other noncurrent assets:				
Prepaid capital improvement deposits	1,185,088		1,185,088	
Net investment in direct financing lease	269,851		269,851	
Total other noncurrent assets	<u>1,454,939</u>	<u>-</u>	<u>1,454,939</u>	<u>-</u>
Capital assets (net of accumulated depreciation):				
Land	1,419,703		1,419,703	
Buildings	929,804		929,804	
Improvements other than buildings	49,935,803		49,935,803	
Machinery and equipment	2,399,029		2,399,029	
Property under capital leases	7,417,792		7,417,792	
Construction in progress	2,844,290		2,844,290	
Total capital assets	<u>64,946,421</u>	<u>-</u>	<u>64,946,421</u>	<u>-</u>
Total noncurrent assets	<u>73,043,712</u>	<u>854,972</u>	<u>73,898,684</u>	<u>-</u>
TOTAL ASSETS	<u>82,214,934</u>	<u>1,381,855</u>	<u>83,596,789</u>	<u>2,741,776</u>
DEFERRED OUTLOWS OF RESOURCES				
Deferred pension outflows	1,156,162		1,156,162	
TOTAL DEFERRED OUTFLOWS ON RESOURCES	<u>1,156,162</u>	<u>-</u>	<u>1,156,162</u>	<u>-</u>

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

Business Type Activities - Enterprise Funds

	<u>Texarkana, Texas Water Utilities</u>	<u>Other Proprietary Funds</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
LIABILITIES				
Current liabilities:				
Accounts payable	548,760	157,994	706,754	334,220
Construction contracts payable	57,205		57,205	
Accrued liabilities	217,593	5,019	222,612	9,142
Accrued interest	18,411		18,411	
Due to other funds	352,384	62,864	415,248	
Other payables	50,678		50,678	
Accrued compensated absences - current	56,468		56,468	
Revenue bonds - current	250,000		250,000	
Obligations under capital leases - current	427,342		427,342	
Total current liabilities	<u>1,978,841</u>	<u>225,877</u>	<u>2,204,718</u>	<u>343,362</u>
Noncurrent liabilities:				
Customer deposits	702,894		702,894	
Capital improvement deposits	445,948	1,155,978	1,601,926	
Contracts payable			-	
Accrued compensated absences	343,924		343,924	
Net pension and other postemployment liabilities	5,187,563		5,187,563	
Revenue bonds	2,383,290		2,383,290	
Obligations under capital leases	2,880,287		2,880,287	
Total noncurrent liabilities	<u>11,943,906</u>	<u>1,155,978</u>	<u>13,099,884</u>	<u>-</u>
TOTAL LIABILITIES	<u>13,922,747</u>	<u>1,381,855</u>	<u>15,304,602</u>	<u>343,362</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows from pensions	1,798,688		1,798,688	
Deferred pension inflows from other post emp benefits	84,642		84,642	
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,883,330</u>	<u>-</u>	<u>1,883,330</u>	<u>-</u>
NET POSITION (DEFICIT)				
Net invested in capital assets	59,005,503		59,005,503	
Restricted for construction	2,903,817		2,903,817	
Restricted for capital maintenance	1,132,515		1,132,515	
Restricted for debt service	765,046		765,046	
Unrestricted	3,758,138		3,758,138	2,398,414
TOTAL NET POSITION	<u>\$ 67,565,019</u>	<u>-</u>	<u>67,565,019</u>	<u>2,398,414</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.			<u>487,571</u>	
Net position of business-type activities			<u>\$ 68,052,590</u>	

CITY OF TEXARKANA, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS For the Year Ended September 30, 2018

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Texarkana, Texas Water Utilities	Other Proprietary Funds	Total	
OPERATING REVENUES				
Water sales	\$ 7,118,966	1,097,213	8,216,179	
Wholesale water sales	2,107,205		2,107,205	
Water connection fees	10,650		10,650	
Sewer charges	6,689,819		6,689,819	
Penalties and service charges	639,546		639,546	
Insurance contributions			-	5,594,403
Fleet services			-	181,745
Other income	1,181,071		1,181,071	14,544
Total operating revenues	<u>17,747,257</u>	<u>1,097,213</u>	<u>18,844,470</u>	<u>5,790,692</u>
OPERATING EXPENSES				
Administrative	336,413		336,413	
Finance	960,496		960,496	
Customer service	535,687		535,687	
Water production	3,076,019		3,076,019	
Water distribution	643,439		643,439	
Sewer collection	658,534		658,534	
Wastewater treatment	2,638,705		2,638,705	
Environmental service	223,395		223,395	
Engineering design	362,912		362,912	
Geographical information systems	188,277		188,277	
Composting	204,601		204,601	
Operations administration	160,184		160,184	
Service center	251,871		251,871	
Safety			-	
Field service	323,051		323,051	
Construction oversight	533,076		533,076	
Benefit payments			-	5,994,526
Fleet services			-	1,275,747
Depreciation	3,372,476		3,372,476	
Other expenses	183,318		183,318	
Contract water & sewer expense-International Paper		1,099,975	1,099,975	
Total operating expense	<u>14,652,454</u>	<u>1,099,975</u>	<u>15,752,429</u>	<u>7,270,273</u>
Operating income (loss)	<u>3,094,803</u>	<u>(2,762)</u>	<u>3,092,041</u>	<u>(1,479,581)</u>

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

	Business Type Activities - Enterprise Funds			<i>Governmental Activities - Internal Service Funds</i>
	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	
NONOPERATING REVENUES (EXPENSES)				
Interest revenue - investments	160,453	2,762	163,215	40,694
Interest revenue - capital leases	8,216		8,216	
Interest expense and paying agent fees	(114,994)		(114,994)	
Interest expense - capital leases	(117,152)		(117,152)	
Gain (loss) on disposal of capital assets	(60,571)		(60,571)	
Total nonoperating revenues (expenses)	<u>(124,048)</u>	<u>2,762</u>	<u>(121,286)</u>	<u>40,694</u>
Income before contributions and transfers	2,970,755		2,970,755	(1,438,887)
Capital contributions	22,539		22,539	
Transfers in			-	1,091,837
Transfers out	<u>(6,018,900)</u>		<u>(6,018,900)</u>	<u>(2,742)</u>
Change in net position	(3,025,606)	-	(3,025,606)	(349,792)
Total net position, beginning of year	<u>70,590,625</u>	<u>-</u>		<u>2,748,206</u>
Total net position, end of year	<u>67,565,019</u>	<u>-</u>		<u>2,398,414</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>(128,072)</u>	
Change in net position of business-type activities			<u>\$ (3,153,678)</u>	

CITY OF TEXARKANA, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended September 30, 2018

	<u>Business Type Activities - Enterprise Funds</u>			<i>Governmental Activities - Internal Service Funds</i>
	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	
Cash flows from operating activities:				
Cash received from customers	\$ 17,758,224	1,300,313	19,058,537	1,450,867
Cash received from interfund services provided and used			-	5,422,917
Cash paid to suppliers	(6,671,378)	(990,032)	(7,661,410)	(7,094,968)
Cash paid to employees	(4,464,327)	(94,905)	(4,559,232)	(266,891)
Net cash provided (used) from operating activities	<u>6,622,519</u>	<u>215,376</u>	<u>6,837,895</u>	<u>(488,075)</u>
Cash flows from non-capital financing activities:				
Transfers to other funds	(6,018,900)		(6,018,900)	(2,742)
Net cash used from non-capital financing activities	<u>(6,018,900)</u>	<u>-</u>	<u>(6,018,900)</u>	<u>(2,742)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(2,804,673)	(705,677)	(3,510,350)	
Principal paid on bonds	(245,000)		(245,000)	
Interest paid on bonds	(116,197)		(116,197)	
Principal paid on capital leases	(423,589)		(423,589)	
Interest paid on capital leases	(117,152)		(117,152)	
Principal received on direct financing leases	15,045		15,045	
Interest received on direct financing leases	8,216		8,216	
Capital improvement deposits paid	(733,389)		(733,389)	
Capital improvement deposits received	248,056	443,270	691,326	
Interest received on capital improvement deposits		6,108	6,108	
Proceeds from disposal of capital assets	646,716		646,716	
Net cash provided (used) from capital and related financing activities	<u>(3,521,967)</u>	<u>(256,299)</u>	<u>(3,778,266)</u>	<u>-</u>
Cash flows from investing activities:				
Purchase of investments	(2,165,000)		(2,165,000)	
Proceeds from sale and maturities of investments	5,785,000	275,000	6,060,000	
Interest received on investments	137,868	2,764	140,632	40,695
Net cash provided (used) from investing activities	<u>3,757,868</u>	<u>277,764</u>	<u>4,035,632</u>	<u>40,695</u>
Net increase (decrease) in cash	839,520	236,841	1,076,361	(450,122)
Cash, beginning of year	<u>6,083,515</u>	<u>205,786</u>	<u>6,289,301</u>	<u>3,067,947</u>
Cash, end of year	<u>\$ 6,923,035</u>	<u>442,627</u>	<u>7,365,662</u>	<u>2,617,825</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, 2018

	<u>Business Type Activities - Enterprise Funds</u>			
	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	<i>Governmental Activities - Internal Service Funds</i>
<u>Reconciliation of operating income (loss) to net cash provided by operating activities</u>				
Operating income (loss)	<u>\$ 3,094,803</u>	<u>(2,762)</u>	<u>3,092,041</u>	<u>(1,479,581)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	3,372,476		3,372,476	
Transfers from other funds				1,091,837
(Increase) decrease in assets:				
Accounts receivable	(45,764)	203,100	157,336	(55,221)
Allowance for doubtful accounts	43,553		43,553	
Due from other government agencies	2,377		2,377	46,477
Due from other funds	24,134		24,134	
Inventory	(54,062)		(54,062)	1,510
Prepaid expenses	5,967		5,967	
(Increase) expense in deferred outflows	301,868		301,868	
Increase (decrease) in liabilities:				
Accounts payable	83,100	39,106	122,206	(90,404)
Accrued liabilities	8,704	52	8,756	(2,693)
Due to other funds	292,811	(24,120)	268,691	
Accrued compensated absences	(9,935)		(9,935)	
Customer deposits	(13,333)		(13,333)	
Net pension and other postemployment liabilities	(1,809,057)		(1,809,057)	
Other payables	(13,692)		(13,692)	
Increase (decrease) in deferred inflows	<u>1,338,569</u>		<u>1,338,569</u>	
Total adjustments	<u>3,527,716</u>	<u>218,138</u>	<u>3,745,854</u>	<u>991,506</u>
Net cash provided (used) from operating activities	<u>\$ 6,622,519</u>	<u>215,376</u>	<u>6,837,895</u>	<u>(488,075)</u>

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

CITY OF TEXARKANA, TEXAS

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS September 30, 2018

	<i>Firemen's Relief Pension Trust Fund 12/31/2017</i>	<i>Agency Funds</i>
ASSETS		
Cash and cash equivalents	\$ 1,360,215	26,424
Receivables		
Employer contributions		
Member contributions		
Interest and dividends	59,167	
Investments, at current value		
Mutual funds	25,076,064	
Government and Agency securities	5,223,201	
Corporate bonds	579,037	
Foreign bonds	933,921	
Common stocks	1,636,071	
Alternative investments		
TOTAL ASSETS	<u>34,867,676</u>	<u>26,424</u>
LIABILITIES		
Accrued expenses	<u>48,671</u>	<u>26,424</u>
TOTAL LIABILITIES	<u>48,671</u>	<u>26,424</u>
NET POSITION		
Net position - restricted for pension benefits	<u>34,819,005</u>	
TOTAL NET POSITION	<u>\$ 34,819,005</u>	<u>-</u>

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

CITY OF TEXARKANA, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND

For the Year Ended December 31, 2017

	<i>Firemen's Relief Pension Trust Fund 12/31/2017</i>
ADDITIONS	
Contributions:	
Employer	\$ 840,328
Members	581,355
Total contributions	<u>1,421,683</u>
Investment income:	
Interest and dividend income	757,839
Net appreciation in fair value of investments	3,540,546
Less investment expense	<u>(232,794)</u>
Net investment income	4,065,591
Other income	<u>1,431</u>
TOTAL ADDITIONS	<u>5,488,705</u>
DEDUCTIONS	
Benefits paid to participants	2,153,896
Refunds and drop payments	232,489
Administrative expenses	<u>60,495</u>
TOTAL DEDUCTIONS	<u>2,446,880</u>
Change in net position	3,041,825
Net position at beginning of year	<u>31,777,180</u>
Net position at end of year	<u>\$ 34,819,005</u>

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

CITY OF TEXARKANA, TEXAS

NOTES TO THE FINANCIAL STATEMENTS September 30, 2018

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 \$1,779,079 by Texarkana, Texas and \$1,771,668 by Texarkana, Arkansas. During the Airport Authority's fiscal year ended December 31, 2017, the City of Texarkana, Texas contributed \$138,873 and the City of Texarkana, Arkansas contributed \$131,318. 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 \$12,368,582 at December 31, 2017. 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

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, 2018 was \$481,527 based on the Bi-State Justice Center's audited financial statements at December 31, 2017 (the latest available). As described in Note 18 the City has outstanding debt totaling \$959,923 at September 30, 2018, 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, 2018 was \$90,274 based on the Appraisal District's audited financial statements at December 31, 2017 (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, 2018 was \$0 based on the Texarkana Urban Transportation Study Policy Committee's audited financial records at September 30, 2018. The TUTS does not have separately issued financial statements for the year ended September 30, 2018.

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, 2018 was \$1,862,043 based on the Texarkana Urban Transit District's audited financial statements at September 30, 2017 (the latest available). Complete financial statements for the TUTD can be obtained from the ATCOG Finance Department in Texarkana, Texas.

D. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements consist of the statement of net position and the statement of activities. The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services. Similarly, the primary government is reported separately from legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

E. BASIS OF ACCOUNTING

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

Additionally, the City reports the following types of funds:

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Pension Trust Fund - This fund is established to account for the accumulation of resources to provide pension benefits to the City's firemen. The principal revenue sources for this fund are employer and employee contributions and investment earnings. This fund has a separate audit and has a December 31 year end.

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of Texarkana, Texas Water Utilities, as well as the City's internal service funds are charges to customers for sales and services. Texarkana, Texas Water Utilities also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and investments

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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

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

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

2. Receivables and payables

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

All trade and property taxes receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 95 percent of outstanding property taxes as of September 30, 2017.

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, 2018 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 \$45,965,975 a year from the present assessed valuation of \$2,553,665,294 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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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

7. Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. 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 taken action to assign fund balance for specific purposes the current fiscal year. 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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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.

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 three items that qualify for reporting in this category. They are the deferred pension outflows, deferred outflows from other post employment benefits 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 outflows from other post employment benefits are the change of assumptions. The deferred

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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.

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 two types of items that qualify for reporting in this category. Accordingly, the deferred pension inflows consists of the difference in expected and actual experience and the difference in the assumption changes. The deferred inflows from other post employment benefits is the differences between the expected and actual experience.

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 (\$84,424,889) difference are as follows:

General obligation bonds payable	\$ (24,395,000)
Less: Deferred charges on refunding (to be amortized as interest expense)	680,098
Add: Issuance premiums (to be amortized over life of debt)	(1,907,263)
Certificates of obligation	(26,515,000)
Add: Issuance premiums (to be amortized over life of debt)	(476,089)
Capital leases	(835,180)
Compensated absences	(4,235,167)
Net pension and other postemployment liabilities	(27,111,300)
Less: Deferred pension outflows	1,831,312
Add: Deferred pension inflows (to be amortized over 5 years)	<u>(1,461,300)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (84,424,889)</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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

The governmental fund financial statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this \$3,315,341 difference are as follows:

Capital outlay	\$ 8,593,001
Amounts in capital outlay below the capitalization threshold	(134,622)
Depreciation expense	<u>(5,143,038)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 3,315,341</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 \$3,829,195 difference are as follows:

Issuance of debt:	
Capital leases	(156,581)
Principal repayments:	
General obligation bonds	2,350,000
Certificates of obligation	1,215,000
Capital leases	226,639
Amortization of bond premiums and discounts	<u>194,137</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 3,829,195</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 OF TEXARKANA, TEXAS

Notes to the financial statements continued.

City Council conducts public hearings to obtain taxpayer comments. A final budget must be prepared and legally adopted through the passage of an ordinance no later than September 1.

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

The Council made several supplemental budgetary appropriations throughout the year. Individual amendments were not material in relation to the original appropriations. Comparison of budgeted and actual amounts as shown in the accompanying financial report includes the General Fund and Special Revenue Funds. The capital budget ordinances which encompass the Capital Projects Funds present cumulative (by project) as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial report for these funds.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The expenditures in the Housing Fund exceeded appropriations by \$1,296. The expenditures in the Law Enforcement Programs Fund exceeded appropriations by \$1,419. The expenditures in the NEA Grant exceeded appropriations by \$16,095. The expenditures in the CDBG 108 Loan Fund exceeded appropriations by \$618.

1. RESTRICTED BY ENABLING LEGISLATION

The government-wide Statement of Net Position reports restricted net position, of which \$612,099 is restricted by enabling legislation. This amount consists of unspent hotel/motel taxes.

2. DEFICIT FUND EQUITY

The Rotary Splash Fund had a deficit fund balance of \$7,824. The COC Homeless Grant Fund had a deficit fund balance of \$56,654. The EPA Revolving Loan Fund had a deficit fund balance of \$15. The Emergency Solutions Grant Fund had a deficit balance of \$74,610.

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.

Fund	Amount
General	\$ 992,011
Emergency Services Grant	135,958
Housing and Community Development Grant	4,438
EPA Revolving Loan	18,420
Hotel/Motel Tax	92,248
COC Homeless Assistance Grant	218,031
2017 Bond	1,589,286
Total	<u>\$ 3,050,392</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:

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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

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:

Cash and cash equivalents	
Cash	\$ 103,148
Money market funds	1,257,067
Investments	
Mutual funds	25,076,064
Government & agency funds	5,223,201
Corporate bonds	579,037
Foreign bonds	933,921
Common stocks	1,636,071
Total investments	<u>33,448,294</u>
Total investments and cash and cash equivalents	<u>\$ 34,808,509</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, 2017, the City's Firefighter's Relief and Pension fund had the following debt security investments and maturities:

<i><u>Investment Type</u></i>	<i><u>Fair Value</u></i>	<i><u>Investment Maturities (in Years)</u></i>			
		<i><u>Less Than 1</u></i>	<i><u>1-5</u></i>	<i><u>6-10</u></i>	<i><u>More Than 10</u></i>
<i>Fire Pension Fund:</i>					
Government & agency securities	\$ 5,223,201	-	2,603,906	1,486,530	1,132,765
Corporate bonds	579,037	-	-	160,235	418,802
Foreign bonds	933,921	-	774,541	159,380	-
	<u>\$ 6,736,159</u>	<u>-</u>	<u>3,378,447</u>	<u>1,806,145</u>	<u>1,551,567</u>

For the year ended December 31, 2017 the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 13.08%. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

The credit quality ratings of the debt security investments held by the Firefighter's Relief and Pension Fund were unavailable at December 31, 2017.

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 \$31,944,052, none were uninsured and uncollateralized. Of the enterprise fund's \$13,507,725, none were uninsured and uncollateralized at September 30, 2018.

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.

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

<u>Investment Type</u>	<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Cash and certificates of deposit	Farmers Bank and Trust	\$ 21,956,584	48.31%
Cash	NexBank	14,191,586	31.22%
Certificates of deposit	Texas Security	2,900,000	6.38%

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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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, 2017, the City's Firemen's Relief and Pension fund had fixed income securities of \$933,921 invested in foreign obligations with Seacrest Investment Management, LLC. The Seacrest investments are comprised of the following investments at December 31, 2017:

	<u>Fair Value</u>
Austria	\$ 101,006
Canada	307,084
El Salvador	47,167
Germany	55,350
Mexico	90,992
Netherlands	54,560
South Africa	102,259
Turkey	80,912
Venezuela	16,921
Supranational	77,670
Total	<u>\$ 933,921</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:

	<u>General</u>	<u>Debt Service</u>	<u>Texarkana, Texas Water Utilities</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Property taxes	\$703,427	297,241		790,477	1,791,145
Other taxes	223,459			170,514	393,973
Accounts	176,828		2,633,613	188,879	2,999,320
Intergovernmental	3,476,171		169,148	216,316	3,861,635
Interest	4,928		33,161	64,687	102,776
Loans				1,116,601	1,116,601
Restricted accounts				130,611	130,611
Restricted interest				8,363	8,363
Gross receivables	<u>4,584,813</u>	<u>297,241</u>	<u>2,835,922</u>	<u>2,686,448</u>	<u>10,404,424</u>
Less: allowance for uncollectibles	<u>(799,292)</u>	<u>(281,208)</u>	<u>(85,867)</u>	<u>(750,088)</u>	<u>(1,916,455)</u>
Net total receivables	<u>\$3,785,521</u>	<u>16,033</u>	<u>2,750,055</u>	<u>1,936,360</u>	<u>8,487,969</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	<i>Balance October 1, 2017</i>	<i>Additions</i>	<i>Deletions</i>	<i>Transfers</i>	<i>Balance September 30, 2018</i>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 47,032,128		(168,000)		46,864,128
Construction in progress	6,409,642	5,632,624		(5,692,100)	6,350,166
Total capital assets, not being depreciated	<u>53,441,770</u>	<u>5,632,624</u>	<u>(168,000)</u>	<u>(5,692,100)</u>	<u>53,214,294</u>
Capital assets, being depreciated:					
Buildings	32,213,699	39,440	(29,300)	1,233,823	33,457,662
Improvements other than buildings	8,592,977	34,000	(129,396)	978,689	9,476,270
Infrastructure	124,224,772	1,727,267	(244,500)	1,359,113	127,066,652
Machinery and equipment	6,902,143	589,685	(93,606)	1,233,579	8,631,801
Licensed vehicles	9,264,632	435,363	(758,292)	886,896	9,828,599
Total capital assets, being depreciated	<u>181,198,223</u>	<u>2,825,755</u>	<u>(1,255,094)</u>	<u>5,692,100</u>	<u>188,460,984</u>
Less accumulated depreciation for:					
Buildings	(17,609,273)	(726,006)	24,679		(18,310,600)
Improvements other than buildings	(5,751,780)	(243,567)	128,905		(5,866,442)
Infrastructure	(71,755,979)	(2,970,306)	20,688		(74,705,597)
Machinery and equipment	(3,021,982)	(405,918)	13,806		(3,414,094)
Licensed vehicles	(5,841,811)	(797,241)	589,722		(6,049,330)
Total accumulated depreciation	<u>(103,980,825)</u>	<u>(5,143,038)</u>	<u>777,800</u>	<u>-</u>	<u>(108,346,063)</u>
Total capital assets, being depreciated, net	<u>77,217,398</u>	<u>(2,317,283)</u>	<u>(477,294)</u>	<u>5,692,100</u>	<u>80,114,921</u>
Governmental capital assets, net	<u>\$ 130,659,168</u>	<u>3,315,341</u>	<u>(645,294)</u>	<u>-</u>	<u>133,329,215</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<i>Balance October 1, 2017</i>	<i>Additions</i>	<i>Deletions</i>	<i>Transfers</i>	<i>Balance September 30, 2018</i>
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 1,419,703				1,419,703
Construction in progress	3,042,820	2,046,045		(2,244,575)	2,844,290
Total capital assets, not being depreciated	<u>4,462,523</u>	<u>2,046,045</u>	<u>-</u>	<u>(2,244,575)</u>	<u>4,263,993</u>
Capital assets, being depreciated:					
Buildings	3,500,536				3,500,536
Improvements other than buildings	96,290,439	57,205	(839,508)	1,451,529	96,959,665
Machinery and equipment	11,402,510		(169,227)	779,654	12,012,937
Property under capital lease	20,641,677			13,392	20,655,069
Water rights	287,572				287,572
Total capital assets, being depreciated	<u>132,122,734</u>	<u>57,205</u>	<u>(1,008,735)</u>	<u>2,244,575</u>	<u>133,415,779</u>
Less accumulated depreciation for:					
Buildings	(2,514,566)	(56,166)			(2,570,732)
Improvements other than buildings	(44,826,483)	(2,331,719)	134,340		(47,023,862)
Machinery and equipment	(9,150,863)	(629,271)	166,226		(9,613,908)
Property under capital lease	(12,881,957)	(355,320)			(13,237,277)
Water rights	(287,572)				(287,572)
Total accumulated depreciation	<u>(69,661,441)</u>	<u>(3,372,476)</u>	<u>300,566</u>	<u>-</u>	<u>(72,733,351)</u>
Total capital assets, being depreciated, net	<u>62,461,293</u>	<u>(3,315,271)</u>	<u>(708,169)</u>	<u>2,244,575</u>	<u>60,682,428</u>
Business-type capital assets, net	<u>\$ 66,923,816</u>	<u>(1,269,226)</u>	<u>(708,169)</u>	<u>-</u>	<u>64,946,421</u>

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

Governmental activities	
General government	\$ 185,049
Public safety	848,257
Public works	3,279,163
Parks and recreation	830,569
Total depreciation expense - governmental activities	<u>\$ 5,143,038</u>
Business-type activities:	
Water and sewer	<u>\$ 3,372,476</u>
Total depreciation expense - business-type activities	<u>\$ 3,372,476</u>

Discretely Presented Component Unit

Activity for the Health Center for the year ended September 30, 2018 was as follows:

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<i>Balance October 1, 2017</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance Sept. 30, 2018</i>
Capital assets, being depreciated:				
Buildings	\$ 1,285,728	23,058		1,308,786
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>23,058</u>	<u>-</u>	<u>1,381,729</u>
Less accumulated depreciation for:				
Buildings	(1,003,903)	(29,874)		(1,033,777)
Improvements other than buildings	(42,841)			(42,841)
Machinery and equipment	(14,447)	(863)		(15,310)
Total accumulated depreciation	<u>(1,061,191)</u>	<u>(30,737)</u>	<u>-</u>	<u>(1,091,928)</u>
Total capital assets, being depreciated, net	<u>\$ 297,480</u>	<u>(7,679)</u>	<u>-</u>	<u>289,801</u>

NOTE 7 - CONSTRUCTION PROJECTS

As of September 30, 2018, the City had the following commitments with respect to unfinished capital projects.

