

CITY OF TEXARKANA TEXAS



Comprehensive Annual Financial Report

for the fiscal year ended
September 30, 2015

CITY OF TEXARKANA, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
September 30, 2015**

Prepared by:

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

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Introductory Section

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CITY OF
TEXARKANA
TEXAS

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

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

The Comprehensive Annual Financial Report (CAFR) of the City of Texarkana, Texas (the City) for the fiscal year ended September 30, 2015, is submitted in accordance with State statutes. These statutes require that every general-purpose local government publish at the close of each fiscal year a complete set of audited financial statements.

The report is published to provide the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Holliday, Lemons, & Cox, P. C. Certified Public Accountants, have issued an unqualified opinion on the City of Texarkana, Texas financial statements for the year ended September 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Texarkana, Texas (the City), incorporated in 1874, is located on the Texas –Arkansas state line in the northeast corner of the State of Texas. The City is 28 miles south of Oklahoma and 25 miles north of the Louisiana boundary line and it currently occupies a land area of 29.5 square miles and serves a population estimated at 37,850. The City is empowered to levy a property tax on real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City has operated under the council-manager form of government since 1960. Policy-making and legislative authority are vested in a governing council (Council) comprised of the mayor and six members, all elected on a non-partisan basis. Council members serve two-year staggered terms, with three members elected by ward every two years. The mayor is elected at large, and serves a two-year term. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney, and

Municipal Judge. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

The City provides a full range of services, including police, fire, streets and infrastructure, traffic engineering, parks, recreation, library, community development (planning and zoning), public improvements, tourism activities, and general administrative services. Water and sewer distribution and collection activities are provided by Texarkana, Texas water department in conjunction with the Texarkana, Arkansas water department, dba Texarkana Water Utilities (TWU). The Texas activity of TWU functions as a department of the City, and therefore has been included as an integral part of the City's financial statements.

The financial reporting entity (the government) includes all funds of the primary government (i.e., the City of Texarkana as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Blended component units are in substance, part of the primary government's operations, even though they are legally separate entities. The City reports the Texarkana Firemen's Relief and Retirement Fund, a blended component unit, as a fiduciary fund of the City with a December 31, 2014 year end (most recent audit). Discretely presented component units are legally separate entities and not part of the primary government's operations. The Texarkana-Bowie County Family Health Center is included in the financial statements as a discretely presented component unit. The City also participates in joint ventures with Texarkana, Arkansas to operate the Texarkana Regional Airport and the Bi-State Justice Center. Other joint ventures include the Bowie Central Appraisal District, the Texarkana Urban Transportation Study and the Texarkana Urban Transit District.

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

The City and surrounding region are home to a number of industrial and manufacturing operations, including tire manufacturing, small arms ammunition, paper production, railroad tank car repair, cup and carton manufacturing, pipeline fittings, truck bodies, furniture, valves and couplings, military equipment repair and refurbishing, trucking, and petroleum marketing. Texarkana is also a regional medical center, with two (2) acute care hospitals, offering 675 beds, two (2) rehabilitation hospitals with 140 beds, a 15 bed geriatric psychiatric inpatient facility, and a number of mental health centers, ambulatory surgical centers, home health care organizations, nursing home centers, assisted living centers, and retirement communities.

The City's strategic location with the prospect of three (3) interstate highways in the area, a favorable climate, plentiful water supplies, and a good mix of manufacturing, agriculture, government, tourism, education, medical, retail trade and service centers should contribute to future growth and development for the foreseeable future. Current estimates indicate that approximately 75,000 vehicles use the area's interstate system.

The City's primary and secondary education needs are served by three (3) public school districts, and four (4) other public school districts that border the City, as well as several area private schools. Five (5) institutions of higher education provide services to the City. Texarkana College has more than 5,000 students enrolled; Texas A&M University-Texarkana expanded to a 4 year university in 2010, completed Bringle Lake Village, the first student housing on campus, in 2011

and currently serves approximately 2,000 students; the University of Arkansas for Medical Sciences Area Health Education Center provides higher education services in the area; and Southern Arkansas Tech, provides airframe and power plant training for 150 students at the airport; University of Arkansas - Texarkana is the city's newest institution of higher education, serving approximately 400 students in its new facility.