	<i>Project Authorization</i>	<i>Expended Through 9/30/2018</i>	<i>Required Future Financing</i>
Summer Glenn Acres Drive	\$ 242,000	7,000	235,000
Linear Park	304,190	304,190	-
Farmer's market & public space infrastructure	25,000	25,000	-
Rochelle additions	35,600	35,600	-
Kress building	642,336	609,091	33,245
Fleet vehicles 2016	1,464	1,464	-
Art Park	577,434	445,837	131,597
Forest Lake Estates street reconstruction	4,984,970	3,856,460	1,128,510
Perot Theatre restoration	277,894	180,634	97,260
Fire station relocation	334,411	5,900	328,511
Fleet vehicles 2018	85,407	85,407	-
Milling and asphalt overlay	793,582	793,582	-
Total	<u>\$ 8,304,288</u>	<u>6,350,165</u>	<u>1,954,123</u>

Business-type activities construction projects

In fiscal year 2018, 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 \$513,089. Work continued during the fiscal year on the eight-inch water line extension on Gin Road with current year expenditures totaling \$30,125. Work also

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

continued on the McKnight Road water relocation with current year expenditures of \$5,315. Four automatic water line flush valves were installed costing \$13,260. Initial work on a six-inch water line extension on Summerhill Road began during the year at a current year cost of \$13,938. A City-reimbursable project for the Fire Department Training Facility began during the year with current year expenditures of \$15,710. A chlorine conversion project was performed during the year costing \$72,120. \$274,233 was spent during the year for the 2008 sewer annexation project. Sewer manhole additions and improvements for the fiscal year were \$34,353. Repairs to the Wagner Creek trough wall and walkway totaled \$20,459. Various other water and sewer system improvements totaled \$20,478 and \$13,098, respectively.

Texas infrastructure account expenditures were \$411,700. Current year work on the Wagner Creek trunk collection main was \$401,446, and \$10,254 was spent on phase two of the Wagner Creek sewer collection trunk main.

South Regional Wastewater Plant depreciation account expenditures were \$280,166 with the Texas share of \$175,804. Plant roofs were replaced costing \$27,375, and centrifuges were rebuilt for \$67,678. Pumps and variable frequency pump drives were replaced during the year at a cost of \$74,102. \$74,251 was spent on upgrading and replacing the plant SCADA system. An electrical transfer switch was replaced for \$8,910, and a generator engine was rebuilt for \$27,850.

Compost account expenditures for the fiscal year were \$146,751 of which \$92,086 was paid from the Texas Utility. Compost tub grinder hammermill and wear parts were replaced costing \$37,000 and \$11,899, respectively. \$36,882 was expended to purchase a one-ton pickup for the compost site. \$52,450 was spent to dispose of oversize compost green waste, and foam tires were replaced on the front-end loader costing \$8,520.

Millwood depreciation account project expenditures were \$124,276. The Texas Utility portion was \$78,140. \$39,488 was spent on a caustic tank project, and chlorinators were replaced costing \$803. \$4,594 was spent on caustic pumps and drives, and the HVAC system was replaced in the chemical building at a cost of \$18,757. A zero-turn mower was replaced for \$10,961. The gate actuator was replaced for \$3,354, and the high service pump was repaired for \$39,889. Plant valves were replaced costing \$4,092. Other depreciation project expenditures for the year totaled \$2,338.

North Texarkana Wastewater Treatment Plant projects totaled \$13,061 for the year. The Texas Utility share was \$5,094. The plant entrance road was repaired for \$1,701, and \$11,360 was spent for a waste-activated sludge pump and switch.

Technology account expenditures totaled \$456,553 for the fiscal year with the Texas portion of \$284,318. \$117,331 was spent to complete the utility billing software replacement project in fiscal year 2018. Miller County digital imagery and Bowie County digital imagery expenditures were \$39,448 and \$61,017, respectively. Microsoft licenses were purchased for \$71,200, and \$16,789 was spent on software for the various utility divisions. Personal computers and network expenditures for the year were \$35,917 and \$12,578, respectively. Surveillance system expenditures were \$29,623, and the utility phone system was upgraded to VOIP for \$58,270. Other expenditures for the year were \$1,846 for iPads, \$7,429 for GPS units, and \$5,105 for miscellaneous technology equipment.

Equipment account expenditures were \$319,417 of which \$200,434 was from the Texas Utility. Digital radios were purchased for \$9,509. Fleet vehicles were replaced for \$30,094. Office furniture and equipment was

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

replaced costing \$3,787. Facility HVAC equipment was replaced for \$6,756, and facility structural improvement expenditures totaled \$24,689. Samplers were replaced at a total cost of \$23,978. Other expenditures for the year were machinery and equipment totaling \$47,700, a track hoe costing \$120,864, mini track hoe costing \$42,606, and a utility trailer costing \$9,434.

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2018 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 125,105
Debt service	Nonmajor governmental fund	494
Nonmajor governmental fund	Nonmajor governmental fund	868,830
Total		<u>\$ 994,429</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:

\$28,043	To reclassify deposits between the General Fund and the TIRZ #1 Fund (nonmajor governmental fund).
\$40,442	To reimburse the General Fund for expenditures paid for the Emergency Services Grant Fund (nonmajor governmental fund).
\$922	To reimburse the General Fund for expenditures paid on behalf of the EPA Revolving Loan Fund (nonmajor governmental fund).
\$47,774	To reimburse the General Fund for expenditures paid on behalf of the COC Homeless Assistance Fund (nonmajor governmental fund).
\$100	To reimburse the General Fund for expenditures paid on behalf of the CDBG 108 Loan Fund (nonmajor governmental fund).
\$7,824	To reimburse the General Fund for expenditures paid on behalf of the Rotary Splash Fund (nonmajor governmental fund).
\$494	To reclassify deposits between the Debt Service Fund and the TIRZ #1 Fund (nonmajor governmental fund).
\$512,618	To reimburse the Housing and Community Development Fund (nonmajor governmental fund) for a loan to the CDBG 109 Loan Fund. (nonmajor governmental fund).

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

- \$78,000 To reimburse the 2017 Bond Fund (nonmajor governmental fund) for expenditures paid for the Emergency Solutions Grant Fund (major governmental fund).
- \$81,796 To reimburse the 2017 Bond Fund (nonmajor governmental fund) for expenditures paid for the NEA Grant Fund (nonmajor governmental fund)
- \$196,416 To reimburse the 2017 Bond Fund (nonmajor governmental fund) for expenditures paid for the TIRZ #1 Fund (nonmajor governmental fund).

Interfund transfers:

<i>Transfer in:</i>	<i>Transfer Out:</i>				<i>Total</i>
	<i>General Fund</i>	<i>Nonmajor Governmental</i>	<i>Fleet Internal Service</i>	<i>Texarkana, Texas Water Utilities</i>	
General fund	\$ -	5,991	2,742	6,018,900	6,027,633
Debt service		816,148			816,148
Nonmajor governmental funds	217,609	305,000			522,609
Fleet services (internal service)	1,091,837				1,091,837
Total transfers in	<u>\$ 1,309,446</u>	<u>1,127,139</u>	<u>2,742</u>	<u>6,018,900</u>	<u>8,458,227</u>

Transfers maybe used to (1) move revenues from the fund with collection authorization to another specific required fund, (2) move restricted amounts from borrowings to the debt service fund to establish mandatory 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:

- \$80,407 Funds were transferred from the Emergency Services Grant fund (nonmajor governmental fund) to the General fund to cover salaries expenses.
- \$21,206 Funds were transferred from the Housing and Community Development fund (nonmajor governmental fund) to the General fund to cover salaries expenses.
- \$17,948 Funds were transferred from the EPA Revolving Loan fund (nonmajor governmental fund) to the General fund to cover salaries expenses.
- \$3,772 Funds were transferred from the EPA Multipurpose fund (nonmajor governmental fund) to the General fund to cover salaries expenses.
- \$47,476 Funds were transferred from the COC Homeless Assistance Grant fund (nonmajor governmental fund) to the General fund to cover salaries expenses.
- \$46,800 Funds were transferred from the Public Safety Radio fund (nonmajor governmental fund) to the General fund to cover expenses.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

- \$305,000 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.
- \$560,755 Funds were transferred from the Hotel/Motel Tax fund (nonmajor governmental fund) to the Debt Service fund for debt service payments.
- \$74 Funds were transferred from the 2009 Bond fund (nonmajor governmental fund) to the Debt Service fund to close out the fund.
- \$6 Funds were transferred from the 2003 Bond fund (nonmajor governmental fund) to the Debt Service fund to close out the fund.
- \$255,313 Funds were transferred from the TIRZ #1 fund (nonmajor governmental fund) to the Debt Service fund for principal and interest payment on bonds.
- \$1,091,837 Funds were also transferred from the General Fund to the Fleet Services fund (internal service fund) to cover fuel and maintenance.
- \$18,900 A transfer was made to the General Fund from the Texarkana Water Utilities (TWU) Enterprise fund for the City's administrative fees due under contracts between the City and International Paper Company water service contracts.
- \$6,000,000 A transfer was made to the General fund from the Texarkana Water Utilites (TWU) Enterprise fund for budgeted expenditures.
- \$2,000 A transfer was made to the General fund from the TIRZ #1 fund (nonmajor governmental fund) for budgeted expenditures.
- \$1,335 A transfer was made to the General fund from the Perot Theatre fund (nonmajor governmental fund) for budgeted technology expenditures.
- \$2,109 A transfer was made to the General fund from the NEA fund (nonmajor governmental fund) for grant expenditures.
- \$547 A transfer was made to the General fund from the Economic Development fund (nonmajor governmental fund) for budgeted expenditures.
- \$2,742 A transfer was made to the General fund from the Fleet Services fund (internal service fund) for budgeted expenditures.

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-

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 nine other cities as of September 30, 2018.

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

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

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

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

Under a contract dated August 5, 1948 as subsequently amended, the City supplies water to the City of Texarkana, Arkansas and disposes of sewage collected by that City. Charges to Texarkana, Arkansas for these services are computed by prorating certain expenses of the System, plus a set monthly fee. A new agreement was executed between the Cities of Texarkana, Texas and Texarkana, Arkansas on May 20, 1969. This new agreement relates to the matter of supplying treated water only and does not amend the prior agreement relating to sewer service. The terms of the new contract, provide that Texarkana, Arkansas will pay the same amount per one thousand gallons of water supplied to it as shall be computed to be the cost to Texarkana, Texas under its contractual arrangements with other area cities (See Note 12). The Texarkana, Arkansas Water Utilities made total transfers to the Texarkana, Texas Water Utilities for water purchases of \$712,391 and \$594,405 for 2018 and 2017, 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,

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 \$654,287 and \$646,282 for 2018 and 2017, respectively.

Additionally, when the indebtedness the City of Texarkana, Arkansas incurred in connection with the acquisition and construction of the water treatment and transmission facilities has been discharged, the City of Texarkana, Arkansas will convey to the City of Texarkana, Texas an undivided interest in the facilities used to serve Texas. Texarkana, Texas' undivided interest in the facilities shall be a pro rata portion of the total capital payments made on the system by both Texarkana, Arkansas and Texarkana, Texas. Texarkana, Texas' share is currently estimated to be approximately 62 percent of the total. Capital payments are defined as payments made or to be made on the principal of the bond obligation of Texarkana, Arkansas. The Texarkana, Texas Water Utilities made total transfers to the Texarkana, Arkansas Water Utilities for debt service of \$431,373 and \$417,816 for 2018 and 2017, 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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

treatment facility, known as the McKinney Bayou Wastewater Facilities (the facilities), and related transmission lines located within the City of Texarkana, Arkansas to be used for the collection and treatment of a portion of the two cities' wastewater. The agreement provides that the City of Texarkana, Arkansas will process a portion of the wastewater from the City of Texarkana, Texas. The City of Texarkana, Texas will pay the City of Texarkana, Arkansas the same amount per one thousand gallons as computed to be the cost to the City of Texarkana, Arkansas for wastewater treatment. The calculation of cost for retail customers billed is based on the metered retail water sales of each City, whose wastewater is treated in the facilities, to the total retail water sales for both Cities, whose wastewater is being treated in the facilities.

The agreement further provides that, when the indebtedness of the City of Texarkana, Arkansas incurred in connection with the acquisition and construction of the wastewater treatment facilities has been discharged, the City of Texarkana, Arkansas will convey to the City of Texarkana, Texas an undivided interest in the system facilities used to serve Texas. Texarkana, Texas' undivided interest in the facilities shall be a pro rata portion of the total payments on bond obligations made on the system by both Texarkana, Arkansas and Texarkana, Texas. In 2018 and 2017, the Texarkana, Texas Water Utilities made transfers to the Texarkana, Arkansas Water Utilities for debt service in the amounts of \$109,368 and \$101,839, 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 2018 and 2017, the Texas Utility received payments of \$23,261 and \$26,735, 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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

NOTE 13 - WATER SUPPLY CONTRACT WITH INTERNATIONAL PAPER COMPANY

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

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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

MILLWOOD RESERVOIR

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

On May 14, 1986, in anticipation of the start-up of the Millwood Water Treatment Plant, the City of Texarkana, Arkansas entered into an agreement with Southwest Arkansas Water District to 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 \$135,351 and \$128,749 for fiscal year 2018 and 2017, 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, 2018 was \$14,662,237.

NOTE 15 - WATER SYSTEM TRANSFER CONTRACT

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

For a period of no more than 20 years or until the dissolution of TAC, or until the value of the TAC-East Water System set forth in the contract has been paid, whichever comes first, the Utility will pay to TAC \$0.03 per 1,000 gallons of water delivered by the Utility to its customers on the TAC- East Water System (excluding the U. S. Army/Red River Army Depot). If during any year, the aggregate amount paid by the Utility exceeds \$39,609 (ceiling aggregate), then the overage is credited to the Utility and applied to the following payment year. If during any year, the aggregate amount paid by the Utility is less than the ceiling aggregate, no further monies are due from the Utility to TAC for that year. In 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 for the amount “forgiven” under the contract terms for fiscal year 2017. The remaining liability under this contract is \$594,499 as of September 30, 2017.

On July 10, 2017 the Texarkana, Texas City Council approved Resolution 2017-072, which authorized the sale of the TAC-East Water System to Riverbend Water Resources District. Subsequently, on January 26, 2018, this system was sold to Riverbend Water Resources District in the amount of \$291,320 with the City of Texarkana, Texas receiving proceeds of \$244,500 and the Texarkana, Texas Water Utility fund receiving proceeds of \$46,820.

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, 2018:

<u>Ending September 30:</u>	<i>Governmental Activities</i>	<i>Enterprise Funds</i>
2019	\$ 243,731	751,361
2020	209,746	749,787
2021	209,746	691,065
2022	185,651	631,193
2023	28,503	631,273
2024-2028	<u> </u>	1,258,254
Total minimum lease payments	877,377	4,712,933
Less:		
Unexpended funds		(746,946)
Amounts representing interest	(42,197)	(658,358)
Present value of minimum lease payments	<u>\$ 835,180</u>	<u>3,307,629</u>

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

<u>Asset Class</u>	<i>InterSystem Leases</i>
Land	\$ 399,965
Buildings	3,400,033
Improvements other than buildings	6,933,407
Machinery and equipment	2,261,201
Total	<u>\$ 12,994,606</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

NOTE 17 - LONG-TERM OBLIGATIONS

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City has dedicated 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, 2018 are as follows:

	<i>Rate of interest</i>	<i>Original Issue</i>	<i>Outstanding September 30, 2018</i>
General obligation bonds:			
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	4,845,000
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	10,600,000
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	8,950,000
Total general obligation bonds		<u>\$ 28,340,000</u>	<u>24,395,000</u>

Annual requirements to amortize general obligation bonds outstanding at September 30, 2018 are as follows:

<i>Requirements Year Ending September 30</i>	<i>General Obligation Bonds</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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	2,480,000	470,732	2,950,732
2024-2028	10,610,000	1,099,348	11,709,348
2029-2031	2,320,000	70,200	2,390,200
Total	<u>\$ 24,395,000</u>	<u>4,450,383</u>	<u>28,845,383</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Certificates of Obligation

The City issues certificates of obligation to fund construction projects and acquire capital assets. Certificates of obligation are direct obligations and pledge the full faith and credit of the City. Certificates of obligation at September 30, 2018 are as follows:

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2018</u>
Certificates of obligation:			
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	\$ 4,070,000
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	4,920,000
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	3,365,000
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%	<u>14,160,000</u>	<u>14,160,000</u>
Total certificates of obligation		<u>\$ 42,695,000</u>	<u>26,515,000</u>

Annual requirements to amortize certificates of obligations outstanding at September 30, 2018 are as follows:

<u>Year Ending September 30</u>	<u>Certificates of Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,840,000	672,505	2,512,505
2024-2028	6,580,000	2,528,227	9,108,227
2029-2031	6,210,000	1,210,905	7,420,905
2033-2038	<u>4,240,000</u>	<u>282,587</u>	<u>4,522,587</u>
Total	<u>\$ 26,515,000</u>	<u>8,100,617</u>	<u>34,615,617</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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, 2018 are as follows:

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2018</u>
Revenue bonds:			
Waterworks and Sanitary Sewer System Revenue Bonds Series 2004 net of bond premium of \$3,566 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	873,566
Waterworks and Sanitary Sewer System Revenue Bonds, Series 2013 net of bond discount of \$15,276 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>1,759,724</u>
Total Texarkana, Texas Water Utilities		<u>\$ 6,505,000</u>	<u>2,633,290</u>

Annual requirements to amortize revenue bonds outstanding at September 30, 2018 are as follows:

<i>Requirements Year Ending September 30</i>	<i>Revenue Bonds</i>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	294,245	65,594	359,839
2024-2028	569,851	244,534	814,385
2029-2033	<u>710,022</u>	<u>105,486</u>	<u>815,508</u>
Total	<u>\$ 2,633,290</u>	<u>784,990</u>	<u>3,418,280</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 approximately 2% of net revenues. The total principal and interest remaining to be paid on the bonds is \$3,418,280. Principal and interest paid for the current year and total customer net revenues were \$359,994 and \$17,747,257, respectively.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Changes in long-term liabilities

The following is a summary of changes in long-term liabilities for the year ended September 30, 2018:

	<i>Balance October 1, 2017 as restated</i>	<i>Additions</i>	<i>Retirements/ Deductions</i>	<i>Balance September 30, 2018</i>	<i>Long-term Balance</i>	<i>Due Within One Year</i>
Governmental activities:						
General obligation bonds	\$ 26,745,000		(2,350,000)	24,395,000	22,170,000	2,225,000
Issuance premiums	2,177,007		(269,744)	1,907,263	1,907,263	
Total general obligation bonds	<u>28,922,007</u>	<u>-</u>	<u>(2,619,744)</u>	<u>26,302,263</u>	<u>24,077,263</u>	<u>2,225,000</u>
Certificates of obligation	27,730,000		(1,215,000)	26,515,000	24,705,000	1,810,000
Issuance premiums	509,573		(33,484)	476,089	476,089	
Total certificates of obligation	<u>28,239,573</u>	<u>-</u>	<u>(1,248,484)</u>	<u>26,991,089</u>	<u>25,181,089</u>	<u>1,810,000</u>
Capital leases	905,236	156,582	(226,638)	835,180	610,023	225,157
Net pension liabilities	21,821,643	12,685,754	(19,762,456)	14,744,941	14,744,941	
Net other postemployment liabilities	10,224,149	2,318,116	(175,906)	12,366,359	12,366,359	
Accrued compensated absences	4,141,484	1,371,434	(1,277,751)	4,235,167	3,956,171	278,996
Governmental activity Long-term liabilities	<u>\$ 94,254,092</u>	<u>16,531,886</u>	<u>(25,310,979)</u>	<u>85,474,999</u>	<u>80,935,846</u>	<u>4,539,153</u>
Business-type activities:						
Revenue bonds	\$ 2,890,000		(245,000)	2,645,000	2,395,000	250,000
Issuance premiums	(11,917)		207	(11,710)	(11,710)	
Total revenue bonds	<u>2,878,083</u>	<u>-</u>	<u>(244,793)</u>	<u>2,633,290</u>	<u>2,383,290</u>	<u>250,000</u>
Capital leases	3,731,217		(423,588)	3,307,629	2,880,287	427,342
Net pension liabilities	4,831,754	2,446,461	(4,303,454)	2,974,761	2,974,761	
Other postemployment liabilities	2,164,869	182,807	(134,874)	2,212,802	2,212,802	
Accrued compensated absences	410,327	323,142	(333,077)	400,392	343,924	56,468
Business-type activity Long-term liabilities	<u>\$ 14,016,250</u>	<u>2,952,410</u>	<u>(5,439,786)</u>	<u>11,528,874</u>	<u>10,795,064</u>	<u>733,810</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, \$58,441 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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

NOTE 18 - CONDUIT DEBT

The City issued \$2,430,000 in Combination Tax and Revenue Certificates of Obligation, Series 2008 dated February 1, 2008. The stated maturity date of the debt is February 1, 2023, with an interest rate of 3.660% per annum. The certificates were issued by the City on behalf of the Bi-State Justice Center. The purpose of the debt is to pay contractual obligations for improvements to the Bi-State Criminal Justice Center and professional services rendered in connection therewith. The payments are made by the Bi-State Justice Center directly to the paying agent. The City has no responsibility for the repayment of the debt beyond its participation in the BSJC joint venture. The balance outstanding at September 30, 2018 is \$959,923.

NOTE 19 - RISK MANAGEMENT

The City's workers' compensation insurance coverage is obtained through the Texas Municipal League Intergovernmental Risk Pool (TML Pool). The TML Pool was established by the various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. Losses under a stated amount for workers' compensation that are incurred by TML members are paid with TML Pool funds. Claims in excess of this limit are paid under terms of insurance policies obtained by the TML Pool. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board or by the State Board of Insurance of Texas. Such rates are estimated to include all claims expected to occur during the policy period, including claims incurred but not reported. The TML has established claims reserves for each of the types of insurance offered. Thus, although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contributed rate for subsequent years. Members are also entitled to returns of contributions if actual results are more favorable than estimated. For the year ended September 30, 2018 the City contributed \$180,604 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 \$55,116,788 for major structures, primarily those used by the public and those located in a cluster to provide protection from catastrophic losses, as well as \$14,233,100 of contents coverage.