The City has a number of worthwhile attractions, including the only U.S. Post Office located in two states, which provides a unique photo opportunity at Photographer's Island, the Scott Joplin Mural, the historic Perot Theatre, the Regional Arts Center, Discovery Place Children's Museum and Texarkana Museum of Regional History, the Texarkana Symphony Orchestra, a municipal golf course designed by Jim Fazio, Jr. and managed by Hank Haney, and City parks that have hosted a number of district and state athletic tournaments. Noted attractions in the City's parks system include: Splash Pad at Spring Lake Park, Kylee Sullivan Pet Safe Dog Park at Spring Lake Park and the new additions at Bringle Lake Park, including wilderness hiking and bike trails.. Additionally, there are a multitude of outdoor activities available on one of many lakes and rivers in the region.

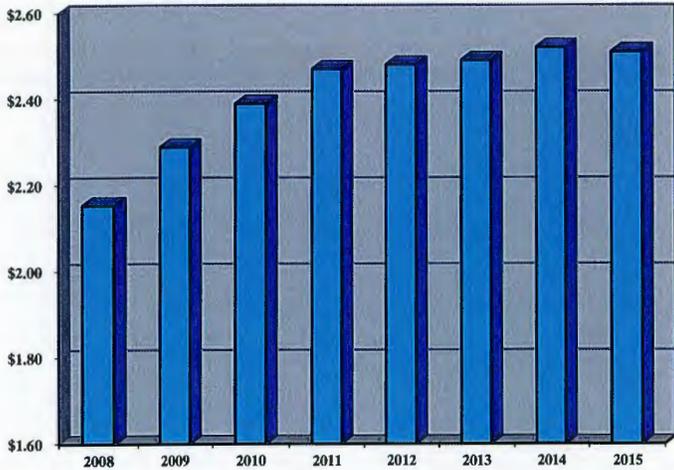
Commercial and residential building in the City has increased slightly in the past year, as reflected in reported statistics. Permits for new non-residential construction increased from last year's value of around \$7,677,525 to around \$40,670,900 this year. Permits for non-residential additions, alterations and conversions increased from \$16,046,199 to \$30,039,129 this year. Residential permits increased from \$7,769,000 to \$11,492,949. Residential additions, alterations and conversions ended the year at \$4,983,925, an increase from last year's number of \$3,246,547. Commercial projects for the new year include the following:

- Excel ER
- Hospice of Texarkana
- Texarkana ER
- Villas at Texarkana
- Boomerang Car Wash
- Greg Orr Marine

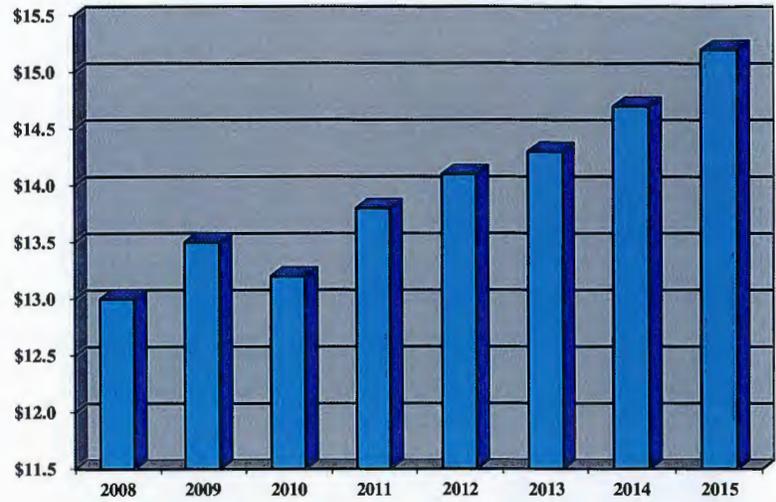
Sales taxes, property taxes, and transfers are responsible for a substantial portion of the City's general fund operating revenue budget. The overall net increase in revenues, transfers, and capital leases in fiscal year 2015 compared to the prior fiscal year was \$1,629,841. Sales tax revenue increased by \$388,890 (2.61%), revenue from fees and permits increased by \$484,635 (200.47%), municipal court revenues increased by \$371,774 (22.5%), intergovernmental revenue increased by \$541,363 (285.62%), and net transfers decreased by \$224,073 (17.76%).