The City maintains liability insurance coverage of \$1,508,040 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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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:

	<u>Year Ended</u> <u>September 30, 2018</u>	<u>Year Ended</u> <u>September 30, 2017</u>
Unpaid claims, October 1	\$ 231,588	\$ 215,451
Incurred claims	4,041,869	3,838,585
Claim payments	<u>(4,068,635)</u>	<u>(3,822,448)</u>
Unpaid claims, September 30	<u>\$ 204,822</u>	<u>\$ 231,588</u>

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

NOTE 20 - EMPLOYEE RETIREMENT SYSTEMS

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

A. TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

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

1. Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS ACT, Subtitle G, Title 8, Texas Government Code (The TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

2. Benefits Provided

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

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

Plan provisions for the City were as follows:

	<u><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 years	5 years	5 years
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age	5 yrs/age 60, 20 yrs/any age	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	June 1995	June 1995	June 1995

At the December 31, 2017 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	69	180	108
Inactive employees entitled to but not yet receiving benefits	31	102	41
Active employees	91	210	153
Total	<u>191</u>	<u>492</u>	<u>302</u>

3. Contributions

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Employees for the City of Texarkana, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Texarkana, Texas were as follows in calendar years 2017 and 2018.

	<u>Plan No. 1</u>	<u>Plan No. 2</u>	<u>Plan No. 3</u>
City Contribution Rate:			
2017	16.12%	15.82%	16.20%
2018	15.93%	16.11%	16.67%

The City's contributions to TMRS for the year ended September 30, 2018 were \$ 953,097, \$1,403,595 and \$728,396 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, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

and a one-time change to the amortization policy. 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 estimate of a recommended investment return assumption under the various alternative asset allocation 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 in fiscal year 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic equity	17.50%	4.55%
International equity	17.50%	6.35%
Core fixed income	10.00%	1.00%
Non-core fixed income	20.00%	3.90%
Real return	10.00%	3.80%
Real estate	10.00%	4.50%
Absolute return	10.00%	3.75%
Private equity	5.00%	7.50%
Total	<u>100.00%</u>	

Discount Rate

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

CHANGES IN NET PENSION LIABILITY PLAN NO. 1

	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balance at 12/31/2016	\$ 44,042,223	37,835,760	6,206,463
Changes for the year:			
Service cost	1,006,085		1,006,085
Interest	2,946,678		2,946,678
Change of benefit terms			-
Difference between expected and actual experience	(668,606)		(668,606)
Changes of assumptions			-
Contributions - employer		933,545	(933,545)
Contributions - employee		405,446	(405,446)
Net investment income		5,243,846	(5,243,846)
Benefit payments, including refunds of employee contributions	(1,781,542)	(1,781,542)	-
Administrative expense		(27,176)	27,176
Other changes		(1,377)	1,377
Net changes	<u>1,502,615</u>	<u>4,772,742</u>	<u>(3,270,127)</u>
Balance at 12/31/2017	<u>\$ 45,544,838</u>	<u>42,608,502</u>	<u>2,936,336</u>

CHANGES IN NET PENSION LIABILITY PLAN NO. 2

	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balance at 12/31/2016	\$ 49,918,489	41,578,884	8,339,605
Changes for the year:			
Service cost	1,361,395		1,361,395
Interest	3,310,801		3,310,801
Change of benefit terms	-		-
Difference between expected and actual experience	327,831		327,831
Changes of assumptions	-		-
Contributions - employer		1,286,363	(1,286,363)
Contributions - employee		569,621	(569,621)
Net investment income		5,722,307	(5,722,307)
Benefit payments, including refunds of employee contributions	(2,443,517)	(2,443,517)	-
Administrative expense		(29,664)	29,664
Other changes		(1,504)	1,504
Net changes	<u>2,556,510</u>	<u>5,103,606</u>	<u>(2,547,096)</u>
Balance at 12/31/2017	<u>\$ 52,474,999</u>	<u>46,682,490</u>	<u>5,792,509</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

CHANGES IN NET PENSION LIABILITY PLAN NO. 3

	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balance at 12/31/2016	\$ 25,546,789	20,715,035	4,831,754
Changes for the year:			
Service cost	703,862		703,862
Interest	1,726,802		1,726,802
Change of benefit terms			-
Difference between expected and actual experience	(405,743)		(405,743)
Changes of assumptions			-
Contributions - employer		695,700	(695,700)
Contributions - employee		300,612	(300,612)
Net investment income		2,901,396	(2,901,396)
Benefit payments, including refunds of employee contributions	(1,163,480)	(1,163,480)	-
Administrative expense		(15,035)	15,035
Other changes		(759)	759
Net changes	861,441	2,718,434	(1,856,993)
Balance at 12/31/2017	\$ 26,408,230	23,433,469	2,974,761

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

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

	<i>1% Decrease in Discount Rate (5.75%)</i>	<i>Discount Rate (6.75%)</i>	<i>1% Increase in Discount Rate (7.75%)</i>
City's net pension liability:			
Plan No. 1	\$ 9,806,743	\$ 2,936,336	\$ (2,645,962)
Plan No. 2	12,759,570	5,792,509	63,545
Plan No. 3	6,580,044	2,974,761	12,591

Pension Plan Fiduciary Net Position

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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

For the year ended September 30, 2018, the City recognized pension expense of \$669,700, \$1,453,174, and \$430,498 in Plan No. 1, Plan No. 2 and Plan No. 3, respectively.

At September 30, 2018, 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>
	<u> </u>	<u> </u>
Net difference between projected and actual earnings on pension plan investments	\$ (1,073,815)	
Changes in actuarial assumptions		37,239
Differences between expected and actual experience		1,382,525
Contributions made after December 31, 2017 but before September 30, 2018	695,367	
Total	<u>\$ (378,448)</u>	<u>1,419,764</u>

SCHEDULE OF OUTFLOWS AND INFLOWS PLAN NO. 2

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
	<u> </u>	<u> </u>
Net difference between projected and actual earnings on pension plan investments	\$ (1,149,055)	
Changes of assumptions	-	(31,169)
Differences between expected and actual experience		(199,477)
Contributions made after December 31, 2017 but before September 30, 2018	981,913	
Total	<u>\$ (167,142)</u>	<u>(230,646)</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	586,783	1,191,765
Changes of assumptions	35,455	
Differences between expected and actual experience		606,923
Contributions made after December 31, 2017 but before September 30, 2018	533,924	
Total	<u>\$ 1,156,162</u>	<u>1,798,688</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, 2019. 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>
2018	\$ (352,257)	163,097	(259,901)
2019	(440,726)	76,213	(182,729)
2020	(872,214)	(570,807)	(394,277)
2021	(722,576)	(586,912)	(339,543)
2022	(105,806)	-	-
Total	<u>\$ (2,493,579)</u>	<u>(918,409)</u>	<u>(1,176,450)</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, 2017:

Inactive plan members or beneficiaries currently receiving benefits	69
Active plan members	<u>77</u>
Total	<u><u>146</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 plan benefits adopted by the Plan must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the members and the City provides an adequate financing arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the unfunded

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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, 2017 were as follows:

	<u>Amount</u>	<u>Percentage</u>
Employer	\$ 840,328	19.5%
Members	581,355	13.5%

The costs of administering the plan are paid from the use of investment earnings.

B. Net Pension Liability

The Plan's net pension liability was measured as of December 31, 2017, 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, 2017. The components of the net pension liability of the employer on December 31, 2017 were as follows:

Total pension liability	\$ 40,835,101
Plan fiduciary net position	<u>(34,819,005)</u>
City's net pension liability	<u>\$ 6,016,096</u>
Plan fiduciary net position as a percentage of the total pension liability	85.3%

1. Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment return	7.75% per annum, net of investment expenses	
Administrative expense	0.90% of payroll	
Salary increases	<u>Service</u>	<u>Rate</u>
	0-5 years	8.93%
	6-10 years	5.83%
	11-15 years	5.32%
	16+ years	3.25%
Total payroll growth	3.25% per annum	

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Mortality rates were based on the RP-2014 Blue Collar Mortality Tables adjusted backward to 2006 with Scale MP-2014 and projected generationally with Scale MP-2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates 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.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of December 31, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<i>Asset Class</i>	<i>Long-Term Expected Real Rate of Return</i>
Equities	6.50%
Fixed income	4.00%
Cash	0.00%

2. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the City contribution would be equal to 1950% of payroll and that member contributions would equal 13.50% of compensation. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

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

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

	<i>1% Decrease (6.75%)</i>	<i>Current Discount Rate (7.75%)</i>	<i>1% Increase (8.75%)</i>
City's net pension liability	\$ 10,393,624	6,016,096	2,310,957

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

are reported using 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, 2016	<u>\$ 39,052,755</u>	<u>31,777,180</u>	<u>7,275,575</u>
Changes for the year:			
Service cost	944,560		944,560
Interest	2,974,938		2,974,938
Differences between expected and actual experience	140,001		140,001
Contributions by the city		850,654	(850,654)
Contributions by the members		571,029	(571,029)
Net investment income		4,088,103	(4,088,103)
Benefit payments	(2,386,385)	(2,386,385)	-
Administrative expenses		(81,576)	81,576
Assumption changes	109,232		109,232
Net changes	<u>1,782,346</u>	<u>3,041,825</u>	<u>(1,259,479)</u>
Amounts as of December 31, 2017	<u>\$ 40,835,101</u>	<u>34,819,005</u>	<u>6,016,096</u>

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

For the year ended September 30, 2018, the City's GASB 68 pension expense was \$1,513,348. 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, 2018 are as follows:

Service cost	\$ 944,560
Interest	2,974,938
Member contributions	(571,029)
Projected earnings on pension plan investments	(2,422,188)
Amortization of differences between projected and actual earnings on plan investments	602,483
Amortization of changes of assumptions	7,732
Amortization of differences between expected and actual experience	(104,724)
Pension plan administrative expenses	81,576
Total pension expense	<u>\$ 1,513,348</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

At September 30, 2018, 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		334,058
Changes of assumptions		(65,818)
Differences between expected and actual experience	442,945	
Contributions made after December 31, 2017 but before September 30, 2018	616,604	
Total	<u>\$ 1,059,549</u>	<u>\$ 268,240</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>
2019	\$ 505,491
2020	342,897
2021	(363,236)
2022	(383,920)
2023	35,152
Thereafter	38,321
Total	<u>\$ 174,705</u>

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	\$ 2,936,336	(378,448)	(1,419,764)	669,700
TMRS Plan 2	5,792,509	(167,142)	230,646	1,453,174
Firefighters Relief & Retirement Fund	6,016,096	1,059,549	(268,240)	1,513,348
Total governmental activities	<u>14,744,941</u>	<u>513,959</u>	<u>(1,457,358)</u>	<u>3,636,222</u>
Business-type activities:				
TMRS Plan 3	2,974,761	1,156,162	(1,798,688)	430,498
Total	<u>\$ 17,719,702</u>	<u>1,670,121</u>	<u>(3,256,046)</u>	<u>4,066,720</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

NOTE 21 –OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS

Postemployment medical and dental benefits (OPEB) are provided to eligible retirees, their spouses and dependents through the City’s self-insured health plan. The City and Texarkana Water Utilities both provide these postemployment benefits. Each plan has a separate actuarial valuation and are reported separately in the following disclosures. For each plan, no assets are accumulated in a trust that meet the criteria of GASB Statement No. 75.

City OPEB Plan

1. Benefits Provided

Employees hired before January 1, 2010 are eligible to receive a lump sum payment for up to 720 sick leave hours upon retirement. Fire operations are eligible to receive a lump sum payment for up to 1,008 sick leave hours. These employees are also eligible to receive the dollar value of up to 720 sick leave hours, or up to 1,008 sick leave hours for Fire Operations, placed into an account for retiree health and /or dental coverage premium payments. The account balance can only be used to replace the premiums the participant would have paid for retiree medical and/or dental insurance coverage provided by the City. The participant must elect retiree insurance coverage immediately upon retirement and any election decision shall not be deferred for any reason. All age and tenure requirements must comply with pension guidelines of the Texas Municipal Retirement System or the Texarkana Firemen’s Relief and Retirement Fund at the time of retirement to qualify for this program.

Employees hired on or after January 1, 2010 are eligible to receive a lump sum payment for up to 720 sick leave hours. Fire operations are eligible to receive a lump sum payment for up to 1,008 sick leave hours. These employees have the option to receive a lump sum payment for sick leave hours or to have the dollar value of sick leave hours deposited in an account for use by the retiree to purchase retiree health and/or dental coverage provided by the City, but not both. The participant must elect retiree insurance coverage immediately upon retirement and any election decision shall not be deferred for any reason. All age and tenure requirements must comply with pension guidelines at the time of retirement to qualify for this program.

At the September 30, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>9/30/2017</u>	<u>9/30/2018</u>
Inactive employees or beneficiaries currently receiving benefit payments	29	28
Inactive employees entitled to but not yet receiving benefit payments	0	0
Active employees	366	368
Total	<u>395</u>	<u>396</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

2. Contributions

Benefit levels and contribution rates are approved annually by City management and the City Council as part of the budget process. The City does not make advance funding contributions, but instead operates under a pay-as-you-go method. An irrevocable trust has not been established that meets the criteria established under GASB Statement Nos. 74 and 75. Therefore, the plan is not accounted for as a trust fund and does not issue a separate financial report.

3. Net OPEB Liability

The City's Net OPEB Liability was measured as of September 30, 2018, and Total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total OPEB Liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary inflation	2.75% average which includes inflation
Discount rate	3.75% per annum, which includes inflation
Healthcare cost trend rates	5.70% initial medical trend rate for pre-65 retirees decreasing to an ultimate rate of 3.81% in the year 2073

Mortality rates were updated and are based upon the RP-2014h sex distinct mortality improvement table with generational mortality improvement scale MP-2018

Assumption changes - Since the prior valuation, the mortality improvement scale was updated from MP-2015 to the MP-2018 table. Also, the per capita claims costs and trend were updated to reflect recent experience.

CHANGES IN NET OPEB LIABILITY

	<i><u>Total OPEB Liability</u></i>	<i><u>Plan Fiduciary Net Position</u></i>	<i><u>Net OPEB Liability</u></i>
Balance at 9/30/2017	\$ 10,224,149	-	10,224,149
Changes for the year:			
Service cost	361,392		361,392
Interest	419,812		419,812
Difference in expected and actual experience	(4,599)		(4,599)
Change in assumptions	1,536,912		1,536,912
Contributions-employer		171,307	(171,307)
Benefit payments	(171,307)	(171,307)	-
Net changes	<u>2,142,210</u>	<u>-</u>	<u>2,142,210</u>
Balance at 9/30/18	<u>\$ 12,366,359</u>	<u>-</u>	<u>12,366,359</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City calculated using the discount rate of 3.75%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.75%) or 1% higher (4.75%) than the current rate. This is also calculated using healthcare cost trend rates.

Discount Rate Sensitivity		
<i>1% Decrease</i>	<i>Discount Rate</i>	<i>1% Increase</i>
<i>2.75%</i>	<i>3.75%</i>	<i>4.75%</i>
\$ 13,492,974	\$ 12,366,359	\$ 10,773,155

Healthcare Cost Trend Rate		
<i>1% Decrease</i>	<i>Discount Rate</i>	<i>1% Increase</i>
<i>7.00%</i>	<i>8.00%</i>	<i>9.00%</i>
\$ 10,839,084	\$ 12,366,359	\$ 14,164,225

4. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized the OPEB expense of \$1,000,106.

At September 30, 2018, the City had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ -	(3,942)
Changes of assumptions	1,317,353	
Total	<u>\$ 1,317,353</u>	<u>(3,942)</u>

The amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Measurement Year September 30</i>	<i>Net of Deferred Outflows Minus Deferred Inflows</i>
2019	218,902
2020	218,902
2021	218,902
2022	218,902
2023	218,902
2024	218,901
	<u>\$ 1,313,411</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

TWU OPEB Plan

1. Benefits Provided

In addition to the retirement benefits described above, 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 hours for non-Civil Service) valued at the employee's current 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).

Upon retirement, eligible employees hired after January 1, 2010 may choose either a lump sum payment of up to 720 hours of sick leave at their current rate of pay or an equivalent amount to be used to pay future monthly healthcare contributions, but they cannot get both. Once retirees participating in postemployment health care benefits reach sufficient age to become Medicare eligible, they can no longer remain on the insurance, but if they enroll in Medicare, their Medicare supplement premiums can then be paid from any remaining sick leave

buyout balance. Eligible employees who retire at Medicare eligible age cannot remain on the employer insurance, but their Medicare supplement premiums can be paid from their sick leave buyout balance.

Eligible employees who choose to remain on the employer insurance are allowed to continue any coverage they may have at retirement, which includes self, spouse, children, and family coverage options, but those coverage options cannot be added post retirement. For the year, retiree health and dental coverage rates were as follows:

Coverage	Medical	Dental
Retiree Only	\$502.50	\$19.64
Retiree Spouse	\$866.66	\$40.06
Retiree Child(ren)	\$722.52	\$45.18
Retiree Family	\$1116.92	\$71.87

In addition to the coverage rates above, a tobacco surcharge of \$35 is added to the medical rates of any retirees on the employer insurance who use tobacco products of any kind.

At the October 1, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Actives	152
Retirees	9
Beneficiaries	0
Spouses of Retirees	1
Total	<u>162</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

2. Contributions

Benefit levels and contribution rates are approved annually by City management and the City Council as part of the budget process. The Utility does not make advance funding contributions, but instead operates under a pay-as-you-go method. An irrevocable trust has not been established that meets the criteria established under GASB Statement Nos. 74 and 75. Therefore, the plan is not accounted for as a trust fund and does not issue a separate financial report.

3. Net OPEB Liability

The Utility's Net OPEB Liability was measured as of September 30, 2018, and Total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial methods and assumptions

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. Under this method, a projected retirement benefit at assumed retirement age is computed for each participant using anticipated future pay increases. The normal cost for each participant is computed as the level percentage of pay which, if paid from each participant's date of employment by the employer or any predecessor employer (thus, entry age) to his assumed retirement date, would accumulate with interest at the rate assumed in the valuation to an amount sufficient to fund his projected retirement benefit. The normal cost for the plan is the total of the individually computed normal costs for all participants including the costs for any death or disability benefits under the plan.

The accrued liability at any point in time for an active participant is the theoretical fund that would have been accumulated on his behalf from his normal cost payments and the earnings thereon for all prior years if the plan had always been in effect. For persons receiving benefits or entitled to a deferred vested retirement income the accrued liability cost is equal to the present value of their future benefit payments. The accrued liability for the plan is the total of the individually computed accrued liability for all participants. The unfunded accrued liability for the plan is the excess of the accrued liability over the assets which have been accumulated for the plan.

It should be noted that the accrued liability as of any date is not the actuarially computed present value of accrued or accumulated benefits as of that date. The accrued liability is the portion of the ultimate cost assigned to prior years by the cost method being used.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Valuation Date	October 1, 2017																																							
Measurement Date	September 30, 2018																																							
Discount Rate for Valuing Liabilities	4.18% per annum, as required by GASB 75																																							
Mortality rates	<p>Pre-retirement: RP-2014 Total Dataset Mortality Table projected backward to 2006 with Mortality Improvement Scale MP-2014 and then forward with Mortality Improvement Scale-2017 on a generational basis with healthy annuitant rates after benefit commencement.</p> <p>Post-retirement: RP-2014 Total Dataset Mortality Table projected backward to 2006 with Mortality Improvement Scale MP-2014 and then forward with Mortality Improvement Scale-2017 on a generational basis with healthy annuitant rates after benefit commencement.</p> <p>Disability retirement: RP-2014 Disabled Retiree Mortality Table projected backward to 2006 with Mortality Improvement Scale MP-2014 and then forward with Mortality Improvement Scale-2017 on a generational basis with disabled annuitant rates after benefit commencement.</p>																																							
Retirement rates	<p>Sample rates are as follows:</p> <table border="0"> <thead> <tr> <th style="text-align: left;">Age</th> <th style="text-align: left;">Male Participants</th> <th style="text-align: left;">Female Participants</th> </tr> </thead> <tbody> <tr><td>40-44</td><td>5.0%</td><td>5.0%</td></tr> <tr><td>45-49</td><td>6.0%</td><td>6.0%</td></tr> <tr><td>50-54</td><td>4.0%</td><td>4.0%</td></tr> <tr><td>55-59</td><td>3.0%</td><td>3.0%</td></tr> <tr><td>60</td><td>2.9%</td><td>2.9%</td></tr> <tr><td>61</td><td>2.5%</td><td>2.5%</td></tr> <tr><td>62</td><td>4.2%</td><td>4.2%</td></tr> <tr><td>63</td><td>6.6%</td><td>6.6%</td></tr> <tr><td>64</td><td>10.3%</td><td>10.3%</td></tr> <tr><td>65</td><td>17.8%</td><td>17.8%</td></tr> <tr><td>66-69</td><td>32.5%</td><td>32.5%</td></tr> <tr><td>70+</td><td>48.6%</td><td>48.6%</td></tr> </tbody> </table>	Age	Male Participants	Female Participants	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%
Age	Male Participants	Female Participants																																						
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%																																						
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70+	48.6%	48.6%																																						
Withdrawal rates	<p>Sample rates are as follows:</p> <table border="0"> <thead> <tr> <th style="text-align: left;">Age</th> <th style="text-align: left;">Male</th> <th style="text-align: left;">Female</th> </tr> </thead> <tbody> <tr><td>20</td><td>17.9%</td><td>17.9%</td></tr> <tr><td>30</td><td>16.2%</td><td>16.2%</td></tr> </tbody> </table>	Age	Male	Female	20	17.9%	17.9%	30	16.2%	16.2%																														
Age	Male	Female																																						
20	17.9%	17.9%																																						
30	16.2%	16.2%																																						

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Assumed Sick Leave Balance	Active participants assumed to have the maximum sick leave balance accrued at time of retirement. Retirees use actual sick leave balance.
Disability rates	None
Payroll Increase	3.00%
Participation Assumption	100% of all employees who are eligible for retiree medical benefits are assumed to elect medical coverage in retirement.
Marriage Assumption	For actives it is assumed that husbands are two years older than their wives. 25% of active participants making it to retirement are assumed to be married and elect spouse medical coverage.

CHANGES IN NET OPEB LIABILITY

	<i>Texarkana, Texas Water Utilities</i>
Balance as of 9/30/17	<u>\$2,164,869</u>
Changes for the year:	
Service cost	100,757
Interest on total OPEB liability	82,050
Effect of assumptions changes or inputs	(111,680)
Benefit payments	(23,194)
Balance as of 9/30/18	<u><u>\$2,212,802</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Utility calculated using the discount rate of 4.18%, as well as what the Utility's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.18%) or 1% higher (5.18%) than the current rate. This is also calculated using healthcare cost trend rates.

<u>Discount Rate Sensitivity</u>		
<i>1% Decrease</i>	<i>Discount Rate</i>	<i>1% Increase</i>
<i>3.18%</i>	<i>4.18%</i>	<i>5.18%</i>
<u>\$ 2,425,987</u>	<u>\$ 2,212,802</u>	<u>\$ 2,011,877</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Healthcare Cost Trend Rate		
<i>1% Decrease</i>	<i>Discount Rate</i>	<i>1% Increase</i>
<u>3.18%</u>	<u>4.18%</u>	<u>5.18%</u>
\$ 1,949,668	\$ 2,212,802	\$ 2,506,676

4. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the Utility recognized the OPEB expense of \$155,943.

At September 30, 2018, the Utility had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ -	
Changes of assumptions		84,642
Total	<u>\$ -</u>	<u>84,642</u>

The amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Measurement Year</i>	<i>Amounts to be expenses in future expense calculations</i>
<u>September 30</u>	<u>expense calculations</u>
2019	28,214
2020	28,214
2021	28,214
	<u>\$ 84,642</u>

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, 2018.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

NOTE 23 – CLASSIFICATION OF GOVERNMENTAL FUND BALANCES

The table below presents a summary of the September 30, 2018, governmental fund balances by fund type and specific purpose. With the exception of nonspendable fund balances, fund balance is presented based on specific purpose. For the general fund, special revenue funds, debt service fund and capital projects funds, the specific purpose of the fund balance is determined by the governmental function for which the funds are restricted, committed, assigned or unassigned.