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

**ASSESSED PROPERTY VALUATIONS
(in billions)**



**SALES TAX COLLECTIONS
(in millions)**



Unemployment in the City decreased to 4.8%, which was slightly higher than the state rate of 4.4% and just under the national rate of 4.9%. The rate differences compared to federal and state are mostly attributable to restriction of the workforce at Red River Army Depot, due to federal sequestration mandates currently in place and a decrease in assigned workload.

Long-Term Financial Planning

Unassigned fund balance in the general fund (35.9% of general fund expenditures) is well above the reserve goal set by the City Manager of ten percent (10%). The City’s unassigned fund balance at September 30, 2015 is \$10,511,161 and it represents approximately 131 days of expenditures in fund balance.

Most of the growth in the City continues to occur along and north of the I-30 corridor, although several large projects have been completed south of Interstate 30 recently, including the Neighborhood Wal-Mart. Texas A&M – Texarkana continues to develop plans and work on the University Corridor between I-30 and the campus. Projects completed along or north of the I-30 corridor in the past year included Hospice of Texarkana, Gregg Orr Marine, Neighbors ER, and Davita’s Spa. This corridor, along with the other areas north of I-30, should see extensive commercial, multi-family residential, and retail development in the future. The future completion of these major projects should continue to strengthen growth in the City’s property tax base and other tax collections, which comprise around eighty percent (80.5 %) of the City’s General Fund operating budget.

Gas and electric franchise fees were increased several years ago by the City Council in order to establish an Economic Development Fund to be used for the future economic development projects and activities and to provide incentives for potential projects that would bring jobs and revenue growth to the area. The City is aggressively pursuing economic development projects,

and two (2) incentive arrangements are currently pending. 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. Hotel occupancy tax revenue has shown little or no growth for the past several years, which has resulted in a consistent decline in fund balance. The City continues to look for additional revenue sources, while also maintaining a reduced expenditure plan.

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 Bringle Park East and West and Summer Ridge Drive. The Gibson Lane extension project is currently under construction. Future debt service payments on the bonds are expected to be funded by property tax revenues collected from new developments within the district.

Texarkana Water Utilities has received and reviewed an engineering study on future sewer projects. The report was done under contract by HDR Engineering, Inc. of Dallas, Texas. One of the projects was the evaluation of the improvements and upgrades needed at the South Regional Wastewater Treatment Plant, which is nearly thirty (30) years old. The original cost estimate for the project in 2009 was \$13,900,000. HDR revised the cost estimate in July 2015 to approximately \$17,452,000. During 2016, utility staff intends to develop plans to break out some of the critical upgrades that are currently included in the aggregate plant upgrade estimates so they can be budgeted in the SRWWTP Depreciation Fund and completed in mini-phases beginning in FY17. This will allow plant improvements to be made as funds are budgeted and available. Moving forward with the plant upgrade as a single aggregate project is contingent upon each city passing a sewer rate increase to support a bond issue to provide funding.

The relocation and enlargement of the Wright Patman Water Treatment on New Boston Road, which is over forty (40) years old, is currently under consideration by area cities. The final decision as to location, treatment options, costs, financing and operations of the treatment facilities will of necessity be a broad-based community decision since the existing facilities are co-owned by the City and other municipalities and because this issue is of vital importance to all water users in the region. No final decision is likely in the current fiscal year.

Relevant Financial Policies

The City's financial policies set forth the basic framework for the fiscal management of the City. These include policies for accounting, budgeting, capital improvements, asset management, revenue management, risk management, and fund balance/reserve levels. These policies were developed within the parameters established by applicable provisions of the Texas Local Government Code and the City of Texarkana, Texas City Charter. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

The City's accounting records for general governmental activities are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

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

Major Initiatives

- The City entered into an agreement with MuniCode Corporation to review and revise the City's code of ordinances, which had not been done since 1961. That process has now been completed, which has resulted in changes to comply with state law, removal of unnecessary and outdated items, and regrouping like subjects to General Provisions and Land Development Codes. Also, all fee costs were removed from the code and a new master fee list was created for the City, which is updated annually at budget adoption.
- Demolition of burned-out and/or dilapidated residential structures was allocated \$200,000 in the City's 2015 budget. The Public Works department has taken the lead on this program, and significant progress was made during this past year. An interactive inventory of all structures that are candidates for demolition has been prepared, and it is continually updated as new information becomes available. Thirty eight structures have been demolished since the inception of this program in August of 2014, and the work has been accomplished with no additional staff provided to the Public Works department. Although dilapidated commercial structures remains a problem in the City, limited financial and personnel resources have prevented the development of a similar demolition program for these properties.
- Public maintenance of private property was also a priority issue in this past budget. The City continued to devote a significant amount of resources to provide maintenance to private properties that were not properly maintained by the owners. In this past year, all mowing operations were centralized in the Public Works department, a new agreement for mowing services was negotiated with a contract vendor, and mowing fees charged to customers were increased based on the new contract.
- Priorities for the upcoming fiscal year include continued support of the residential demolition program and expansion of the program to include commercial structures, a city-wide compensation study to insure payment of market competitive wages to city employees, and finding ways to mitigate the continually rising costs of health care

insurance and OPEB benefits, while still providing its employees with health insurance coverage that meets the needs of our employees and their families.

Awards and Acknowledgements

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Texarkana, Texas for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2014. This was the twenty-fifth (25th) consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance/Accounting Department and our independent auditors. I would like to express my appreciation to those persons who made possible the publication of this report. Credit must also be given to the City Manager, Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Texarkana, Texas finances.

Respectfully submitted,



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

February 26, 2016

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Government Finance Officers Association