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable for:				
Investment in joint venture	\$ 90,274			90,274
Restricted				
Noncurrent loans receivable			372,047	372,047
Court security and technology	408,657			408,657
Law enforcement	270,598		32,077	302,675
Health and welfare	10,494		1,025,444	1,035,938
Parks and recreation			882	882
Public safety radio			53,948	53,948
Debt service		206,784		206,784
Tourism			612,099	612,099
Capital improvements			5,306,583	5,306,583
Committed				
Economic development			3,277,171	3,277,171
Assigned				
Subsequent year's expenditures	5,291,576			5,291,576
Building maintenance	44,360			44,360
Personnel	1,063,782			1,063,782
Police	12,597			12,597
Technology	141,253			141,253
Capital improvements	2,308,489			2,308,489
Insurance	351,624			351,624
Energy conservation	34,238			34,238
Theatre			809,864	809,864
Economic development				-
Unassigned				
General fund	8,655,483			8,655,483
Special revenue funds			(139,103)	(139,103)
Total Fund Balances	<u>\$ 18,683,425</u>	<u>206,784</u>	<u>11,351,012</u>	<u>30,241,221</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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, 2018.

The City Council authorized Resolution 2018-064 and entered into a contract on June 11, 2018 to fund a rebate not to exceed \$612,000 of a portion of ad valorem taxes for property and a portion of the sales taxes paid by a local automobile dealership and collected by the City derived from the new business facilities to be constructed at the specified location for a term not to exceed ten years. No amount of ad valorem taxes or sales taxes were abated for the fiscal year ending September 30 2018.

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 contract issues not involving affirmative claims for money damages against Texarkana, Texas were ordered to arbitration. All matters the City of Texarkana, Texas, requested to arbitrate, which include claims for money damages against Texarkana, Arkansas, were ordered to arbitration. This matter has been dormant. The City of Texarkana, Texas, contests the issues raised by Texarkana, Arkansas. In compliance with the federal court order, the City of Texarkana, Texas promptly appointed an arbitrator, and notice was given to Texarkana, Arkansas, of that appointment. The arbitrator appointed by Texarkana, Arkansas, has not yet contacted the arbitrator appointed by the City of Texarkana, Texas, to select a third arbitrator as required by the contract between the two cities. While there appear to be no allegations or claims for damages asserted by Texarkana, Arkansas, the City attorney asserts that evaluating the likelihood of an unfavorable outcome is premature and an estimate of the amount or range of potential loss cannot be made at this time.

A case was filed against the City for (1) “dismissal of order” issued June 2017 by the Building and Standards Commission for demolition of a specific property address (2) “start fresh”, removal of the property from “demolition list, red tag list” and (3) “ample time to obtain any and all permits without hindrance” to repair the property. The relief requested is injunctive in nature. The petition was filed March 20, 2019. No citation has been issued, meaning procedural steps have yet to be taken by the individual to require the City to respond. The individual is acting without an attorney. If citation ever issues, the anticipated City response is that the petition, on its face, shows that a collateral attack on a June 2017 commission order is untimely (orders of the commission must be appealed within thirty days) that the district court has no jurisdiction and that the petition should be dismissed. The City attorney indicates an unfavorable outcome is unlikely. The petition does not claim money damages.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

A claim regarding excessive force during arrest has been made by an individual arrested by the Texarkana, Texas Police Department on May 1, 2019 on charges of evading in a vehicle (Third Degree Felony), possession of a controlled substance penalty group 2 (State Jail Felony), and possession of marijuana (Class A misdemeanor). The criminal case is active and open, now with the ambit of the Bowie County District Attorney for prosecution. The individual also submitted a complaint to TTPD alleging excessive force by the arresting officer. Local attorneys represent the individual and have disclosed they are investigating a civil claim for excessive force. The attorneys have requested documents from the City relating to the arrest. The City has submitted a request to the Attorney General for an opinion whether the documents requested should be withheld from disclosure pursuant to exceptions in the Public Information Act. The City has also notified Texas Municipal League – Intergovernmental Risk Pool of reasonable anticipation of a claim and a TML-IRP claims specialist has been assigned. 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. If any lawsuit is filed, it is anticipated TML-IRP will retain legal counsel to defend the interest of the City and the arresting officer.

An employment claim against the City stems from a City employee who sustained a work-related injury in October 2015. The employee claims that the City violated the American with Disabilities Act, contending that from the injury date through November 2018, the City failed to engage in the interactive process and did not provide reasonable accommodations as compared to those given to a supervisor of a different race who he alleges had a more severe disability. The employee also claims a violation of equal pay laws, contending his work hours were reduced under the pretext of “not enough work”. The employee also claims he was retaliated against for engaging in protected activity under the FMLA and filing his charge of discrimination. The employee also claims he was treated less fairly than similarly situated White and disabled employees because of his national origin (African –American), race (Black), and in violation of Title VII of the Civil Rights Act of 1964. The employee submitted his Charge of Discrimination to the Texas Workforce on June 6, 2019. The commission has requested information from the City with regard to the prospect of mediating the employee’s claim. The City is evaluating the commission’s request with regard to the prospect of mediating the employee’s claim. The City attorney asserts that the recent filing of the claim makes evaluating the likelihood of an unfavorable outcome premature. An estimate of the amount or range of potential loss cannot be made at this time.

An excessive force claim has been filed in federal court against the City and a police officer. The action is in the early stages. A case management conference is scheduled for July 2019. No discovery has been undertaken at this time. The Plaintiff has not made any settlement demand. The City attorney expects the parties will, in all likelihood, receive a jury trial setting in April 2020. In the absence of any completed discovery, the City attorney cannot submit any opinion concerning the anticipated damages in the event of an unfavorable jury verdict. The City attorney in his preliminary opinion believes the case can be successfully defended. Texas Municipal Intergovernmental Risk Pool is providing a defense to the City and will be responsible for the payment of any jury award or settlement.

There is currently pending a claim through the Arkansas Workers Compensation Commission by a former TWU employee against Texarkana Water Utilities (employer). The former employee filed a workers’ compensation claim against the utility which although pending for some time, remains open. The case is being handled by the Worker’s Compensation Division of the Arkansas Municipal League. TWU and the Municipal League are contesting disability but expend a finding of some disability though not as much as that sought by the individual. The City attorney asserts that TWU will have no liability in the sense of a payment because the

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Municipal League is a participant in the Municipal League Worker's Compensation Trust. If there is a result averse to the Utility, the Trust will make the payment.

A suit has been filed against the City of Texarkana, Arkansas D/B/A Texarkana Water Utilities and the Texas Municipal League Inter-Governmental Risk Pool and Arkansas Public Entities Risk Management Association alleging that the City (d/b/a Texarkana Water Utilities) was negligent (or breached a contract Plaintiff alleges to exist) in delay of shutting off a water main after a rupture. Based on the allegations concerning the date of occurrence, it appears that the Plaintiff filed the matter (on January 6, 2017) in order to prevent loss of any claim due to expiration of the Statute of Limitations for negligence in Arkansas. The Texas Municipal League has been dismissed as a party because it had no interest in the litigation. A Motion to Dismiss is pending on behalf of all remaining Defendants asserting statutory immunity. The City attorney asserts that at present it is not possible to accurately evaluate the likelihood of an unfavorable outcome or estimate any range of potential loss. Nevertheless the allegations involved are similar to the types of allegations typically covered by statutory immunity protections afforded by applicable law.

A class action lawsuit stems from aluminum sulfate price fixing activities nationwide. Aluminum sulfate is used by Texarkana Water Utilities in the water treatment process. Certain executive of aluminum sulfate companies were found guilty of fixing aluminum sulfate prices; and a class action ensued. The City of Texarkana, Arkansas, along with the City of Texarkana, Texas, d/b/a Texarkana Water Utilities, join other cities and entities as named members of the class. As a plaintiff, there is no exposure to the City.

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, 2018, 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 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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

make this additional water storage available are unknown. In fiscal year 2018, 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. 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 included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

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.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, issued April 2018 will be effective for the fiscal year ending September 30, 2019. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

acceleration clauses. The Statement also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, issued in June 2018, will be effective for the fiscal year ending September 30, 2021. The Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with Statement No. 62. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest costs incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, issued in August 2018, will be effective for the fiscal year ending September 30, 2020. The Statement's objective is to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

NOTE 27 – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was recorded to adjust the liability for the other post employment benefits at September 30, 2017 in accordance with *GASB Statement No 75, Accounting and Financial Reporting for Post Employment Benefits Other than Pensions*, effective for the fiscal year ending September 30, 2018. The effect was to increase the liability and reduce net position for governmental activities by \$7,273,031 and to increase the liability and reduce the net position for business-type activities by \$1,178,370.

NOTE 28 – SUBSEQUENT EVENTS

On October 8, 2018, the City of Texarkana, Texas passed a resolution authorizing the defeasance of \$4,845,000 of the City of Texarkana, Texas General Obligation Refunding Bonds, Series 2012, dated August 1, 2012, maturing on February 15 in each of the years 2019 through 2023, inclusive, by entering into an escrow agreement to hold \$5,133,488 in security as an amount sufficient to pay the principal amount of the defeased bonds and the accrued interest as they become due in accordance with the terms of the ordinance authorizing the issuance of the defeased bonds.

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 2018 audit for shared costs of the Texarkana Water Utilities (business-type activities and enterprise fund) in the fiscal year 2019. The new funding ratio adopted will be 62.81% Texas and 37.19% Arkansas.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

NOTE 29 – MANAGEMENT REVIEW

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through July 3, 2019, the date the financial statements were available to be issued.

Required Supplementary Information

CITY OF TEXARKANA, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION September 30, 2018

TMRS PLAN #1 - Police Officers

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

	<u>Actuarial Valuation 12/31/2014</u>	<u>Actuarial Valuation 12/31/2015</u>	<u>Actuarial Valuation 12/31/2016</u>	<u>Actuarial Valuation 12/31/2017</u>
1. Total Pension Liability				
a. Service cost	\$ 968,730	969,892	940,760	1,006,085
b. Interest	2,746,753	2,842,733	2,830,664	2,946,678
c. Changes of benefit provisions				
d. Difference between expected and actual experience	(647,060)	(710,991)	(333,866)	(668,606)
e. Changes of assumptions		(72,483)		
f. Benefit payments	(1,738,559)	(1,657,168)	(1,721,423)	(1,781,542)
g. Net Change in Total Pension Liability	1,329,864	1,371,983	1,716,135	1,502,615
h. Total Pension Liability - Beginning	39,624,241	40,954,106	42,326,088	44,042,223
i. Total Pension Liability - Ending	<u>\$ 40,954,105</u>	<u>42,326,089</u>	<u>44,042,223</u>	<u>45,544,838</u>
2. Plan Fiduciary Net Position				
a. Contributions by the City	988,531	966,327	905,636	933,545
b. Contributions by the Employees	381,042	389,200	378,249	405,446
c. Net investment income	1,977,814	53,356	2,424,238	5,243,846
d. Benefit payments	(1,738,559)	(1,657,168)	(1,721,423)	(1,781,542)
e. Administrative Expenses	(20,649)	(32,500)	(27,384)	(27,176)
f. Other	(1,698)	(1,605)	(1,475)	(1,378)
g. Net Change in Plan Fiduciary Net Position	1,586,481	(282,390)	1,957,841	4,772,741
h. Plan Fiduciary Net Position - Beginning	34,573,828	36,160,309	35,877,919	37,835,760
i. Plan Fiduciary Net Position - ending	<u>\$ 36,160,309</u>	<u>35,877,919</u>	<u>37,835,760</u>	<u>42,608,501</u>
3. City's Net Pension Liability - Ending [Item 1(i)-2(i)]	\$ 4,793,796	6,448,169	6,206,463	2,936,336
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.30%	84.80%	85.90%	93.55%
5. Covered Payroll for Year (Estimated)	\$ 5,443,456	5,554,938	5,403,560	5,792,085
6. City's Net Pension Liability as a Percentage of Covered Payroll	88.10%	116.10%	114.86%	50.70%

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, 2018

TMRS PLAN #2 - Other City Employees

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

	<u>Actuarial Valuation 12/31/2014</u>	<u>Actuarial Valuation 12/31/2015</u>	<u>Actuarial Valuation 12/31/2016</u>	<u>Actuarial Valuation 12/31/2017</u>
1. Total Pension Liability				
a. Service cost	\$ 1,199,684	1,300,193	1,297,239	1,361,395
b. Interest	3,070,141	3,180,026	3,199,561	3,310,801
c. Changes of benefit provisions				
d. Difference between expected and actual experience	(470,023)	(507,874)	106,689	327,831
e. Changes of assumptions		238,953		
f. Benefit payments	<u>(2,135,093)</u>	<u>(2,277,497)</u>	<u>(2,610,374)</u>	<u>(2,443,517)</u>
g. Net Change in Total Pension Liability	1,664,709	1,933,801	1,993,115	2,556,510
h. Total Pension Liability - Beginning	<u>44,326,864</u>	<u>45,991,573</u>	<u>47,925,374</u>	<u>49,918,489</u>
i. Total Pension Liability - Ending	<u>\$ 45,991,573</u>	<u>47,925,374</u>	<u>49,918,489</u>	<u>52,474,999</u>
2. Plan Fiduciary Net Position				
a. Contributions by the City	1,182,575	1,248,098	1,191,057	1,286,363
b. Contributions by the Employees	526,260	551,597	538,593	569,621
c. Net investment income	2,202,368	59,293	2,695,784	5,722,307
d. Benefit payments	(2,135,093)	(2,277,497)	(2,610,374)	(2,443,517)
e. Administrative Expenses	(22,995)	(36,119)	(30,454)	(29,664)
f. Other	<u>(1,891)</u>	<u>(1,784)</u>	<u>(1,641)</u>	<u>(1,504)</u>
g. Net Change in Plan Fiduciary Net Position	1,751,224	(456,412)	1,782,965	5,103,606
h. Plan Fiduciary Net Position - Beginning	<u>38,501,107</u>	<u>40,252,331</u>	<u>39,795,919</u>	<u>41,578,884</u>
i. Plan Fiduciary Net Position - ending	<u>\$ 40,252,331</u>	<u>39,795,919</u>	<u>41,578,884</u>	<u>46,682,490</u>
3. City's Net Pension Liability - Ending [Item 1(i)-2(i)]	\$ 5,739,242	8,129,455	8,339,605	5,792,509
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.50%	83.00%	83.30%	88.96%
5. Covered Payroll for Year (Estimated)	\$ 7,517,730	7,879,692	7,694,181	8,137,195
6. City's Net Pension Liability as a Percentage of Covered Payroll	76.30%	103.20%	108.40%	71.19%

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, 2018

TMRS PLAN #3 - Water Utilities

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

	<u>Actuarial Valuation 12/31/2014</u>	<u>Actuarial Valuation 12/31/2015</u>	<u>Actuarial Valuation 12/31/2016</u>	<u>Actuarial Valuation 12/31/2017</u>
1. Total Pension Liability				
a. Service cost	\$ 641,973	663,135	675,932	703,862
b. Interest	1,594,823	1,643,709	1,638,155	1,726,802
c. Changes of benefit provisions				
d. Difference between expected and actual experience	(635,746)	(497,533)	(42,992)	(405,743)
e. Changes of assumptions		100,711		
f. Benefit payments	(1,029,300)	(948,775)	(1,234,149)	(1,163,480)
g. Net Change in Total Pension Liability	<u>571,750</u>	<u>961,247</u>	<u>1,036,946</u>	<u>861,441</u>
h. Total Pension Liability - Beginning	<u>22,976,845</u>	<u>23,548,595</u>	<u>24,509,842</u>	<u>25,546,789</u>
i. Total Pension Liability - Ending	<u><u>\$ 23,548,595</u></u>	<u><u>24,509,842</u></u>	<u><u>25,546,788</u></u>	<u><u>26,408,230</u></u>
2. Plan Fiduciary Net Position				
a. Contributions by the City	767,302	713,523	653,633	695,700
b. Contributions by the Employees	303,453	298,901	289,036	300,612
c. Net investment income	1,059,822	29,037	1,332,902	2,901,396
d. Benefit payments	(1,029,300)	(948,775)	(1,234,149)	(1,163,480)
e. Administrative Expenses	(11,065)	(17,687)	(15,053)	(15,035)
f. Other	(910)	(872)	(811)	(759)
g. Net Change in Plan Fiduciary Net Position	<u>1,089,302</u>	<u>74,127</u>	<u>1,025,558</u>	<u>2,718,434</u>
h. Plan Fiduciary Net Position - Beginning	<u>18,526,049</u>	<u>19,615,352</u>	<u>19,689,579</u>	<u>20,715,035</u>
i. Plan Fiduciary Net Position - ending	<u><u>\$ 19,615,351</u></u>	<u><u>19,689,479</u></u>	<u><u>20,715,137</u></u>	<u><u>23,433,469</u></u>
3. City's Net Pension Liability - Ending [Item 1(i)-2(i)]	\$ 3,933,244	4,820,363	4,831,751	2,974,761
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.30%	80.30%	81.10%	88.74%
5. Covered Payroll for Year (Estimated)	\$ 4,277,720	4,137,776	4,233,369	4,403,205
6. City's Net Pension Liability as a Percentage of Covered Payroll	91.90%	116.50%	114.10%	67.56%

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, 2018

TMRS PLAN #1 - Police Officers

SCHEDULE OF CONTRIBUTIONS LAST 10 FISCAL YEARS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contributions	\$ 937,617	\$ 898,144	\$ 941,738	\$ 953,099
Contributions in relation to the actuarially determined contributions	<u>937,617</u>	<u>898,144</u>	<u>941,738</u>	<u>953,099</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,337,623	\$ 5,303,689	\$ 5,778,874	\$ 5,969,529
Contributions as a percentage of covered payroll	17.57%	16.93%	16.30%	15.97%

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, 2018

TMRS PLAN #2 - Other City Employees

SCHEDULE OF CONTRIBUTIONS LAST 10 FISCAL YEARS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contributions	\$ 1,212,706	1,178,109	1,279,683	1,403,756
Contributions in relation to the actuarially determined contributions	<u>1,212,589</u>	<u>1,177,930</u>	<u>1,276,730</u>	<u>1,403,595</u>
Contribution deficiency	<u>\$ 117</u>	<u>179</u>	<u>2,953</u>	<u>161</u>
Covered payroll	\$ 7,675,943	7,566,064	8,134,762	8,743,195
Contributions as a percentage of covered payroll	15.80%	15.57%	15.69%	16.05%

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 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, 2018

TMRS PLAN #3 - Water Utilities

SCHEDULE OF CONTRIBUTIONS LAST 10 FISCAL YEARS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contributions	\$ 726,542	\$ 665,287	\$ 681,500	\$ 728,386
Contributions in relation to the actuarially determined contributions	<u>726,542</u>	<u>665,287</u>	<u>681,500</u>	<u>728,386</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Covered payroll	\$ 4,277,720	\$ 4,137,776	\$ 4,233,369	\$ 4,403,205
Contributions as a percentage of covered payroll	16.98%	16.08%	16.10%	16.54%

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	28 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, 2018

TEXARKANA FIREFIGHTER'S RELIEF AND RETIREMENT

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS¹

	<u>Fiscal Year Ending 9/30/2016</u>	<u>Fiscal Year Ending 9/30/2017</u>	<u>Fiscal Year Ending 9/30/2018</u>
1. Total Pension Liability			
a. Service cost	\$ 905,833	\$ 843,503	\$ 944,560
b. Interest	2,879,964	2,901,750	2,974,938
c. Changes of benefit provisions			
d. Differences between expected and actual experience	(827,723)		140,001
e. Changes of assumptions	(51,030)		109,232
f. Benefit payments	<u>(2,545,333)</u>	<u>(2,581,866)</u>	<u>(2,386,385)</u>
g. Net Change in Total Pension Liability	361,711	1,163,387	1,782,346
h. Total Pension Liability - Beginning	<u>37,527,657</u>	<u>37,889,368</u>	<u>39,052,755</u>
i. Total Pension Liability - Ending	<u>37,889,368</u> ³	<u>39,052,755</u>	<u>40,835,101</u> ²
2. Plan Fiduciary Net Position			
a. Contributions by the City	795,780	830,234	850,654
b. Contributions by the firefighters	550,925	574,778	571,029
c. Net investment income	(1,001,621)	2,020,384	4,088,103
d. Benefit payments	(2,545,333)	(2,581,866)	(2,386,385)
e. Administrative Expenses	(24,699)	(85,879)	(81,576)
f. Other			
g. Net Change in Plan Fiduciary Net Position	<u>(2,224,948)</u>	<u>757,651</u>	<u>3,041,825</u>
h. Plan Fiduciary Net Position - Beginning	<u>33,244,477</u>	<u>31,019,529</u>	<u>31,777,180</u>
i. Plan Fiduciary Net Position - Ending	<u>31,019,529</u>	<u>31,777,180</u>	<u>34,819,005</u>
3. City's Net Pension Liability - Ending [Item 1(i)-2(i)]	\$ 6,869,839	\$ 7,275,575	\$ 6,016,096
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.9%	81.4%	85.3%
5. Covered Payroll for Year (Estimated)	\$ 4,080,926	\$ 4,257,615	\$ 4,229,844
6. City's Net Pension Liability as a Percentage of Covered Payroll	168.3%	170.9%	142.2%

Notes to schedule:

¹ 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.

² Determined from the beginning of year total pension liability, using the roll forward procedure allowed for GASB 68.

³ Determined from the total pension liability in the special study as of December 31, 2013 using the roll forward procedure allowed for GASB 68.

CITY OF TEXARKANA, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION September 30, 2018

TEXARKANA FIREFIGHTER'S RELIEF AND RETIREMENT

SCHEDULE OF CITY CONTRIBUTIONS FOR LAST 10 FISCAL YEARS¹

¹ 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.

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.

Public Safety Radio Fund – The City has purchased a P25 public safety communications system, which is linked to what will eventually be a statewide communications network. The local system will provide communications capabilities for law enforcement, fire fighters and public works for both sides of the city as well as numerous agencies within Bowie County. The system allows for interoperability between the various agencies in times of critical events. Ongoing maintenance and upgrades of the system are crucial. To fund this ongoing cost, a monthly fee will be assessed for each radio operating on the system and placed into this account. The funds that are collected via the fees will be used for system maintenance.

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.

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.

CDBG 108 Loan Fund - The fund was established to account for funds designed to assist community and economic development projects that will benefit low/moderate income persons by providing affordable housing in the downtown area.

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.

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.

2017 Bond Fund – This fund was established to accumulate bond proceeds and allocate project expenditures as presented in the bond issuance.