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

Presented to

**City of Texarkana
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

CITY COUNCIL

BOB BRUGGEMAN
Mayor

JEAN H. MATLOCK
Councilmember, Ward 1

WILLIE RAY
Councilmember, Ward 2

TINA VEAL-GOOCH
Councilmember, Ward 3

DR. BRIAN MATTHEWS
Councilmember, Ward 4

CHRISTY P. PADDOCK
Councilmember, Ward 5

JOSH DAVIS
Councilmember, Ward 6

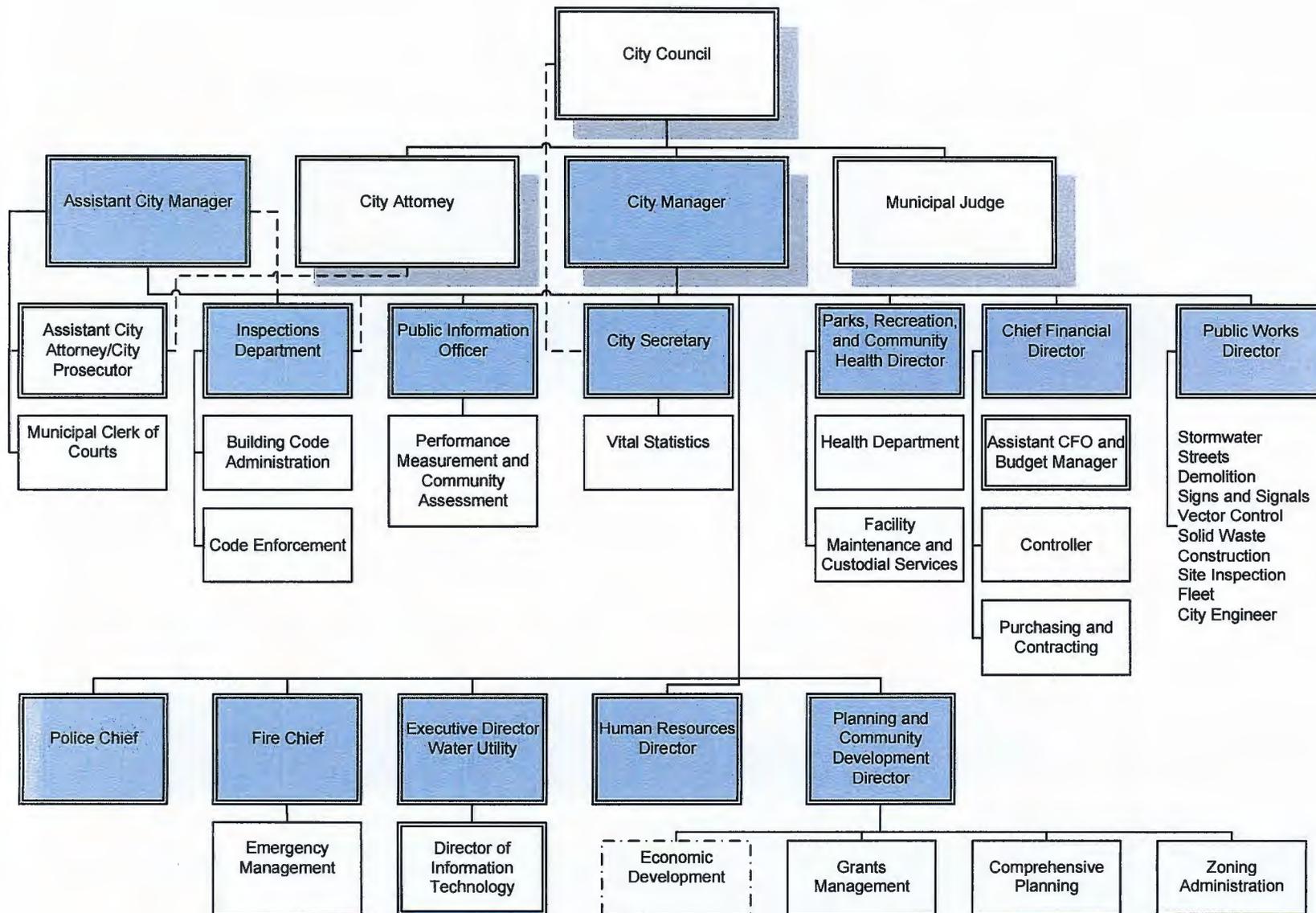
JOHN A. WHITSON
City Manager, ICMA-CM

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

JENNIFER EVANS
City Secretary

City of Texarkana, Texas

August 10, 2015



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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, 2015, 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, 2014 (latest report available). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Firemen's Relief Pension Trust Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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AICPA'S PRIVATE COMPANIES PRACTICE SECTION

TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Texarkana, Texas as of September 30, 2015 and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension plan trend information on pages 9 through 23 and pages 106 through 113, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Texarkana, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, including the budgetary comparison schedules for the nonmajor funds with budgets, the capital assets schedules and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, including the budgetary comparison schedules for the nonmajor funds with budgets, the capital assets schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate

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directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, including the budgetary comparison schedules for the nonmajor funds with budgets, the capital assets schedules and the schedules of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2016, on our consideration of the City of Texarkana, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Texarkana, Texas' internal control over financial reporting and compliance.

Holliday, Lemons, & Cox P.C.

February 26, 2016

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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, 2015. 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 \$162,515,487 (net position). Of this amount, \$143,389,601 (88%) are invested in capital assets which do not directly generate revenue and are not available to generate liquid capital. Net position restricted for specific purposes total \$14,461,499 (9%). The remaining \$4,664,387 (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 change in net position from operations of governmental activities increased by \$2,606,759, while its change in net position from operations of business-type activities increased by \$1,014,111.
- Operational increases for the current fiscal year were offset by prior period adjustments to governmental activities of \$10,791,929 and adjustments to business-type activities of \$3,363,562. The total prior period adjustment of \$14,155,491 was due to a change in accounting required by the implementation of GASB Statement No. 68 and 71. The Statements required the City to record the liability of employers for defined benefit pensions to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past period of service, less the amount of the pension plan's fiduciary net position.
- The City's total net position decreased by \$10,534,621 during this fiscal year. Governmental Activities decreased by \$8,185,170 and Business-Type Activities decreased by \$2,349,451. As discussed above, this decrease was mainly caused by a prior period adjustment of \$14,155,491.
- Unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors, decreased by \$8,610,615.
- At the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$17,399,701, a decrease of \$2,085,534 from last year. \$10,511,161 of this amount or 60% of the total fund balance is available for spending at the City's discretion (unassigned fund balance).
- Within the combined governmental fund balances, just under \$500,000 is non-spendable for non-current loans and joint venture investments. Approximately \$4,050,000 is restricted, with \$2,807,000 set aside for capital projects, \$506,000 for housing projects,

\$352,000 for court security and technology, \$231,000 for police narcotics operations, and \$154,000 restricted for various other purposes. \$1,267,865 of the total combined fund balances is committed for economic development projects. \$482,000 is assigned to future infrastructure projects, \$648,000 is set aside for future improvements at the Perot Theatre, \$210,000 is assigned for workman's compensation insurance, \$29,000 is set aside for the subsequent year's expenses, and just under \$2,000 for police equipment, resulting in total assigned fund balances of almost \$1,371,000. The unassigned fund balance in the General Fund is \$10,511,161 and it can be used for any lawful purpose. It is equal to 36% of general fund expenditures.