CITY OF TEXARKANA, TEXAS

BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS September 30, 2018

	<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>
ASSETS						
Cash	\$ 23,646	50,791	436,129	482,708	272,164	1,269,383
Investments - certificates of deposit			400,000			
Receivables (net of allowance for uncollectible):						
Property taxes						
Other taxes				170,514		
Accounts				3,230		36,870
Other government agencies	30,219					
Accrued interest			4,178		60,322	
Loans	19,759	17,110			186,078	113,173
Due from other funds	512,618					
TOTAL ASSETS	<u>586,242</u>	<u>67,901</u>	<u>840,307</u>	<u>656,452</u>	<u>518,564</u>	<u>1,419,426</u>
LIABILITIES AND FUND BALANCES						
Accounts payable	46,039		26,265	36,730		6,447
Contracts payable						
Accrued payroll						3,994
Due to other governments						46,820
Due to other funds						
TOTAL LIABILITIES	<u>46,039</u>	<u>-</u>	<u>26,265</u>	<u>36,730</u>	<u>-</u>	<u>57,261</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes						
Unavailable revenue - other taxes				7,623		
Unavailable revenue - grants						
Unavailable revenue - interest			4,178		60,322	
Unavailable revenue - intergovernmental						
TOTAL DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>4,178</u>	<u>7,623</u>	<u>60,322</u>	<u>-</u>
FUND BALANCES						
Restricted	540,203	67,901		612,099	458,242	100,658
Committed						1,261,507
Assigned			809,864			
Unassigned						
TOTAL FUND BALANCE	<u>540,203</u>	<u>67,901</u>	<u>809,864</u>	<u>612,099</u>	<u>458,242</u>	<u>1,362,165</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>586,242</u>	<u>67,901</u>	<u>840,307</u>	<u>656,452</u>	<u>518,564</u>	<u>1,419,426</u>

Special Revenue Funds

<i>Law Enforcement Block Grant</i>	<i>Law Enforcement Programs</i>	<i>Donation</i>	<i>TIRZ #1</i>	<i>Public Safety Radio</i>	<i>Rotary Splash Park</i>	<i>CDBG Revolving Loans</i>	<i>NEA Grant</i>
1,791	34,739	14,677	2,042,243	53,828		151,021	64,473
			756,564				
				21,570			18,205
						64,306	
<u>1,791</u>	<u>34,739</u>	<u>14,677</u>	<u>2,798,807</u>	<u>75,398</u>	<u>-</u>	<u>215,327</u>	<u>82,678</u>
	4,453						
<u>-</u>	<u>4,453</u>	<u>-</u>	<u>28,537</u>	<u>-</u>	<u>7,824</u>	<u>-</u>	<u>81,796</u>
			<u>28,537</u>		<u>7,824</u>		<u>81,796</u>
			754,606				
<u>-</u>	<u>-</u>	<u>-</u>	<u>754,606</u>	<u>21,450</u>	<u>-</u>	<u>-</u>	<u>-</u>
				<u>21,450</u>			
1,791	30,286	14,677	2,015,664	53,948		215,327	882
<u>1,791</u>	<u>30,286</u>	<u>14,677</u>	<u>2,015,664</u>	<u>53,948</u>	<u>(7,824)</u>	<u>215,327</u>	<u>882</u>
					<u>(7,824)</u>		
<u>1,791</u>	<u>34,739</u>	<u>14,677</u>	<u>2,798,807</u>	<u>75,398</u>	<u>-</u>	<u>215,327</u>	<u>82,678</u>

(Continued)

CITY OF TEXARKANA, TEXAS

BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS September 30, 2018

	<i>Special Revenue Funds</i>					<i>Total Special Revenue</i>
	<i>COC</i>	<i>EPA</i>		<i>Emergency Solutions Grant</i>		
	<i>Homeless Assistance Grant</i>	<i>CDBG 108 Loan</i>	<i>Revolving Loan Grant</i>			
ASSETS						
Cash	665	513,201			78,685	5,490,144
Investments - certificates of deposit						400,000
Receivables (net of allowance for uncollectible):						
Property taxes						756,564
Other taxes						170,514
Accounts					5,320	45,420
Other government agencies	56,654		3,016		84,264	213,928
Accrued interest						64,500
Loans						400,426
Due from other funds						512,618
TOTAL ASSETS	<u>57,319</u>	<u>513,201</u>	<u>3,016</u>	<u>-</u>	<u>168,269</u>	<u>8,054,114</u>
LIABILITIES AND FUND BALANCES						
Accounts payable	9,545		2,109		51,424	183,012
Contracts payable						-
Accrued payroll						3,994
Due to other governments						46,820
Due to other funds	47,774	512,718	922		118,442	798,013
TOTAL LIABILITIES	<u>57,319</u>	<u>512,718</u>	<u>3,031</u>	<u>-</u>	<u>169,866</u>	<u>1,031,839</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes						754,606
Unavailable revenue - other taxes						7,623
Unavailable revenue - grants	56,654				73,013	129,667
Unavailable revenue - interest						64,500
Unavailable revenue - intergovernmental						21,450
TOTAL DEFERRED INFLOWS	<u>56,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,013</u>	<u>977,846</u>
FUND BALANCES						
Restricted		483				2,096,497
Committed						3,277,171
Assigned						809,864
Unassigned	(56,654)		(15)		(74,610)	(139,103)
TOTAL FUND BALANCE	<u>(56,654)</u>	<u>483</u>	<u>(15)</u>	<u>-</u>	<u>(74,610)</u>	<u>6,044,429</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>57,319</u>	<u>513,201</u>	<u>3,016</u>	<u>-</u>	<u>168,269</u>	<u>8,054,114</u>

Capital Project Funds

<i>2003 Bond</i>	<i>2005 Bond</i>	<i>2009 Bond</i>	<i>TIRZ Bond</i>	<i>2017 Bond</i>	<i>Total Capital Projects</i>	<i>Total Nonmajor Governmental Fund</i>
	490,981		317,900	3,668,993 853,715	4,477,874 853,715	9,968,018 1,253,715
					-	756,564
					-	170,514
					-	45,420
					-	213,928
				187	187	64,687
					-	400,426
				356,212	356,212	868,830
<u>-</u>	<u>490,981</u>	<u>-</u>	<u>317,900</u>	<u>4,879,107</u>	<u>5,687,988</u>	<u>13,742,102</u>
				14,338	14,338	197,350
				170,651	170,651	170,651
					-	3,994
					-	46,820
			196,416		196,416	994,429
<u>-</u>	<u>-</u>	<u>-</u>	<u>196,416</u>	<u>184,989</u>	<u>381,405</u>	<u>1,413,244</u>
					-	754,606
					-	7,623
					-	129,667
					-	64,500
					-	21,450
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>977,846</u>
	490,981		121,484	4,694,118	5,306,583	7,403,080
					-	3,277,171
					-	809,864
					-	(139,103)
<u>-</u>	<u>490,981</u>	<u>-</u>	<u>121,484</u>	<u>4,694,118</u>	<u>5,306,583</u>	<u>11,351,012</u>
<u>-</u>	<u>490,981</u>	<u>-</u>	<u>317,900</u>	<u>4,879,107</u>	<u>5,687,988</u>	<u>13,742,102</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, 2018

	<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>
REVENUES:						
Property taxes						
Taxes-other				1,536,688		
Franchise receipts						363,801
Charges for services			72,231			
Grants and entitlements	904,628					
Interest and dividends	968	713	6,074	9,946	4,975	21,606
Intergovernmental						259,689
Other				5,500		
Total revenues	<u>905,596</u>	<u>713</u>	<u>78,305</u>	<u>1,552,134</u>	<u>4,975</u>	<u>645,096</u>
EXPENDITURES:						
Current:						
General government						258,117
Public safety						
Parks and recreation			315,349	488,508		
Health and welfare	372,427				1,296	
Capital outlay			6,216			
Total expenditures	<u>372,427</u>	<u>-</u>	<u>321,565</u>	<u>488,508</u>	<u>1,296</u>	<u>258,117</u>
Excess (deficiency) of revenues over expenditures	<u>533,169</u>	<u>713</u>	<u>(243,260)</u>	<u>1,063,626</u>	<u>3,679</u>	<u>386,979</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	21,206		305,000			
Transfers out			(1,335)	(865,755)		(547)
Total other financing sources (uses)	<u>21,206</u>	<u>-</u>	<u>303,665</u>	<u>(865,755)</u>	<u>-</u>	<u>(547)</u>
Net change in fund balances	554,375	713	60,405	197,871	3,679	386,432
Fund balances at beginning 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>
Fund balances at end of year	<u>540,203</u>	<u>67,901</u>	<u>809,864</u>	<u>612,099</u>	<u>458,242</u>	<u>1,362,165</u>

Special Revenue Funds

<i>Law Enforcement Block Grant</i>	<i>Law Enforcement Programs</i>	<i>Donations</i>	<i>TIRZ #1</i>	<i>Public Safety Radio</i>	<i>Rotary Splash Park</i>	<i>CDBG Revolving Loans</i>	<i>NEA Grant</i>
			609,074				
51	549 6,772	237	30,617 449,704	505 23,805	2	4,496	100,000 882
<u>51</u>	<u>7,321</u>	<u>17,520</u> <u>17,757</u>	<u>1,089,395</u>	<u>24,310</u>	<u>2</u>	<u>4,496</u>	<u>100,882</u>
26,317	9,919			17,162			16,095
		20,284 255			8,200		
<u>26,317</u>	<u>9,919</u>	<u>20,539</u>	<u>-</u>	<u>17,162</u>	<u>8,200</u>	<u>-</u>	<u>16,095</u>
<u>(26,266)</u>	<u>(2,598)</u>	<u>(2,782)</u>	<u>1,089,395</u>	<u>7,148</u>	<u>(8,198)</u>	<u>4,496</u>	<u>84,787</u>
				46,800			
			<u>(257,313)</u>				<u>(2,109)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(257,313)</u>	<u>46,800</u>	<u>-</u>	<u>-</u>	<u>(2,109)</u>
(26,266)	(2,598)	(2,782)	832,082	53,948	(8,198)	4,496	82,678
<u>28,057</u>	<u>32,884</u>	<u>17,459</u>	<u>1,183,582</u>		<u>374</u>	<u>210,831</u>	<u>(81,796)</u>
<u>1,791</u>	<u>30,286</u>	<u>14,677</u>	<u>2,015,664</u>	<u>53,948</u>	<u>(7,824)</u>	<u>215,327</u>	<u>882</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, 2018

	<i>Special Revenue Funds</i>					<i>Total Special Revenue</i>
	<i>COC</i>		<i>EPA</i>			
	<i>Homeless Assistance Grant</i>	<i>CDBG 108 Loan</i>	<i>Revolving Loan Grant</i>	<i>EPA Multipurpose Grant</i>	<i>Emergency Solutions Grant</i>	
REVENUES:						
Property taxes						609,074
Taxes-other						1,536,688
Franchise receipts						363,801
Charges for services						72,231
Grants and entitlements	185,573		18,489	91,883	366,020	1,666,593
Interest and dividends		1,101				82,722
Intergovernmental						739,970
Other						23,020
Total revenues	<u>185,573</u>	<u>1,101</u>	<u>18,489</u>	<u>91,883</u>	<u>366,020</u>	<u>5,094,099</u>
EXPENDITURES:						
Current:						
General government						258,117
Public safety						53,398
Parks and recreation						819,952
Health and welfare	253,744	618	30,926	88,762	463,739	1,231,796
Capital outlay						14,671
Total expenditures	<u>253,744</u>	<u>618</u>	<u>30,926</u>	<u>88,762</u>	<u>463,739</u>	<u>2,377,934</u>
Excess (deficiency) of revenues over expenditures	<u>(68,171)</u>	<u>483</u>	<u>(12,437)</u>	<u>3,121</u>	<u>(97,719)</u>	<u>2,716,165</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	47,476		17,948	3,772	80,407	522,609
Transfers out						(1,127,059)
Total other financing sources (uses)	<u>47,476</u>	<u>-</u>	<u>17,948</u>	<u>3,772</u>	<u>80,407</u>	<u>(604,450)</u>
Net change in fund balances	(20,695)	483	5,511	6,893	(17,312)	2,111,715
Fund balances at beginning of year	<u>(35,959)</u>		<u>(5,526)</u>	<u>(6,893)</u>	<u>(57,298)</u>	<u>3,932,714</u>
Fund balances at end of year	<u>(56,654)</u>	<u>483</u>	<u>(15)</u>	<u>-</u>	<u>(74,610)</u>	<u>6,044,429</u>

Capital Projects Funds

<u>2003 Bond</u>	<u>2005 Bond</u>	<u>2009 Bond</u>	<u>TIRZ Bond</u>	<u>2017 Bond</u>	<u>Total Capital Projects</u>	<u>Total Nonmajor Governmental Fund</u>
					-	609,074
					-	1,536,688
					-	363,801
					-	72,231
					-	1,666,593
	6,709		5,577	117,744	130,030	212,752
					-	739,970
					-	23,020
<u>-</u>	<u>6,709</u>	<u>-</u>	<u>5,577</u>	<u>117,744</u>	<u>130,030</u>	<u>5,224,129</u>
					-	258,117
					-	53,398
					-	819,952
					-	1,231,796
			421,416	4,138,092	4,559,508	4,574,179
<u>-</u>	<u>-</u>	<u>-</u>	<u>421,416</u>	<u>4,138,092</u>	<u>4,559,508</u>	<u>6,937,442</u>
<u>-</u>	<u>6,709</u>	<u>-</u>	<u>(415,839)</u>	<u>(4,020,348)</u>	<u>(4,429,478)</u>	<u>(1,713,313)</u>
					-	522,609
<u>(6)</u>	<u>-</u>	<u>(74)</u>	<u>-</u>	<u>-</u>	<u>(80)</u>	<u>(1,127,139)</u>
<u>(6)</u>	<u>-</u>	<u>(74)</u>	<u>-</u>	<u>-</u>	<u>(80)</u>	<u>(604,530)</u>
<u>(6)</u>	<u>6,709</u>	<u>(74)</u>	<u>(415,839)</u>	<u>(4,020,348)</u>	<u>(4,429,558)</u>	<u>(2,317,843)</u>
<u>6</u>	<u>484,272</u>	<u>74</u>	<u>537,323</u>	<u>8,714,466</u>	<u>9,736,141</u>	<u>13,668,855</u>
<u>-</u>	<u>490,981</u>	<u>-</u>	<u>121,484</u>	<u>4,694,118</u>	<u>5,306,583</u>	<u>11,351,012</u>
						(concluded)

CITY OF TEXARKANA, TEXAS

**HOUSING AND COMMUNITY DEVELOPMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended September 30, 2018**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Grants and entitlements	\$ 983,125	1,031,265	904,628	(126,637)
Interest and dividends			968	968
Total revenues	<u>983,125</u>	<u>1,031,265</u>	<u>905,596</u>	<u>(125,669)</u>
EXPENDITURES:				
Current:				
Health and welfare	<u>983,125</u>	<u>1,019,656</u>	<u>372,427</u>	<u>647,229</u>
Total expenditures	<u>983,125</u>	<u>1,019,656</u>	<u>372,427</u>	<u>647,229</u>
Excess of revenues over expenditures	<u>-</u>	<u>11,609</u>	<u>533,169</u>	<u>521,560</u>
OTHER FINANCING SOURCES/USES				
Transfers in		<u>2,563</u>	<u>21,206</u>	<u>18,643</u>
Total other financing sources/uses	<u>-</u>	<u>2,563</u>	<u>21,206</u>	<u>18,643</u>
Net change in fund balances	-	14,172	554,375	540,203
Fund balances at beginning of year	<u>(14,172)</u>	<u>(14,172)</u>	<u>(14,172)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (14,172)</u>	<u>-</u>	<u>540,203</u>	<u>540,203</u>

CITY OF TEXARKANA, TEXAS

HOME FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

For the Year Ended September 30, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Interest and dividends	\$ 200	500	713	213
Total revenues	<u>200</u>	<u>500</u>	<u>713</u>	<u>213</u>
EXPENDITURES:				
Current:				
Health and welfare			-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	200	500	713	213
Fund balances at beginning of year	<u>67,188</u>	<u>67,188</u>	<u>67,188</u>	<u>-</u>
Fund balances at end of year	<u>\$ 67,388</u>	<u>67,688</u>	<u>67,901</u>	<u>213</u>

CITY OF TEXARKANA, TEXAS

THEATRE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Charges for services	\$ 75,000	70,000	72,231	2,231
Interest and dividends	4,300	2,550	6,074	3,524
Total revenues	<u>79,300</u>	<u>72,550</u>	<u>78,305</u>	<u>5,755</u>
EXPENDITURES:				
Current:				
Parks and recreation	527,912	333,923	315,349	18,574
Capital outlay	95,000	95,000	6,216	88,784
Total expenditures	<u>622,912</u>	<u>428,923</u>	<u>321,565</u>	<u>107,358</u>
Excess (deficiency) of revenues over expenditures	<u>(543,612)</u>	<u>(356,373)</u>	<u>(243,260)</u>	<u>113,113</u>
OTHER FINANCING SOURCES/USES				
Transfers in	334,247	305,000	305,000	-
Transfers out	(1,335)	(2,532)	(1,335)	1,197
Total other financing sources/uses	<u>332,912</u>	<u>302,468</u>	<u>303,665</u>	<u>1,197</u>
Net change in fund balances	(210,700)	(53,905)	60,405	114,310
Fund balances at beginning of year	<u>749,459</u>	<u>749,459</u>	<u>749,459</u>	<u>-</u>
Fund balances at end of year	<u>\$ 538,759</u>	<u>695,554</u>	<u>809,864</u>	<u>114,310</u>

CITY OF TEXARKANA, TEXAS

HOTEL/MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Taxes-other	\$ 1,468,800	1,400,000	1,536,688	136,688
Interest and dividends	1,800	4,900	9,946	5,046
Other	3,210	1,500	5,500	4,000
Total revenues	<u>1,473,810</u>	<u>1,406,400</u>	<u>1,552,134</u>	<u>145,734</u>
EXPENDITURES:				
Current:				
Parks and recreation	<u>578,606</u>	<u>532,208</u>	<u>488,508</u>	<u>43,700</u>
Total expenditures	<u>578,606</u>	<u>532,208</u>	<u>488,508</u>	<u>43,700</u>
Excess of revenues over expenditures	<u>895,204</u>	<u>874,192</u>	<u>1,063,626</u>	<u>189,434</u>
OTHER FINANCING USES:				
Transfers out	<u>(895,002)</u>	<u>(864,558)</u>	<u>(865,755)</u>	<u>(1,197)</u>
Total other financing uses	<u>(895,002)</u>	<u>(864,558)</u>	<u>(865,755)</u>	<u>(1,197)</u>
Net change in fund balances	202	9,634	197,871	188,237
Fund balances at beginning of year	<u>414,228</u>	<u>414,228</u>	<u>414,228</u>	<u>-</u>
Fund balances at end of year	<u>\$ 414,430</u>	<u>423,862</u>	<u>612,099</u>	<u>188,237</u>

CITY OF TEXARKANA, TEXAS

HOUSING FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

For the Year Ended September 30, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Interest and dividends	\$ 1,400	3,500	4,975	1,475
Total revenues	<u>1,400</u>	<u>3,500</u>	<u>4,975</u>	<u>1,475</u>
EXPENDITURES:				
Current:				
Health and welfare	<u>263,210</u>	<u>-</u>	<u>1,296</u>	<u>(1,296)</u>
Total expenditures	<u>263,210</u>	<u>-</u>	<u>1,296</u>	<u>(1,296)</u>
Net change in fund balances	(261,810)	3,500	3,679	179
Fund balances at beginning of year	<u>454,563</u>	<u>454,563</u>	<u>454,563</u>	<u>-</u>
Fund balances at end of year	<u>\$ 192,753</u>	<u>458,063</u>	<u>458,242</u>	<u>179</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, 2018**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Franchise receipts	\$ 340,000	340,000	363,801	23,801
Interest and dividends	7,000	16,560	21,606	5,046
Intergovernmental	264,500	272,689	259,689	(13,000)
Total revenues	<u>611,500</u>	<u>629,249</u>	<u>645,096</u>	<u>15,847</u>
EXPENDITURES:				
Current:				
General government	<u>548,152</u>	<u>627,657</u>	<u>258,117</u>	<u>369,540</u>
Total expenditures	<u>548,152</u>	<u>627,657</u>	<u>258,117</u>	<u>369,540</u>
Excess of revenues over expenditures	<u>63,348</u>	<u>1,592</u>	<u>386,979</u>	<u>385,387</u>
OTHER FINANCING USES:				
Transfers out	<u>(245,047)</u>	<u>(547)</u>	<u>(547)</u>	<u>-</u>
Total other financing uses	<u>(245,047)</u>	<u>(547)</u>	<u>(547)</u>	<u>-</u>
Net change in fund balances	(181,699)	1,045	386,432	385,387
Fund balances at beginning of year	<u>975,733</u>	<u>975,733</u>	<u>975,733</u>	<u>-</u>
Fund balances at end of year	<u>\$ 794,034</u>	<u>976,778</u>	<u>1,362,165</u>	<u>385,387</u>

CITY OF TEXARKANA, TEXAS

**LAW ENFORCEMENT BLOCK GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended September 30, 2018**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Interest and dividends	\$ -		51	51
Total revenues	<u>-</u>	<u>-</u>	<u>51</u>	<u>51</u>
EXPENDITURES:				
Current:				
Public safety	28,052	28,057	26,317	1,740
Total expenditures	<u>28,052</u>	<u>28,057</u>	<u>26,317</u>	<u>1,740</u>
Net change in fund balances	(28,052)	(28,057)	(26,266)	1,791
Fund balances at beginning of year	<u>28,057</u>	<u>28,057</u>	<u>28,057</u>	<u>-</u>
Fund balances at end of year	<u>\$ 5</u>	<u>-</u>	<u>1,791</u>	<u>1,791</u>

CITY OF TEXARKANA, TEXAS

**LAW ENFORCEMENT PROGRAMS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended September 30, 2018**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Interest and dividends	\$ 115	300	549	249
Intergovernmental	6,750	6,772	6,772	-
Total revenues	<u>6,865</u>	<u>7,072</u>	<u>7,321</u>	<u>249</u>
EXPENDITURES:				
Current:				
Public safety	7,000	8,500	9,919	(1,419)
Total expenditures	<u>7,000</u>	<u>8,500</u>	<u>9,919</u>	<u>(1,419)</u>
Net change in fund balances	(135)	(1,428)	(2,598)	(1,170)
Fund balances at beginning of year	<u>32,884</u>	<u>32,884</u>	<u>32,884</u>	<u>-</u>
Fund balances at end of year	<u>\$ 32,749</u>	<u>31,456</u>	<u>30,286</u>	<u>(1,170)</u>

CITY OF TEXARKANA, TEXAS

DONATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Interest and dividends	\$ 30	100	237	137
Other	29,970	30,000	17,520	(12,480)
Total revenues	<u>30,000</u>	<u>30,100</u>	<u>17,757</u>	<u>(12,343)</u>
EXPENDITURES:				
Current:				
Health and welfare	29,750	29,850	20,284	9,566
Capital outlay	<u>250</u>	<u>250</u>	<u>255</u>	<u>(5)</u>
Total expenditures	<u>30,000</u>	<u>30,100</u>	<u>20,539</u>	<u>9,561</u>
Net change in fund balances	-	-	(2,782)	(2,782)
Fund balances at beginning of year	<u>17,459</u>	<u>17,459</u>	<u>17,459</u>	<u>-</u>
Fund balances at end of year	<u>\$ 17,459</u>	<u>17,459</u>	<u>14,677</u>	<u>(2,782)</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, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Property taxes	\$ 585,295	635,496	609,074	(26,422)
Interest and dividends	5,000	22,000	30,617	8,617
Intergovernmental	390,637	449,704	449,704	-
Total revenues	<u>980,932</u>	<u>1,107,200</u>	<u>1,089,395</u>	<u>(17,805)</u>
EXPENDITURES:				
Current:				
General government	500	500	-	500
Capital outlay	<u>806,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>806,500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Excess of revenues over expenditures	<u>174,432</u>	<u>1,106,700</u>	<u>1,089,395</u>	<u>(17,305)</u>
OTHER FINANCING SOURCES/USES				
Transfers out	<u>(257,313)</u>	<u>(257,313)</u>	<u>(257,313)</u>	<u>-</u>
Total other financing sources/uses	<u>(257,313)</u>	<u>(257,313)</u>	<u>(257,313)</u>	<u>-</u>
Net change in fund balances	(82,881)	849,387	832,082	(17,305)
Fund balances at beginning of year	<u>1,183,582</u>	<u>1,183,582</u>	<u>1,183,582</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,100,701</u>	<u>2,032,969</u>	<u>2,015,664</u>	<u>(17,305)</u>

CITY OF TEXARKANA, TEXAS

PUBLIC SAFETY RADIO FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Interest and dividends	\$ -	30	505	475
Intergovernmental	48,600	45,255	23,805	(21,450)
Total revenues	<u>48,600</u>	<u>45,285</u>	<u>24,310</u>	<u>(20,975)</u>
EXPENDITURES:				
Public safety	<u>66,000</u>	<u>66,000</u>	<u>17,162</u>	<u>48,838</u>
Total expenditures	<u>66,000</u>	<u>66,000</u>	<u>17,162</u>	<u>48,838</u>
Excess (deficiency) of revenues over expenditures	<u>(17,400)</u>	<u>(20,715)</u>	<u>7,148</u>	<u>(69,813)</u>
OTHER FINANCING SOURCES/USES				
Transfers in	<u>46,800</u>	<u>46,800</u>	<u>46,800</u>	<u>-</u>
Total other financing sources/uses	<u>46,800</u>	<u>46,800</u>	<u>46,800</u>	<u>-</u>
Net change in fund balances	29,400	26,085	53,948	27,863
Fund balances at beginning of year	<u> </u>	<u> </u>	<u> </u>	<u>-</u>
Fund balances at end of year	<u>\$ 29,400</u>	<u>26,085</u>	<u>53,948</u>	<u>27,863</u>

CITY OF TEXARKANA, TEXAS

ROTARY SPLASH PARK FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Interest and dividends	\$ -	2	2	-
Other		8,200		(8,200)
Total revenues	<u>-</u>	<u>8,202</u>	<u>2</u>	<u>(8,200)</u>
EXPENDITURES:				
Capital outlay		8,576	8,200	376
Total expenditures	<u>-</u>	<u>8,576</u>	<u>8,200</u>	<u>376</u>
Net change in fund balances	-	(374)	(8,198)	(7,824)
Fund balances at beginning of year	<u>374</u>	<u>374</u>	<u>374</u>	<u>-</u>
Fund balances at end of year	<u>\$ 374</u>	<u>-</u>	<u>(7,824)</u>	<u>(7,824)</u>

CITY OF TEXARKANA, TEXAS

**CDBG REVOLVING LOANS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended September 30, 2018**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Interest and dividends	\$ 1,974	3,500	4,496	996
Total revenues	<u>1,974</u>	<u>3,500</u>	<u>4,496</u>	<u>996</u>
EXPENDITURES:				
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	1,474	3,000	4,496	1,496
Fund balances at beginning of year	<u>210,831</u>	<u>210,831</u>	<u>210,831</u>	<u>-</u>
Fund balances at end of year	<u>\$ 212,305</u>	<u>213,831</u>	<u>215,327</u>	<u>1,496</u>

CITY OF TEXARKANA, TEXAS

NEA GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Grants and entitlements	\$ -		100,000	100,000
Interest and dividends			882	882
Total revenues	<u>-</u>	<u>-</u>	<u>100,882</u>	<u>100,882</u>
EXPENDITURES:				
Current:				
Parks and recreation			16,095	(16,095)
Total expenditures	<u>-</u>	<u>-</u>	<u>16,095</u>	<u>(16,095)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>84,787</u>	<u>84,787</u>
OTHER FINANCING SOURCES/USES				
Transfers out	<u>-</u>	<u>-</u>	<u>(2,109)</u>	<u>(2,109)</u>
Total other financing sources/uses	<u>-</u>	<u>-</u>	<u>(2,109)</u>	<u>(2,109)</u>
Net change in fund balances	-	-	82,678	82,678
Fund balances at beginning of year	<u>(81,796)</u>	<u>(81,796)</u>	<u>(81,796)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (81,796)</u>	<u>(81,796)</u>	<u>882</u>	<u>82,678</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, 2018**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Grants and entitlements	\$ 406,920	654,964	185,573	(469,391)
Total revenues	<u>406,920</u>	<u>654,964</u>	<u>185,573</u>	<u>(469,391)</u>
EXPENDITURES:				
Current:				
Health and welfare	406,920	645,987	253,744	392,243
Total expenditures	<u>406,920</u>	<u>645,987</u>	<u>253,744</u>	<u>392,243</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>8,977</u>	<u>(68,171)</u>	<u>(77,148)</u>
OTHER FINANCING SOURCES/USES				
Transfers in	-	26,982	47,476	20,494
Total other financing sources/uses	<u>-</u>	<u>26,982</u>	<u>47,476</u>	<u>20,494</u>
Net change in fund balances	-	35,959	(20,695)	(56,654)
Fund balances at beginning of year	<u>(35,959)</u>	<u>(35,959)</u>	<u>(35,959)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (35,959)</u>	<u>-</u>	<u>(56,654)</u>	<u>(56,654)</u>

CITY OF TEXARKANA, TEXAS

CDBG 108 LOAN FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Interest and dividends			1,101	1,101
Total revenues	-	-	1,101	1,101
EXPENDITURES:				
Current:				
Health and welfare			618	(618)
Total expenditures	-	-	618	(618)
Net change in fund balances	-	-	483	483
Fund balances at beginning of year				-
Fund balances at end of year	\$ -	-	483	483

CITY OF TEXARKANA, TEXAS

**EPA REVOLVING LOAN GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended September 30, 2018**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Grants and entitlements	\$ 861,356	141,181	18,489	(122,692)
Total revenues	<u>861,356</u>	<u>141,181</u>	<u>18,489</u>	<u>(122,692)</u>
EXPENDITURES:				
Current:				
Health and welfare	858,356	139,516	30,926	108,590
Capital outlay	3,000	-	-	-
Total expenditures	<u>861,356</u>	<u>139,516</u>	<u>30,926</u>	<u>108,590</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>1,665</u>	<u>(12,437)</u>	<u>(14,102)</u>
OTHER FINANCING SOURCES/USES				
Transfers in	-	3,861	17,948	14,087
Total other financing sources/uses	<u>-</u>	<u>3,861</u>	<u>17,948</u>	<u>14,087</u>
Net change in fund balances	-	5,526	5,511	(15)
Fund balances at beginning of year	<u>(5,526)</u>	<u>(5,526)</u>	<u>(5,526)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (5,526)</u>	<u>-</u>	<u>(15)</u>	<u>(15)</u>

CITY OF TEXARKANA, TEXAS

**EPA MULTIPURPOSE GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended September 30, 2018**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Grants & entitlements	\$ 116,145	160,451	91,883	(68,568)
Total revenues	<u>116,145</u>	<u>160,451</u>	<u>91,883</u>	<u>(68,568)</u>
EXPENDITURES:				
Current:				
Health and welfare	116,145	158,081	88,762	69,319
Total expenditures	<u>116,145</u>	<u>158,081</u>	<u>88,762</u>	<u>69,319</u>
Excess of revenues over expenditures	<u>-</u>	<u>2,370</u>	<u>3,121</u>	<u>751</u>
OTHER FINANCING SOURCES/USES				
Transfers in	-	4,523	3,772	(751)
Total other financing sources/uses	<u>-</u>	<u>4,523</u>	<u>3,772</u>	<u>(751)</u>
Net change in fund balances	-	6,893	6,893	-
Fund balances at beginning of year	<u>(6,893)</u>	<u>(6,893)</u>	<u>(6,893)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (6,893)</u>	<u>-</u>	<u>-</u>	<u>-</u>

CITY OF TEXARKANA, TEXAS

**EMERGENCY SOLUTIONS GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended September 30, 2018**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Grants and entitlements	\$ 600,000	553,421	366,020	(187,401)
Total revenues	<u>600,000</u>	<u>553,421</u>	<u>366,020</u>	<u>(187,401)</u>
EXPENDITURES:				
Current:				
Health and welfare	600,000	556,892	463,739	93,153
Total expenditures	<u>600,000</u>	<u>556,892</u>	<u>463,739</u>	<u>93,153</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(3,471)</u>	<u>(97,719)</u>	<u>(94,248)</u>
OTHER FINANCING SOURCES/USES				
Transfers in	-	60,769	80,407	19,638
Total other financing sources/uses	<u>-</u>	<u>60,769</u>	<u>80,407</u>	<u>19,638</u>
Net change in fund balances	-	57,298	(17,312)	(74,610)
Fund balances at beginning of year	<u>(57,298)</u>	<u>(57,298)</u>	<u>(57,298)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (57,298)</u>	<u>-</u>	<u>(74,610)</u>	<u>(74,610)</u>

Nonmajor Enterprise Funds

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

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

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

CITY OF TEXARKANA, TEXAS

COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS September 30, 2018

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
ASSETS			
Current assets:			
Cash	\$ -	126,629	126,629
Receivables (net of allowance for uncollectible):			
Accounts		47,870	47,870
Due from other funds	352,384		352,384
Total current assets	<u>352,384</u>	<u>174,499</u>	<u>526,883</u>
Noncurrent assets:			
Restricted assets:			
Cash	194,512	121,486	315,998
Investments - certificates of deposit	400,000		400,000
Accounts receivable		130,611	130,611
Accrued interest	8,363		8,363
Total noncurrent assets	<u>602,875</u>	<u>252,097</u>	<u>854,972</u>
TOTAL ASSETS	<u>955,259</u>	<u>426,596</u>	<u>1,381,855</u>
LIABILITIES			
Current liabilities:			
Accounts payable	45,461	112,533	157,994
Accrued liabilities		5,019	5,019
Due to other funds		62,864	62,864
Total current liabilities	<u>45,461</u>	<u>180,416</u>	<u>225,877</u>
Noncurrent liabilities:			
Capital improvement deposits	909,798	246,180	1,155,978
Total noncurrent liabilities	<u>909,798</u>	<u>246,180</u>	<u>1,155,978</u>
TOTAL LIABILITIES	<u>955,259</u>	<u>426,596</u>	<u>1,381,855</u>
NET POSITION			
Unrestricted			-
TOTAL NET POSITION	<u>\$ -</u>	<u>-</u>	<u>-</u>

CITY OF TEXARKANA, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended September 30, 2018**

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
OPERATING REVENUES			
Water sales	\$ -	1,097,213	1,097,213
Total operating revenues	<u>-</u>	<u>1,097,213</u>	<u>1,097,213</u>
OPERATING EXPENSES			
Contract water & sewer expense-International Paper	<u>-</u>	1,099,975	1,099,975
Total operating expense	<u>-</u>	<u>1,099,975</u>	<u>1,099,975</u>
Operating income (loss)	<u>-</u>	<u>(2,762)</u>	<u>(2,762)</u>
NONOPERATING REVENUES			
Interest revenue - investments	<u>-</u>	2,762	2,762
Total nonoperating revenues	<u>-</u>	<u>2,762</u>	<u>2,762</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, 2018

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
Cash flows from operating activities:			
Cash received from customers	\$ -	1,300,313	1,300,313
Cash paid to suppliers		(990,032)	(990,032)
Cash paid to employees		(94,905)	(94,905)
Net cash provided (used) from operating activities	<u>-</u>	<u>215,376</u>	<u>215,376</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(705,677)		(705,677)
Capital improvement deposits received	443,270		443,270
Interest received on capital improvement deposits	6,108		6,108
Net cash used from capital and related financing activities	<u>(256,299)</u>	<u>-</u>	<u>(256,299)</u>
Cash flows from investing activities:			
Proceeds from sale of investments	275,000		275,000
Interest received on investments		2,764	2,764
Net cash provided from investing activities	<u>275,000</u>	<u>2,764</u>	<u>277,764</u>
Net increase (decrease) in cash	18,701	218,140	236,841
Cash, beginning of year	<u>175,811</u>	<u>29,975</u>	<u>205,786</u>
Cash, end of year	<u>\$ 194,512</u>	<u>248,115</u>	<u>442,627</u>

CITY OF TEXARKANA, TEXAS

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended September 30, 2018

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
<u>Reconciliation of operating income to net cash provided by operating activities</u>			
Operating income (loss)	\$ -	(2,762)	(2,762)
Adjustments to reconcile operating income to net cash provided by operating activities:			
(Increase) decrease in assets:			
Accounts receivable		203,100	203,100
Increase (decrease) in liabilities:			
Accounts payable		39,106	39,106
Accrued liabilities		52	52
Due to other funds		(24,120)	(24,120)
Total adjustments	<u>-</u>	<u>218,138</u>	<u>218,138</u>
Net cash provided from operating activities	<u>\$ -</u>	<u>215,376</u>	<u>215,376</u>

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Internal Service Funds

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

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

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

CITY OF TEXARKANA, TEXAS

COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS September 30, 2018

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets:			
Cash	\$ 2,246,668	371,157	2,617,825
Receivables (net of allowance for uncollectible):			
Accounts	95,589		95,589
Other government agencies	2,388		2,388
Inventory		25,974	25,974
TOTAL ASSETS	<u>2,344,645</u>	<u>397,131</u>	<u>2,741,776</u>
 LIABILITIES			
Current liabilities:			
Accounts payable	326,599	7,621	334,220
Accrued payroll		9,142	9,142
TOTAL LIABILITIES	<u>326,599</u>	<u>16,763</u>	<u>343,362</u>
 NET POSITION			
Unrestricted	2,018,046	380,368	2,398,414
TOTAL NET POSITION	<u>\$ 2,018,046</u>	<u>380,368</u>	<u>2,398,414</u>

CITY OF TEXARKANA, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2018**

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
OPERATING REVENUES			
Charges for services	\$ 5,594,403	181,745	5,776,148
Other		14,544	14,544
Total revenues	<u>5,594,403</u>	<u>196,289</u>	<u>5,790,692</u>
OPERATING EXPENSES			
Benefit payments	5,994,526		5,994,526
Cost of sales and service		1,275,747	1,275,747
Total expenditures	<u>5,994,526</u>	<u>1,275,747</u>	<u>7,270,273</u>
Operating income (loss)	<u>(400,123)</u>	<u>(1,079,458)</u>	<u>(1,479,581)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	35,652	5,042	40,694
Total nonoperating revenues (expenses)	<u>35,652</u>	<u>5,042</u>	<u>40,694</u>
Income (loss) before transfers	(364,471)	(1,074,416)	(1,438,887)
Transfers in		1,091,837	1,091,837
Transfers out		<u>(2,742)</u>	<u>(2,742)</u>
Change in net position	(364,471)	14,679	(349,792)
Total net position - beginning	<u>2,382,517</u>	<u>365,689</u>	<u>2,748,206</u>
Total net position - ending	<u>\$ 2,018,046</u>	<u>380,368</u>	<u>2,398,414</u>

CITY OF TEXARKANA, TEXAS

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended September 30, 2018

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
Cash flows from operating activities:			
Cash received from users	\$ 1,450,867		1,450,867
Cash received from interfund services provided and used	4,134,792	1,288,125	5,422,917
Cash paid to suppliers	(6,079,188)	(1,015,780)	(7,094,968)
Cash paid to employees		(266,891)	(266,891)
Net cash provided (used) from operating activities	<u>(493,529)</u>	<u>5,454</u>	<u>(488,075)</u>
Cash flows from noncapital financing activities:			
Transfers to other funds		(2,742)	(2,742)
Net cash provided (used) from noncapital financing activities	<u>-</u>	<u>(2,742)</u>	<u>(2,742)</u>
Cash flows from investing activities:			
Interest received from investments	35,652	5,043	40,695
Net cash provided (used) from investing activities	<u>35,652</u>	<u>5,043</u>	<u>40,695</u>
Net increase (decrease) in cash	(457,877)	7,755	(450,122)
Cash at beginning of year	2,704,545	363,402	3,067,947
Cash at end of year	<u>2,246,668</u>	<u>371,157</u>	<u>2,617,825</u>
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities</u>			
Operating income (loss)	<u>(400,123)</u>	<u>(1,079,458)</u>	<u>(1,479,581)</u>
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities			
Transfers from other funds		1,091,837	1,091,837
(Increase) decrease in assets:			
Accounts receivable	(55,221)		(55,221)
Due from other government agencies	46,477		46,477
Inventory		1,510	1,510
Increase (decrease) in liabilities:			
Accounts payable	(84,662)	(5,742)	(90,404)
Accrued payroll		(2,693)	(2,693)
Total adjustments	<u>(93,406)</u>	<u>1,084,912</u>	<u>991,506</u>
Net cash provided (used) from operating activities	<u>\$ (493,529)</u>	<u>5,454</u>	<u>(488,075)</u>

Fiduciary Funds

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

Agency Funds

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

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

CITY OF TEXARKANA, TEXAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

For the Year Ended September 30, 2018

	<i>Balance October 1, 2017</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance September 30, 2018</i>
POLICE EVIDENCE FUND				
Assets				
Cash	\$ 16,830	25	(15,048)	1,807
Total Assets	<u>16,830</u>	<u>25</u>	<u>(15,048)</u>	<u>1,807</u>
Liabilities				
Escrow Deposits	16,830	14,464	(29,487)	1,807
Total Liabilities	<u>16,830</u>	<u>14,464</u>	<u>(29,487)</u>	<u>1,807</u>
Net position	<u>-</u>	<u>(14,439)</u>	<u>14,439</u>	<u>-</u>
DRUG ENFORCEMENT ESCROW FUND				
Assets				
Cash	99,185	7,127	(81,695)	24,617
Total Assets	<u>99,185</u>	<u>7,127</u>	<u>(81,695)</u>	<u>24,617</u>
Liabilities				
Escrow deposits	99,185	47,959	(122,527)	24,617
Total liabilities	<u>99,185</u>	<u>47,959</u>	<u>(122,527)</u>	<u>24,617</u>
Net position	<u>-</u>	<u>(40,832)</u>	<u>40,832</u>	<u>-</u>
TOTAL ALL AGENCY FUNDS				
Assets				
Cash	116,015	7,152	(96,743)	26,424
Total assets	<u>116,015</u>	<u>7,152</u>	<u>(96,743)</u>	<u>26,424</u>
Liabilities				
Escrow deposits	116,015	62,423	(152,014)	26,424
Total liabilities	<u>116,015</u>	<u>62,423</u>	<u>(152,014)</u>	<u>26,424</u>
Net position	<u>\$ -</u>	<u>(55,271)</u>	<u>55,271</u>	<u>-</u>

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

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CITY OF TEXARKANA, TEXAS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY SOURCE September 30, 2018

Governmental funds capital assets:

Land	\$ 46,864,128
Buildings	33,457,664
Improvements other than buildings	9,476,270
Infrastructure	127,066,652
Machinery and equipment	8,631,800
Licensed vehicles	9,828,598
Construction in progress	6,350,166
Total governmental funds capital assets	<u>\$ 241,675,278</u>

Investments in governmental funds capital assets by source:

General fund	\$ 145,650,809
Special revenue funds	5,055,772
Capital projects funds	90,968,697
Total governmental funds capital assets	<u>\$ 241,675,278</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 position.

CITY OF TEXARKANA, TEXAS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION AND ACTIVITY September 30, 2018

Function and activity	<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			
Other - unclassified	46,864,128		
Total general government	<u>46,864,128</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		2,732,021	119,661
Total public safety	<u>-</u>	<u>14,864,266</u>	<u>286,749</u>
Public works			
Engineering design		249,164	64,064
Urban transportation			
Street maintenance		1,005,335	941,745
Fleet Maintenance		278,315	59,261
Inspection			
Sign and signal			
Stormwater management			
Total public works	<u>-</u>	<u>1,532,814</u>	<u>1,065,070</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
				46,864,128
<u>-</u>	<u>479,194</u>	<u>-</u>	<u>-</u>	<u>47,362,298</u>
	1,126,154	2,128,714	43,876	15,535,077
	151,192	160,993		312,185
	144,489	257,267		464,756
	30,320	73,434		103,754
	31,350			31,350
	14,414			14,414
12,493	484,619	3,368,670	47,431	6,764,895
<u>12,493</u>	<u>1,982,538</u>	<u>5,989,078</u>	<u>91,307</u>	<u>23,226,431</u>
2,702,007	216,050	357,624		3,588,909
	6,950			6,950
121,336,991	2,353,907	2,360,405	4,987,234	132,985,617
	91,719	87,909		517,204
	42,433	335,593		378,026
		121,070	462	121,532
			35,600	35,600
<u>124,038,998</u>	<u>2,711,059</u>	<u>3,262,601</u>	<u>5,023,296</u>	<u>137,633,838</u>
			609,091	615,591
107,791	15,389			123,180
<u>107,791</u>	<u>15,389</u>	<u>-</u>	<u>609,091</u>	<u>738,771</u>

CITY OF TEXARKANA, TEXAS

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
September 30, 2018**

Function and activity	<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			16,575
Parks maintenance		5,260,984	2,195,837
Recreational programs		764,254	4,827,657
Perot Theatre		3,061,434	51,468
Perot Theatre building maintenance		259,262	
Library		2,621,241	46,228
Convention Center		5,067,933	986,686
Total parks and recreation	<u>-</u>	<u>17,035,108</u>	<u>8,124,451</u>
Total governmental funds capital assets	<u>\$ 46,864,128</u>	<u>33,457,664</u>	<u>9,476,270</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 position.

<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			22,675
2,693,482	1,410,244	576,919	445,837	12,583,303
34,529	1,549,574			7,176,014
	82,330		180,635	3,375,867
	71,805			331,067
67,149	6,438			2,741,056
112,210	317,129			6,483,958
<u>2,907,370</u>	<u>3,443,620</u>	<u>576,919</u>	<u>626,472</u>	<u>32,713,940</u>
<u>127,066,652</u>	<u>8,631,800</u>	<u>9,828,598</u>	<u>6,350,166</u>	<u>241,675,278</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, 2018

	<i>Governmental Funds Capital Assets 9/30/2017</i>	<i>Additions</i>	<i>Deductions</i>	<i>Transfers</i>	<i>Governmental Funds Capital Assets 9/30/2018</i>
Function and activity					
General government					
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		(168,000)		46,864,128
Total general government	<u>47,774,798</u>	<u>-</u>	<u>(412,500)</u>	<u>-</u>	<u>47,362,298</u>
Public safety					
Police administration	15,332,142	360,799	(157,864)		15,535,077
Patrol division	539,271		(227,086)		312,185
Services division	427,628		(36,554)	73,682	464,756
Narcotics operations	103,754				103,754
JAG Grant	31,350				31,350
Law enforcement	14,414				14,414
Fire administration	6,970,069	461,002	(55,788)	(610,388)	6,764,895
Total public safety	<u>23,418,628</u>	<u>821,801</u>	<u>(477,292)</u>	<u>(536,706)</u>	<u>23,226,431</u>
Public works					
Engineering design	3,571,901	17,008			3,588,909
Urban transportation	6,950				6,950
Street maintenance	126,002,801	6,150,518	(215,306)	1,047,604	132,985,617
Fleet Maintenance	1,062,319	15,580	(15,661)	(545,034)	517,204
Inspection	374,646	50,980	(47,600)		378,026
Sign and signal	1,620	119,912			121,532
Stormwater management	35,600				35,600
Total public works	<u>131,055,837</u>	<u>6,353,998</u>	<u>(278,567)</u>	<u>502,570</u>	<u>137,633,838</u>
Health and welfare					
Community development	417,800	197,791			615,591
Farmers' market	123,180				123,180
Total health and welfare	<u>540,980</u>	<u>197,791</u>	<u>-</u>	<u>-</u>	<u>738,771</u>
Parks and recreation					
Parks and recreation administration	6,100			16,575	22,675
Parks maintenance	13,007,604	1,004,155	(60,506)	(1,367,950)	12,583,303
Recreational programs	5,890,964	28,935	(129,396)	1,385,511	7,176,014
Perot Theatre	3,324,168	51,699			3,375,867
Perot Theatre building maintenance	331,067				331,067
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>31,849,749</u>	<u>1,084,789</u>	<u>(254,734)</u>	<u>34,136</u>	<u>32,713,940</u>
Total governmental funds capital assets	<u>\$ 234,639,992</u>	<u>8,458,379</u>	<u>(1,423,093)</u>	<u>-</u>	<u>241,675,278</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 position.

Component Unit

CITY OF TEXARKANA, TEXAS

BALANCE SHEET COMPONENT UNIT - HEALTH CENTER September 30, 2018

ASSETS

Cash	\$ 622,112
Receivables (net of allowance for uncollectible):	
Other government agencies	141,066
TOTAL ASSETS	<u>763,178</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	27,428
Accrued payroll	23,529
Unearned revenue	75,367
TOTAL LIABILITIES	<u>126,324</u>

Fund Balances:

Unassigned	636,854
TOTAL FUND BALANCES	<u>636,854</u>

TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 763,178</u>
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CITY OF TEXARKANA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE COMPONENT UNIT - HEALTH CENTER For the Year Ended September 30, 2018

REVENUES

Charges for services	\$ 272,916
Grants and entitlements	569,834
Investment earnings:	
Interest and dividends	8,318
Intergovernmental	223,692
Other	4,654
Total revenues	<u>1,079,414</u>

EXPENDITURES

Current:	
Health and welfare	926,317
Capital outlay	20,364
Total expenditures	<u>946,681</u>
Net change in fund balance	132,733
Fund balance at beginning of year	<u>504,121</u>
Fund balance at end of year	<u><u>\$ 636,854</u></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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities:					
Net invested in capital assets	\$ 75,187,833	75,989,018	73,083,340	77,541,533	82,719,452
Restricted	4,597,610	3,527,351	22,377,550	16,346,523	13,196,487
Unrestricted	16,619,162	16,705,965	395,143	5,992,540	5,815,734
Total governmental activities net position	<u>96,404,605</u>	<u>96,222,334</u>	<u>95,856,033</u>	<u>99,880,596</u>	<u>101,731,673</u>
Business-type activities:					
Net invested in capital assets	57,582,403	56,910,208	58,447,526	59,671,961	58,503,625
Restricted	7,646,353	9,365,905	9,068,969	6,302,773	8,744,657
Unrestricted	4,777,364	4,719,398	4,782,683	4,317,249	2,932,377
Total business-type activities net position	<u>70,006,120</u>	<u>70,995,511</u>	<u>72,299,178</u>	<u>70,291,983</u>	<u>70,180,659</u>
Primary government					
Net invested in capital assets	132,770,236	132,899,226	131,530,866	137,213,494	141,223,077
Restricted	12,243,963	12,893,256	31,446,519	22,649,296	21,941,144
Unrestricted	21,396,526	21,425,363	5,177,826	10,309,789	8,748,111
Total primary government net position	<u>166,410,725</u>	<u>167,217,845</u>	<u>168,155,211</u>	<u>170,172,579</u>	<u>171,912,332</u>

Unaudited -see accompanying auditors' report

<i>Fiscal Year</i>				
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
83,155,796	85,106,547	85,391,477	86,912,466	88,593,873
8,118,578	4,277,958	4,342,782	12,305,856	8,726,421
11,274,308	4,979,007	4,051,074	(950,495)	459,243
<u>102,548,682</u>	<u>94,363,512</u>	<u>93,785,333</u>	<u>98,267,827</u>	<u>97,779,537</u>
57,691,676	58,283,054	58,709,850	59,720,017	59,005,503
10,809,056	10,183,541	8,914,641	7,062,511	4,801,378
2,000,694	(314,620)	2,757,977	5,602,110	4,245,709
<u>70,501,426</u>	<u>68,151,975</u>	<u>70,382,468</u>	<u>72,384,638</u>	<u>68,052,590</u>
140,847,472	143,389,601	144,101,327	146,632,483	147,599,376
18,927,634	14,461,499	13,257,423	19,368,367	13,527,799
13,275,002	4,664,387	6,809,051	4,651,615	4,704,952
<u>173,050,108</u>	<u>162,515,487</u>	<u>164,167,801</u>	<u>170,652,465</u>	<u>165,832,127</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses				
Governmental activities:				
Current:				
General government	\$ 6,677,826	6,009,327	5,523,459	5,984,631
Public safety	16,495,996	17,460,252	17,142,327	17,624,401
Public works	6,755,059	7,271,760	7,117,788	7,461,167
Parks and recreation	2,755,050	2,906,975	3,027,226	2,918,560
Health and welfare	1,724,892	1,630,227	1,659,584	2,451,906
Interest on long-term debt	1,868,860	2,246,394	2,747,460	2,593,982
Total governmental activities expenses	<u>36,277,683</u>	<u>37,524,935</u>	<u>37,217,844</u>	<u>39,034,647</u>
Business-type activities:				
Water and Sewer	16,166,206	16,154,126	15,592,718	15,840,902
Total business-type activities expenses	<u>16,166,206</u>	<u>16,154,126</u>	<u>15,592,718</u>	<u>15,840,902</u>
Total primary government expenses	<u><u>52,443,889</u></u>	<u><u>53,679,061</u></u>	<u><u>52,810,562</u></u>	<u><u>54,875,549</u></u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	978,806	1,057,194	957,111	583,956
Public safety	2,148,979	1,735,896	1,619,345	1,725,816
Other activities	572,359	678,445	645,522	581,768
Operating grants and contributions	2,513,783	1,552,787	1,133,876	2,467,647
Capital grants and contributions		293,158		
Total governmental activities program revenues	<u>6,213,927</u>	<u>5,317,480</u>	<u>4,355,854</u>	<u>5,359,187</u>
Business-type activities:				
Charges for services:				
Water and sewer	15,184,072	15,259,196	16,030,015	16,136,042
Capital grants and contributions		199,074		
Total business-type activities program revenues	<u>15,184,072</u>	<u>15,458,270</u>	<u>16,030,015</u>	<u>16,136,042</u>
Total primary government program revenues	<u><u>21,397,999</u></u>	<u><u>20,775,750</u></u>	<u><u>20,385,869</u></u>	<u><u>21,495,229</u></u>

Unaudited - see accompanying auditors' report

Fiscal Year

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
6,797,714	7,114,857	7,416,500	8,011,669	8,357,159	9,748,511
16,886,838	16,681,701	16,272,709	16,396,091	17,875,634	17,965,103
7,498,517	7,545,126	7,464,975	8,881,205	9,044,672	9,119,545
3,379,678	3,012,271	3,408,188	3,446,421	3,517,538	3,630,516
2,335,011	1,915,780	1,436,864	1,671,102	1,532,646	1,790,592
2,167,516	2,262,532	2,043,793	2,085,451	1,770,944	1,908,617
<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>	<u>44,162,884</u>
15,813,999	15,841,333	15,736,026	15,734,804	16,409,625	16,173,218
<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>16,173,218</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>	<u>60,336,102</u>
981,567	887,114	812,556		1,107,648	860,962
1,698,464	1,733,651	2,192,611	1,838,438	1,890,660	1,990,244
748,273	756,869	1,020,804	856,602	1,017,640	970,713
1,851,104	1,323,001	1,514,552	1,628,327	1,659,145	2,695,060
566,142	808,174				
<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>6,516,979</u>
15,642,192	15,198,786	15,448,372	16,775,322	17,130,716	17,663,399
39,387	38,071	118,869	39,327	39,365	22,539
<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>17,685,938</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>	<u>24,202,917</u>

(Continued)

CITY OF TEXARKANA, TEXAS

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

	<i>Fiscal Year</i>			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net (Expense)/Revenue				
Governmental activities	\$ (30,063,756)	(32,207,455)	(32,861,990)	(33,675,460)
Business-type activities	(982,134)	(695,856)	437,297	295,140
Total primary government net expense	<u>(31,045,890)</u>	<u>(32,903,311)</u>	<u>(32,424,693)</u>	<u>(33,380,320)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	13,346,908	13,584,920	13,655,104	15,577,638
Sales taxes	13,392,204	13,148,821	13,800,353	14,114,271
Franchise taxes	2,196,103	2,197,528	2,070,004	2,002,603
Other taxes	1,183,855	1,379,404	1,278,680	1,264,118
Unrestricted investment earnings	198,386	243,935	211,155	186,700
Gain on sale of capital assets				
Miscellaneous	1,486,346	1,451,676	1,211,493	1,235,793
Transfers	18,900	18,900	268,900	3,318,900
Total governmental activities	<u>31,822,702</u>	<u>32,025,184</u>	<u>32,495,689</u>	<u>37,700,023</u>
Business-type activities:				
Unrestricted investment earnings	94,880	48,472	65,121	50,601
Miscellaneous	943,294	1,655,675	1,070,149	965,964
Transfers	(18,900)	(18,900)	(268,900)	(3,318,900)
Total business-type activities program revenues	<u>1,019,274</u>	<u>1,685,247</u>	<u>866,370</u>	<u>(2,302,335)</u>
Change in Net Position				
Governmental activities	1,758,946	(182,271)	(366,301)	4,024,563
Business-type activities	37,140	989,391	1,303,667	(2,007,195)
Total primary government	<u>1,796,086</u>	<u>807,120</u>	<u>937,366</u>	<u>2,017,368</u>

<i>Fiscal Year</i>					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
(33,219,724)	(33,023,458)	(32,502,506)	(36,168,572)	(36,423,500)	(37,645,905)
<u>(132,420)</u>	<u>(604,476)</u>	<u>(168,785)</u>	<u>1,079,845</u>	<u>760,456</u>	<u>1,512,720</u>
<u><u>(33,352,144)</u></u>	<u><u>(33,627,934)</u></u>	<u><u>(32,671,291)</u></u>	<u><u>(35,088,727)</u></u>	<u><u>(35,663,044)</u></u>	<u><u>(36,133,185)</u></u>
15,763,817	16,450,285	16,304,576	15,979,531	17,441,622	17,432,676
14,326,770	14,735,398	15,164,177	15,899,829	15,693,696	16,446,745
2,005,690	2,006,662	1,970,362	1,789,518	1,724,035	1,844,779
1,351,583	1,248,856	1,273,131	1,661,189	1,468,143	1,630,377
170,967	88,788	107,914	105,702	254,679	545,540
		89,385			
365,470	169,481	180,820	135,724	4,283,822	511,629
<u>1,086,504</u>	<u>18,900</u>	<u>18,900</u>	<u>18,900</u>	<u>39,997</u>	<u>6,018,900</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>	<u>44,430,646</u>
38,346	62,088	60,910	60,226	152,275	171,431
1,069,254	1,055,847	1,140,886	1,109,322	1,129,436	1,181,071
<u>(1,086,504)</u>	<u>(18,900)</u>	<u>(18,900)</u>	<u>(18,900)</u>	<u>(39,997)</u>	<u>(6,018,900)</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>	<u>(4,666,398)</u>
1,851,077	1,694,912	2,606,759	(578,179)	4,482,494	6,784,741
<u>(111,324)</u>	<u>494,559</u>	<u>1,014,111</u>	<u>2,230,493</u>	<u>2,002,170</u>	<u>(3,153,678)</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>	<u>3,631,063</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Function/ Program					
Governmental activities:					
General government	\$ 1,436,165	1,385,662	1,049,720	750,688	1,145,219
Public safety	2,991,916	2,604,636	2,112,675	2,321,374	1,988,390
Public works	446,057	509,842	223,836	332,797	680,520
Parks and Recreation	238,500	296,044	315,563	527,139	365,251
Health and welfare	1,101,289	521,296	654,060	1,427,189	1,666,170
Subtotal governmental activities	<u>6,213,927</u>	<u>5,317,480</u>	<u>4,355,854</u>	<u>5,359,187</u>	<u>5,845,550</u>
<i>Business-type activities:</i>					
Water and sewer	<u>15,084,072</u>	<u>15,458,270</u>	<u>16,030,015</u>	<u>16,136,042</u>	<u>15,681,579</u>
Subtotal business-type activities	<u>15,084,072</u>	<u>15,458,270</u>	<u>16,030,015</u>	<u>16,136,042</u>	<u>15,681,579</u>
Total primary government	<u>21,297,999</u>	<u>20,775,750</u>	<u>20,385,869</u>	<u>21,495,229</u>	<u>21,527,129</u>

Unaudited -see accompanying auditors' report

Program Revenues

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1,061,405	1,436,416	408,024	1,466,198	1,500,537
2,252,465	2,502,162	2,112,647	2,542,648	2,663,396
979,029	564,645	425,131	454,190	581,768
355,000	304,110	295,790	336,621	277,088
860,910	733,190	1,081,775	875,436	1,494,190
<u>5,508,809</u>	<u>5,540,523</u>	<u>4,323,367</u>	<u>5,675,093</u>	<u>6,516,979</u>
<u>15,236,857</u>	<u>15,567,241</u>	<u>16,814,649</u>	<u>17,170,081</u>	<u>17,685,938</u>
<u>15,236,857</u>	<u>15,567,241</u>	<u>16,814,649</u>	<u>17,170,081</u>	<u>17,685,938</u>
<u>20,745,666</u>	<u>21,107,764</u>	<u>21,138,016</u>	<u>22,845,174</u>	<u>24,202,917</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>2009</u>	<u>2010</u>	<u>2011*</u>	<u>2012</u>	<u>2013</u>
General Fund					
Reserved	\$ 372,368	379,637			
Unreserved	551,949	1,550,244			
Nonspendable			93,257	101,081	98,990
Restricted			499,889	478,043	330,049
Committed					
Assigned			2,172,462	462,852	36,021
Unassigned	4,245,301	3,371,709	2,785,910	7,808,993	10,327,257
Total General Fund	<u>5,169,618</u>	<u>5,301,590</u>	<u>5,551,518</u>	<u>8,850,969</u>	<u>10,792,317</u>
All Other Governmental Funds					
Reserved	4,356,314	25,434,284			
Unreserved, designated for					
Convention center	1,183,828	201,975			
Unreserved					
Special revenue fund	2,400,757	2,369,474			
Debt service fund	1,707,982	1,538,656			
Capital projects fund	622,126	469,315			
Nonspendable					
Special revenue fund			638,311	310,426	261,448
Restricted					
Special revenue fund			1,309,318	854,290	499,913
Debt service fund			670,992	318,394	
Capital projects fund			19,599,146	14,388,271	12,070,107
Committed					
Special revenue fund			1,911,341	1,751,275	1,149,318
Assigned					
Special revenue fund			697,434	1,371,484	862,925
Unassigned					
Special revenue fund			(23,568)	(338,733)	(340,465)
Debt service fund					(104,606)
Capital projects fund				(741,393)	
Total all other governmental funds	<u>10,271,007</u>	<u>30,013,704</u>	<u>24,802,974</u>	<u>17,914,014</u>	<u>14,398,640</u>

* 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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
93,432	88,297	90,247	91,371	90,274
689,448	675,143	648,797	658,975	689,749
35,000		20,848		
128,739	268,073	145,932	149,274	9,247,919
<u>9,304,806</u>	<u>10,511,161</u>	<u>12,003,407</u>	<u>13,215,235</u>	<u>8,655,483</u>
<u><u>10,251,425</u></u>	<u><u>11,542,674</u></u>	<u><u>12,909,231</u></u>	<u><u>14,114,855</u></u>	<u><u>18,683,425</u></u>
325,693	411,561	353,067	380,453	372,047
4,624,343	568,030	882,022	953,099	1,724,450
		76,937	22,502	206,784
2,515,323	2,806,712	2,422,336	9,736,141	5,306,583
1,112,025	1,267,865	1,372,641	887,434	3,277,171
942,542	1,102,850	1,528,344	1,933,041	809,864
(139,462)	(94,755)	(173,131)	(221,313)	(139,103)
(146,654)	(173,968)			
	(31,268)			
<u>9,233,810</u>	<u>5,857,027</u>	<u>6,462,216</u>	<u>13,691,357</u>	<u>11,557,796</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
REVENUES:				
Taxes	\$ 30,037,456	30,258,026	30,846,064	33,042,265
Fees and permits	395,834	395,511	200,558	185,615
Charges for services	677,603	846,054	760,200	622,632
Municipal court	2,051,942	1,648,799	1,723,251	1,715,643
Grants and entitlements	1,182,928	1,013,367	766,275	1,999,673
Investment earnings	173,039	233,463	199,616	178,533
Intergovernmental	507,715	677,714	289,924	321,621
Sale of capital assets			780,731	
Other	935,364	467,527	335,346	288,508
Total revenues	<u>35,961,881</u>	<u>35,540,461</u>	<u>35,901,965</u>	<u>38,354,490</u>
EXPENDITURES:				
Current:				
General government	6,326,081	5,638,878	5,167,206	5,687,089
Public safety	15,178,168	16,291,717	15,479,970	15,729,556
Public works	4,036,371	4,004,301	4,077,566	3,815,722
Parks and recreation	2,159,831	2,282,880	2,342,064	2,133,616
Health and welfare	1,497,632	1,419,374	1,483,147	2,272,270
Miscellaneous	9,609	16,448	11,134	
Capital outlay	3,650,301	6,115,692	6,859,040	12,141,083
Debt service:				
Principal retirement	2,685,087	2,552,290	3,472,228	3,788,802
Interest and fiscal charges	1,502,725	1,897,567	2,415,565	2,301,087
Bond issuance costs		394,530		219,427
Total expenditures	<u>37,045,805</u>	<u>40,613,677</u>	<u>41,307,920</u>	<u>48,088,652</u>
Excess (deficiency) of revenues over expenditures	<u>(1,083,924)</u>	<u>(5,073,216)</u>	<u>(5,405,955)</u>	<u>(9,734,162)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	488,197	593,911	1,510,273	4,277,448
Transfers out	(469,297)	(752,978)	(1,065,120)	(2,406,073)
Bonds issued		24,420,000		14,845,000
Tax notes issued				
Payments to refunded bond escrow agent				(11,805,488)
Bond premium		446,830		1,150,861
Capital lease		332,847		82,905
Discount on bonds issued		(92,725)		
Total other financing sources (uses)	<u>18,900</u>	<u>24,947,885</u>	<u>445,153</u>	<u>6,144,653</u>
Net change in fund balances	<u>(1,065,024)</u>	<u>19,874,669</u>	<u>(4,960,802)</u>	<u>(3,589,509)</u>
Debt Service as a percentage of noncapital expenditures	12.5%	12.9%	17.1%	16.9%

Unaudited -see accompanying auditors' report

Fiscal Year

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
33,432,131	33,976,724	34,290,500	35,562,155	36,156,991	37,452,474
245,003	241,751	726,386	579,704	596,610	554,698
1,175,867	560,530	377,102	868,486	956,020	983,120
1,631,182	1,652,149	2,023,923	1,671,117	1,733,350	1,826,561
794,466	626,421	369,114	258,240	708,218	1,726,751
167,813	79,017	82,785	96,316	180,985	494,331
1,092,352	1,518,657	1,006,232	923,001	633,866	1,081,302
<u>647,550</u>	<u>447,449</u>	<u>357,902</u>	<u>632,649</u>	<u>556,701</u>	<u>483,478</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>	<u>44,602,715</u>
6,096,316	5,778,132	6,500,409	7,144,935	7,789,701	8,295,387
15,370,410	14,913,921	14,900,200	14,033,527	14,989,492	15,305,697
3,843,357	4,085,840	4,674,794	5,069,600	5,149,470	5,142,191
2,393,470	2,234,747	2,429,448	2,428,568	2,381,295	2,437,334
2,144,737	1,727,656	1,073,624	1,483,091	1,286,529	1,586,089
4,651,366	8,921,568	5,152,652	3,136,260	9,459,729	8,593,001
3,780,647	3,747,283	3,639,164	3,643,800	3,730,323	3,791,639
2,182,138	2,047,350	1,939,214	1,851,466	1,538,361	2,102,754
193,000				449,593	
<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>47,254,092</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>	<u>(2,651,377)</u>
4,472,167	995,874	1,089,860	1,621,310	2,171,120	7,366,390
(4,630,978)	(2,392,810)	(2,186,683)	(2,627,481)	(3,052,626)	(2,436,585)
14,550,000				23,250,000	
(15,788,017)				(9,792,779)	
1,270,367				1,110,802	
21,512	45,013	86,851	1,177,496		156,581
<u>(104,949)</u>	<u>(1,351,923)</u>	<u>(1,009,972)</u>	<u>171,325</u>	<u>13,686,517</u>	<u>5,086,386</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>	<u>2,435,009</u>
16.6%	16.8%	15.9%	15.4%	15.3%	15.2%

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CITY OF TEXARKANA, TEXAS

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

<i>Fiscal Year</i>	<i>Property</i>	<i>Sales and Use</i>	<i>Franchise</i>	<i>Other</i>	<i>Total</i>
2009	\$ 13,261,502	13,392,204	2,196,103	1,187,647	30,037,456
2010	13,606,421	13,148,821	2,197,528	1,305,256	30,258,026
2011	13,666,358	13,800,353	2,070,004	1,309,349	30,846,064
2012	15,629,446	14,114,271	2,002,603	1,295,945	33,042,265
2013	15,762,593	14,326,770	2,005,689	1,337,079	33,432,131
2014	15,993,035	14,735,398	2,006,662	1,241,629	33,976,724
2015	15,886,472	15,164,177	1,891,699	1,348,152	34,290,500
2016	16,186,609	15,899,829	1,868,181	1,607,536	35,562,155
2017	17,178,991	15,693,696	1,724,035	1,560,269	36,156,991
2018	17,510,391	16,446,745	1,844,778	1,650,560	37,452,474
Percentage change	1.93%	4.80%	7.00%	5.79%	3.58%

Unaudited - see accompanying auditors' report

CITY OF TEXARKANA, TEXAS

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

<i>Fiscal Year</i>	<i>Tax Roll Year</i>	<i>Personal Property Assessed Value</i>	<i>Real Property Assessed Value</i>	<i>Total Property Assessed Value</i>	<i>Tax Rate (1)</i>	<i>Gross Tax Levy</i>
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
2018	2017	320,509,471	2,235,581,733	2,556,091,204	0.700000	17,892,638

Note:

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

Source: Bowie Central Appraisal District

<i>Frozen Items & Late Penalty Gain</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>
\$ (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
(479,984)	17,412,654	(24,226)	17,388,428	11,787,615	4,988,740	612,073

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Direct and Overlapping Property Tax Rates

(per \$100 of assessed value)

Last Ten Fiscal Years

Schedule 8

<i>Fiscal Year</i>	<i>City Direct Rates</i>			<i>Total City Direct Rate</i>
	<i>General</i>	<i>General Obligation Debt Service</i>	<i>TIRZ #1</i>	
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
2018	0.475102	0.200862	0.024036	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.

Overlapping Rates

<i>Texarkana Independent School District</i>	<i>Bowie County</i>	<i>Texarkana College</i>	<i>Liberty-Eylau Independent School District</i>	<i>Pleasant Grove Independent School District</i>	<i>Red Lick Independent School District</i>
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	
1.425	0.0424322	0.118115	1.37	1.44	1.18

CITY OF TEXARKANA, TEXAS

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

<u>Taxpayer</u>	<u>Rank</u>	<u>2018</u>	
		<u>2017 Assessed Valuation (1) (2)</u>	<u>Percentage of Total Assessed Valuation</u>
US Bank National Assoc, Trustee	1	\$ 33,208,235	1.30%
AEP Southwestern Electric Power Co.	2	25,334,854	0.99%
Christus Health Ark La Tx	3	24,310,056	0.95%
MPT of Texarkana - Steward LLC	4	17,495,800	0.68%
Rancho Texarkana Investors LLC	5	17,451,042	0.68%
Sterno Candle Lamp	6	16,113,018	0.63%
LPG Apartments LP	7	12,352,544	0.48%
Arklatex Real Estate	8	11,966,619	0.47%
William Gregg Orr	9	11,704,107	0.46%
Waggoner Creek Crossing LP	10	11,647,533	0.46%
GC&A Central Mall Partners			
Apple Eight Hospitality Texas LL001			
Candle Corporation of America			
Richmond Road Apartments LP			
Arden Texarkana LLC ETAL			
Condeb LP			
Walmart Stores #01-2123			
Total principal taxpayers		<u>\$181,583,808</u>	<u>7.10%</u>

(1) Net of exemptions

(2) Source - Bowie Central Appraisal District

Unaudited - see accompanying auditors' report

<i>2009</i>		
<u>Rank</u>	<u>2008 Assessed Valuation (1) (2)</u>	<u>Percentage of Total Assessed Valuation</u>
1	\$ 115,329,475	5.04%
6	14,002,040	0.61%
9	11,186,433	0.49%
2	32,621,506	1.42%
10	10,648,282	0.47%
5	14,048,180	0.61%
7	13,970,600	0.61%
3	20,324,767	0.89%
8	11,493,576	0.50%
4	<u>19,181,519</u>	<u>0.84%</u>
	<u>\$ 262,806,378</u>	<u>11.48%</u>

CITY OF TEXARKANA, TEXAS

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

<i>Fiscal Year</i>	<i>Tax Roll Year</i>	<i>Total Adjusted Tax Levy</i>	<i>Collected within the Fiscal Year of the Levy</i>		<i>Collections in Subsequent Years</i>	<i>Total Collections to Date</i>	
			<i>Amount</i>	<i>Percentage</i>		<i>Amount</i>	<i>Percentage</i>
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%	250,194	17,064,219	99.11%
2018	2017	17,388,428	17,037,845	97.98%		17,037,845	97.98%

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

Source - September certified jurisdiction report.

Unaudited -see accompanying auditors' report

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Direct and Overlapping Sales Tax Rates

(per \$100 of assessed value)

Last Ten Fiscal Years

Schedule 11

<i>Fiscal Year</i>	<i>City Direct Rate</i>	<i>Bowie County</i>
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%
2018	1.50%	0.50%

Source: Texas Comptroller Website

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

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

(in thousands of gallons)

Last Ten Fiscal Years

Schedule 12

Type of Customer	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	914,376	926,250	1,164,446	1,141,614	1,027,446
Commercial	585,553	596,290	735,020	769,874	717,174
Member Cities	916,698	928,052	1,014,877	1,071,608	952,637
Wholesale	<u>676,645</u>	<u>717,840</u>	<u>683,856</u>	<u>650,888</u>	<u>958,491</u>
Total	<u><u>3,093,272</u></u>	<u><u>3,168,432</u></u>	<u><u>3,598,199</u></u>	<u><u>3,633,984</u></u>	<u><u>3,655,748</u></u>

Total Direct Rate per 1,000 Gallons

Residential (2)	3.01	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)	2.26	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	0.98	0.77	0.65	0.83	0.7308

(1) Includes TexAmericas Center usage of 271,950 (in 000's) since pass-through usage serving RRAD is billed at Member City consensus rate.

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

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1,417,354	1,376,505	1,287,088	1,188,352	1,309,564
991,064	951,031	973,341	904,554	956,902
874,055	817,986	850,476	872,256	1,137,326
<u>948,195</u>	<u>918,397</u>	<u>995,876</u>	<u>1,021,527</u>	<u>742,249 (1)</u>
<u>4,230,668</u>	<u>4,063,919</u>	<u>4,106,781</u>	<u>3,986,689</u>	<u>4,146,041</u>
3.01	3.01	1.75	1.75	1.75
		2.00	2.00	2.00
		3.25	3.25	3.25
		3.75	3.75	3.75
		4.00	4.00	4.00
2.26	2.26	3.25	3.25	3.25
		3.25	3.25	3.25
		3.25	3.25	3.25
		3.25	3.25	3.25
		3.25	3.25	3.25
0.7448	0.7275	0.7986	0.8109	0.8914

CITY OF TEXARKANA, TEXAS

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

<u>Fiscal Year</u>	<u>Water</u>		<u>Sewer</u>	
	<u>Monthly Minimum 2000 Gals</u>	<u>Rate per 1000 Gals Over Minimum</u>	<u>Monthly Minimum 2000 Gals</u>	<u>Rate per 1000 Gals Over Minimum</u>
Residential				
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
2018			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		
Commercial				
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
2018			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>	2018			2009		
	<i>Rank (1)</i>	<i>Water & Sewer Revenue</i>	<i>Percentage of Total Water & Sewer Revenue</i>	<i>Rank (1)</i>	<i>Water & Sewer Revenue</i>	<i>Percentage of Total Water & Sewer Revenue</i>
Federal Correctional Institute	1	\$ 589,839	4.62%	1	\$ 814,992	7.03%
Christus St. Michael Hospital	2	209,618	1.64%	2	246,423	2.13%
West Fraser	3	234,606	1.84%			
Wadley Hospital	4	152,902	1.20%	5	151,263	1.31%
LaSalle Southwest Corrections	5	228,952	1.79%			
Texarkana, Texas ISD	6	180,084	1.41%	6	155,947	1.35%
Alcoa	7	102,541	0.80%	4	166,793	1.44%
City of Texarkana, Texas	8	107,667	0.84%			
Texarkana Housing Authority	9	142,998	1.12%	3	251,891	2.17%
Town North Apartments	10	113,845	0.89%			
Civigenics Texas Inc.				7	150,803	1.81%
Brighton Manor/Woodlands Apartments				8	209,256	1.30%
River Crossing Apartments				9	111,850	0.97%
Texarkana College				10	71,443	0.62%
Totals		<u>\$ 2,063,052</u>	16.15%		<u>\$ 2,330,661</u>	20.13%

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

Unaudited - see accompanying auditors' report

CITY OF TEXARKANA, TEXAS

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

<i>Fiscal Year</i>	<i>Governmental Activities</i>			
	<i>General Obligation Bonds</i>	<i>Certificates of Obligation</i>	<i>Tax Notes</i>	<i>Capital Leases</i>
2009	\$ 17,867,429	\$ 19,857,720	\$ 1,200,000	\$ 82,959
2010 (2)	16,509,387	43,564,165	1,160,000	254,195
2011	15,108,573	42,021,874	1,040,000	148,537
2012 (3)	15,808,814	42,125,475	860,000	86,295
2013 (4)(5)	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	22,987,860		1,100,560
2017	28,922,007 (6)	22,934,384 (7)		905,236
2018	26,302,263 (6)	26,991,089 (7)		835,180

- (1) See Demographic and Economic Statistics Schedule for personal income and population data.
(2) The City issued \$24,420,000 in Certificates of Obligation in 2010.
(3) The City issued \$4,115,000 in Certificates of Obligation in 2012.
(4) The City issued \$14,550,000 in General Obligation Refunding Bonds in 2013.
(5) The City issued \$2,200,000 in Revenue Bonds in 2013.
(6) The City issued \$9,090,000 in General Obligation Refunding Bonds in 2016.
(7) The City issued \$14,160,000 in Certificates of Obligation in 2017.

Unaudited -see accompanying auditors' report

<i>Business-type Activities</i>				
<i>Water Revenue Bonds</i>	<i>Capital Leases</i>	<i>Total Primary Government</i>	<i>Percentage of Personal Income(1)</i>	<i>Per Capita(1)</i>
\$ 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
3,325,000	4,132,943	54,288,044	5.91%	1,435
2,890,000	3,731,217	59,382,844	6.15%	1,567
2,645,000	3,307,629	60,081,161	6.25%	1,589

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

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

Schedule 16

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt (2)</u>
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	49,054,541
2017	37,887	2,526,856,766	54,746,391
2018	37,818	2,556,091,204	55,938,352

Notes:

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

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

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

<i>Less Debt Service Funds</i>	<i>Less Debt Payable From Enterprise Funds (2)</i>	<i>Net Bonded Debt</i>	<i>Ratio of Net Bonded Debt to Assessed Value</i>	<i>Net Bonded Debt per Capita</i>
\$ 1,707,982	\$ 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	3,325,000	45,652,604	1.84	1,207
22,502	2,890,000	51,833,889	2.05	1,368
206,784	2,645,000	53,086,568	2.08	1,404

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CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Direct and Overlapping Governmental Activities Debt

September 30, 2018

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	\$ 54,128,532	100.00%	<u>\$ 54,128,532</u>
Overlapping:			
Texarkana Independent School District	46,917,461	71.71%	33,644,511
Texarkana College		46.81%	-
Bowie County	22,775,000	52.43%	11,940,933
Liberty-Eylau Independent School District	23,635,000	38.22%	9,033,297
Pleasant Grove School District	45,855,000	78.34%	35,922,807
Red Lick Independent School District	4,550,000	7.06%	<u>321,230</u>
Subtotal - Overlapping debt			<u>90,862,778</u>
Total direct and overlapping			<u><u>\$ 144,991,310</u></u>
Per capita overlapping debt			<u><u>\$ 3,834</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

STATISTICAL SECTION Legal Debt Margin Last Ten Fiscal Years Schedule 18

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Assessed value of real property	<u>\$ 1,997,924,581</u>	<u>2,127,490,741</u>	<u>2,104,527,844</u>	<u>2,156,931,065</u>
Debt limit - 25% of assessed value of real property	<u>499,481,145</u>	<u>531,872,685</u>	<u>526,131,961</u>	<u>539,232,766</u>
Total general obligation bonded debt	16,509,387	15,108,573	15,808,814	27,636,147
Less amount available in Debt Service Fund	<u>(1,707,982)</u>	<u>(1,538,656)</u>	<u>(670,992)</u>	<u>(318,397)</u>
Total amount of debt applicable to debt limit	<u>14,801,405</u>	<u>13,569,917</u>	<u>15,137,822</u>	<u>27,317,750</u>
Legal debt margin	<u>484,679,740</u>	<u>518,302,768</u>	<u>510,994,139</u>	<u>511,915,016</u>

Notes:

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

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

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>2,148,580,335</u>	<u>2,089,714,475</u>	<u>2,117,305,243</u>	<u>2,235,581,733</u>	<u>2,556,091,204</u>	<u>2,235,581,733</u>
<u>537,145,084</u>	<u>522,428,619</u>	<u>529,326,311</u>	<u>558,895,433</u>	<u>639,022,801</u>	<u>558,895,433</u>
27,290,448	25,298,564	22,741,681	28,922,007	28,922,007	26,302,263
-	-	-	(76,937)	(22,502)	(206,784)
<u>27,290,448</u>	<u>25,298,564</u>	<u>22,741,681</u>	<u>28,845,070</u>	<u>28,899,505</u>	<u>26,095,479</u>
<u>509,854,636</u>	<u>497,130,055</u>	<u>506,584,630</u>	<u>530,050,363</u>	<u>610,123,296</u>	<u>532,799,954</u>

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CITY OF TEXARKANA, TEXAS

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

<i>Fiscal Year</i>	<i>Gross Revenue(2)</i>	<i>Operating Expenses (3)</i>	<i>Net Revenue Available For Debt Service</i>	<i>Debt Service Requirements (4)</i>	<i>Coverage</i>
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
2018	17,930,971	11,279,978	6,650,993	360,819	18.43

Notes:

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

Unaudited -see accompanying auditors' report

CITY OF TEXARKANA, TEXAS

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 (5)</i>
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
2018	37,818 (6)	37.5 (6)	25,425 (6)	5.2 (6)	961,522,650

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

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>2018</i>			<i>2009</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	4,135	1	6.65%	7,200	1	12.63%
Christus St. Michael Health Care	1,800	2	2.90%	1,850	2	3.25%
Cooper Tire & Rubber	1,750	3	2.82%	1,700	3	2.98%
Southern Refrigerated Transport	1,235	4	1.99%	750	10	1.32%
Wal-Mart/Sam's Club	1,200	5	1.93%	1,100	5	1.93%
Texarkana Texas ISD	1,150	6	1.85%	795	8	1.39%
Domtar (fr. Georgia Pacific)	900	7	1.45%	1,150	4	2.02%
International Paper	800	8	1.29%	925	6	1.62%
Wadley Regional Medical Ctr	755	9	1.21%	850	7	1.49%
Harte Hanks	695	10	1.12%			0.00%
Texarkana AR ISD	675		1.09%	785	9	1.38%
City of Texarkana, Texas				615		1.08%
Alcoa Mill Products				12		0.02%
Total	15,095		24.30%	17,732		31.11%

Source:

Chamber of Commerce, Texas Workforce Commission LMI Tracer

Notes:

(1) MSA employment for 2018 is 62,162.

(2) MSA employment for 2009 is 57,000.

Unaudited - see accompanying auditors' report

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

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

Last Ten Fiscal Years

Schedule 22

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government				
Purchasing- General Services	3	3	3	3
Finance / Accounting	5	6	6	6
Building Maintenance	3	3	3	3
City Manager	1	1	1	1
City Secretary	1	2	2	2
Research and Vital Statistics	2	2	2	2
Human Resources	4	5	4	4
City Attorney	0	0	0	0
Municipal Court	8.5	8	9	8
Quality Assurance	0	1	1	1
Marketing	0	1	2	2
Public safety				
Police Administration	7	7	5	11
Uniform Services- Patrol	65	69	72	66
Support Services	9	10	31.5	31.5
Criminal Investigation	18.5	18.5	0	0
CMV Enforcement Unit	0	2	2	2
Narcotics	3	4	3	0
Fire Administration	3	3	3	2
Fire Operations	72	72	72	73
Fire Prevention	4	4	4	0
Fire Training	2	2	2	0
Emergency Management	2	2	2	2
Public works				
Public Works Administration	0	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	2	2	2	2
Code Enforcement	0	3	3	3
Stormwater Management	0	0	0	2
Health and welfare				
Community Development	3	3	3	3.5
Environmental Services	2	2	2	2
Environmental Health Services	1	1	1	1
Demolition	1	1	1	0
Animal Control	2	2	2	2

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
0	0	0	0	0	0
8	8	8	8	8	8
3	2	0	0	0	0
1	2	9	10	11	9
2	3	0	0	0	0
2	3	0	0	0	0
4	4	4	4	5	5
0	0	0	0	0	0
8.5	7.5	9.5	8.5	8.5	8.5
1	0	0	0	0	0
1.5	1	0	0	0	0
9	8	6	2	2	2
63	62	61	59	62	66
32	31	31	39	37	37
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
3	4	81	78	79	81
72	70	0	0	0	0
5	6	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
4	4	3	2	7	5
2	2	2	1	1	2
32	30	36	36	39	42
7	6	13	12	13	11
6	5	6	6	0	0
1.5	0	0	0	0	0
3	3	0	0	0	0
2	2	2	2	0	0
5	5	5.5	5.5	6	6
2	2	0	0	0	0
1	1	0	0	0	0
0	0	0	0	0	0
2	2	0	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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Parks and recreation				
Parks Administration	2	2	2	2
Parks Maintenance	24	19	19	19
Recreational Programs	5.5	3.5	3.5	3.5
Senior Citizen Programs	2.5	1	1	1
Community Center / Weed & Seed	33	1	1	1
Library	12.5	16	16	16
Teen Court	1	1	0	0
Veterans Affairs	0.5	1	1	1
Family Health Center				
Administration	4	4	3.15	3
Community	5	6	1.5	2
WIC	5	7	7	7
Reproductive	6	7	10.95	8
TB	0	0	0	0
Public Health Response	0	0	0	0
Tobacco	0	0	0	0
Diabetes	0	0	0	1
Central Records - Dispatch	54	53	53	54
MPO	2.5	3	3	3
Fleet	9	8	6	6
Total	<u>450.5</u>	<u>432.0</u>	<u>431.6</u>	<u>422.5</u>

Source: Various City Departments, employee count for last September payroll

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

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
2	2	2	2	2	3
20	21	17	16	17	19
3	3	4	5	5	4
1	1	0	0	0	0
1	1	0	0	0	0
12.5	13.5	11	10.5	12.5	12.5
0	0	0	0	0	0
0.5	0.5	0.5	0	0	0
4	4	3	3	3	3
1	1	1	1	1	1
6	7	7	6	7.5	6.5
5	4	5	4	5	4
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
2	1	0	0	0	0
41	38	41	40	39	36
1.5	3	3	2	2	2
6	4	6	6	6	5
<u>389.0</u>	<u>377.5</u>	<u>377.5</u>	<u>368.5</u>	<u>378.5</u>	<u>378.5</u>

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Operating Indicators by Function/Program

Last Ten Fiscal Years

Schedule 23

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Function/Program</u>				
General government				
Birth certificate requests	5,278	6,138	5,937	5,832
Public safety				
Police				
Commissioned officers	94	100	99	99
Calls for service	45,673	43,518	42,407	42,625
Total citations issued	11,606	10,536	11,003	12,993
Custody arrests	5,085	4,010	4,105	4,125
Fire				
Firefighters	79	78	78	78
Responses- Fire	250	256	306	258
Responses- EMS/Rescue	1,494	1,479	1,478	1,770
Responses- Other	978	1,098	1,062	1,088
Inspections	3,988	2,837	2,867	3,910
Public works				
Street resurfacing (miles)	(1)	(1)	1.5	(1)
Building permits issued	1,188	768	591	559
Building permits (\$)	44,937,572	49,115,042	63,049,176	43,348,566
Water				
Average daily consumption (millions of gallons)	10.255	11.207	9.518	11.201
Raw water production (millions of gallons)	11.978	13.949	10.61	11.74
Wastewater				
Average daily sewage treatment (millions of gallons)				
South Regional Plant	10.524	10.778	8.328	7.514
Wagner Creek Plant	1.257	1.253	0.747	1.116
Airlines				
Scheduled airline arrivals and departures per day	(1)	(1)	(1)	4
Passengers enplaning and deplaning per year				60,000

Source: Various City Departments

Notes:

(1) No information available

Unaudited -see accompanying auditors' report

<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
5,758	6,056	6,257	6,718	7,137	6,836
96	95	90	91	91	91
38,712	41,556	38,622	39,562	38,878	37,387
10,558	12,507	11,012	9,244	9,594	8,234
3,243	2,383	3,488	3,429	4,059	3,885
77	78	78	78	78	78
259	220	264	250	246	287
1,753	1,871	1,761	1,748	1,770	2,175
1,109	1,022	1,005	1,096	1,010	1,031
3,950	3,950	4,032	4,028	3,445	3,336
(1)	(1)	(1)	2	1	14
577	443	481	544	580	625
40,844,204	37,317,875	58,075,585	38,254,996	57,433,786	60,555,822
12.368	11.467	10.677	8.815	10.395	11.742
12.997	12.062	11.545	9.888	11.134	12.463
6.642	8.062	8.890	10.130	8.009	7.616
1.3	1.678	1.673	1.730	1.422	1.513
6	6	6	6	6	8
66,338	68,674	71,500	67,642	70,031	76,524

CITY OF TEXARKANA, TEXAS

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

Function/Program	2009	2010	2011	2012
General Government				
Buildings	2	4	4	4
Public safety				
Police Stations	1	1	1	1
Number of vehicles	63	69	62	80
Fire Stations	5	5	5	5
Fire Apparatus	9	9	10	10
Other motorized vehicles	6	6	10	16
Public works				
Buildings	3	2	2	2
Streets (miles)	(1)	(1)	(1)	257
Paved alleys	(1)	(1)	(1)	8
Unpaved alleys	(1)	(1)	(1)	15
Storm sewers	(1)	(1)	(1)	30
Streetlights	(1)	(1)	(1)	3,150
Parks and recreation				
Parks	14	12	12	12
Park acreage developed	500	500	500	587
Park acreage partially developed	1,330	1,330	1,330	1,330
Playgrounds	20	26	26	27
Swimming pools	0	0	0	0
Tennis courts	6	4	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	5	10
Soccer fields	10	12	13	13
Restroom facilities	17	17	17	17
Boat ramp	1	1	2	2
Splash pad	0	0	0	1
Perot Theatre	1	1	1	1

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
4	4	4	4	4	4
1	1	1	1	1	1
80	72	80	72	74	74
5	5	5	5	5	5
10	7	9	9	9	9
16	8	8	9	8	11
4	4	4	4	4	4
259	260	261	262	262	262
8	8	8	8	8	8
15	15	15	15	15	15
31	31	32	33	33	33
3,200	3,200	3,200	3,250	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
26	24	26	25	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	1	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	9	9	9
12	10	12	13	13	13
17	18	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

STATISTICAL SECTION

Capital Asset Statistics by Function/ Program

Last Ten Fiscal Years

Schedule 24 (Continued)

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Library				
Number of libraries	1	1	1	1
Health and Welfare				
Buildings	1	1	1	1
Water				
Water mains (miles)	473	479	484	504
Water connections	12,951	12,937	12,962	13,119
Fire hydrants	2,013	2,051	2,079	2,172
Plant capacity (million gallons per day)	18	18	18	18
Wastewater				
Sanitary sewer mains (miles)	330	328	340	343
Sewer connections	12,418	12,436	12,435	12,518
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

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1	1	1	1	1	1
1	1	1	1	1	1
479	483	486	473	498	477
13,133	13,170	13,224	13,285	13,377	13,418
2,115	2,139	2,169	2,183	2,188	2,136
18	18	18	18	18	18
340	337	342	336	357	347
12,584	12,622	12,677	12,719	12,774	12,826
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, 2018

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	Unmodified Opinion
Findings for Federal Awards as Defined in OMB Circular A-133	None
Major Federal Programs	93.268 U. S. Department of Health and Human Services – Immunization Cooperative Agreements 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 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, 2018

<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>
Department of Homeland Security				
Emergency Management Performance Grants	97.042	Texas Department of Public Safety	Emergency Management Performance Grant-18TX-EMPG-0208	\$ 32,895
Homeland Security Grant Program	97.067	Office of the Governor-Homeland Security Grants Division	State Homeland Security Program - 3344701	12,377
Homeland Security Grant Program	97.067	Office of the Governor-Homeland Security Grants Division	State Homeland Security Program - 3344901	12,170
Total Homeland Security Grant Program				24,547
Total Department of Homeland Security				57,442
United States Department of Justice				
Law Enforcement Block Grant - J.A.G.	16.738	Texas Governors Office Criminal Justice Division	Edward Bryne Memorial Grant - JAG--2016-DJ-BX-0714	26,317
Bulletproof Vest Partnership Program	16.607		Law Enforcement Block Grant J.A.G.--2016-BUBX-1608153	14,475
Bulletproof Vest Partnership Program	16.607		Law Enforcement Block Grant J.A.G.--2017-BUBX-17087996	322
Total Bulletproof Vest Partnership Program				14,797
Total United States Department of Justice				41,114
Department of Transportation				
National Priority Safety Programs	20.616		Selective Traffic Enforcement Program (STEP)-2018-TexarkPD-S-1YG-0103	14,845
Highway Planning and Construction	20.205	Texas Department of Transportation	Federal Transit Capital and Operating Assistance Formula Grant--50-16XF0017	177,249
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	177,249
Total Department of Transportation				369,343

CITY OF TEXARKANA, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2018

<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>
United States Environmental Protection Agency				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		EPA Revolving Loan Fund--BF-00F62501	12,978
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		EPA Multipurpose Grant--BF-00F62801	84,939
Total United States Environmental Protection Agency				97,917
Department of Health and Human Services				
Immunization Cooperative Agreements	93.268		Preventative Health & Health 537-18-0066-00001	149,174
Preventive Health and Health Services Block Grant- RLSS/LPHS	93.758		537-18-0250-00001	102,215
Total Department of Health and Human Services				251,389
Department of Housing and Urban Development				
Community Development Block Grants/Entitlement Grants	14.218		Community Development Block Grant - Entitlement (CDBG)--B-17-MC-48-1000	351,221
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	390,493
Continuum of Care Program	14.267		Continuum of Care--TX0387L6T071602	105,408
Continuum of Care Program	14.267		Continuum of Care--TX0387L6T071703	100,859
Total Continuum of Care Program				206,267
Total Department of Housing and Urban Development				947,981
United States Department of Agriculture				
Special Supplemental Nutrition Program	10.557		NSS-WIC Card Participation--	351,536
Total United States Department of Agriculture				351,536
National Endowment for the Humanities				
Promotion of the Arts-Grants to Organizations and Individuals	45.024		National Endowment for the Arts--15-4292-7123	10,000
Total National Endowment for the Humanities				10,000
Total Expenditures of Federal Awards				\$ 2,126,722

The accompanying notes are an integral part of this schedule.

CITY OF TEXARKANA, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS September 30, 2018

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, 2018. 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, 2018, 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, 2017 audit of the City of Texarkana, Texas financial statements is provided in the Summary Schedule of Prior Audit Findings.

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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, 2018, 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 July 3, 2019. 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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AICPA'S PRIVATE COMPANIES PRACTICE SECTION

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*.

Other Matters

We noted certain matters that were reported to management of the City of Texarkana, Texas in a separate letter dated July 3, 2019.

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 "Huiday, Lemour & Cox P.C." The signature is written in a cursive, flowing style.

July 3, 2019

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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, 2018. 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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Opinion on Each Major Emergency Solutions Grant Program

In our opinion, 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 each of its major federal programs for the year ended September 30, 2018.

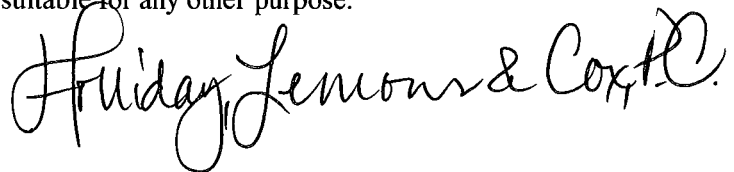
Report on Internal Control over Compliance

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.

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.



July 3, 2019

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CITY OF TEXARKANA, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended September 30, 2018

Reference 2017-001 Emergency Solutions Grant Program CFDA 147.231 – Allowable Cost, Matching and Reporting

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

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