- The City has approximately 131 days of expenditures in the unassigned fund balance of the general fund at year end.
- The City's total long-term liabilities increased by \$13,202,908 (18.7%) during the current fiscal year, due to the prior period adjustment required by GASB 68 and GASB 71.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and health and welfare. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate health center for which the City is financially

accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 26 - 29 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-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 31 - 35 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Texarkana, Texas Water Utilities (TWU), which is considered to be a major fund of the City. Data from the other two (2) enterprise funds are combined into a single,

aggregated presentation. Individual fund data for each of these non-major enterprise funds is presented in the form of combining statements elsewhere in this report. These internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 36 - 41 of this report.

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

The basic fiduciary fund financial statements can be found on pages 42 - 43 of this report.

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

The notes to the financial statements can be found on pages 44 - 103 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

This required supplementary information regarding pension benefits may be found on pages 106 - 113 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds and internal service funds are presented following the required supplementary information on pensions.

Combining and individual statements and schedules can be found on pages 118 - 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 \$162,515,487 as of September 30, 2015. The largest portion of the City's net position (\$143,389,601 or 88%), reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, infrastructure, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF TEXARKANA, TEXAS' NET POSITION

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 37,786,875	37,959,576	19,366,103	18,719,815	57,152,978	56,679,391
Capital assets	128,374,304	127,488,448	67,186,669	67,252,396	195,560,973	194,740,844
Total assets	<u>166,161,179</u>	<u>165,448,024</u>	<u>86,552,772</u>	<u>85,972,211</u>	<u>252,713,951</u>	<u>251,420,235</u>
Deferred outflows of resources:	<u>4,280,765</u>	<u>972,442</u>	<u>720,318</u>	<u>21,049</u>	<u>5,001,083</u>	<u>993,491</u>
Long-term liabilities	70,657,677	60,414,469	13,221,008	10,261,308	83,878,685	70,675,777
Other liabilities	4,533,015	3,457,315	5,400,082	5,230,526	9,933,097	8,687,841
Total liabilities	<u>75,190,692</u>	<u>63,871,784</u>	<u>18,621,090</u>	<u>15,491,834</u>	<u>93,811,782</u>	<u>79,363,618</u>
Deferred inflows of resources	<u>887,740</u>		<u>500,025</u>		<u>1,387,765</u>	<u>-</u>
Net position:						
Net invested in capital assets	85,106,547	83,155,796	58,283,054	57,691,676	143,389,601	140,847,472
Restricted	4,277,958	8,118,578	10,183,541	10,809,056	14,461,499	18,927,634
Unrestricted	4,979,007	11,274,308	(314,620)	2,000,694	4,664,387	13,275,002
Total net position	<u>\$ 94,363,512</u>	<u>102,548,682</u>	<u>68,151,975</u>	<u>70,501,426</u>	<u>162,515,487</u>	<u>173,050,108</u>

An additional portion of the City's net position (9%) 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 \$4,664,387 (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, as well as for its separate governmental activities. In the current year, business-type activities reported a negative balance in unrestricted net position, and positive fund balances for the other two categories. In the prior year, the City was able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities:

Total assets increased by \$713,155. Cash and investments decreased by \$845,000 due mainly to ongoing bond projects. Accounts receivable increased by \$1,227,000 due mostly to additional property tax receivables from Bowie County of \$415,000 and \$769,000 in normal operating receivables. Joint venture investments in the Texarkana Regional Airport, Texarkana Urban Transit District, Bi-State Justice Center, and the Bowie Central Appraisal District decreased by \$353,000. The balance of internal fund receivables decreased by \$105,000 and capital assets increased by \$786,000, due to infrastructure projects completed by year end.

Deferred outflows of resources increased by \$3,308,323. A decrease of \$334,938 resulted from amortization of deferred charges on bond refundings in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. An increase of \$3,643,261 is attributable to

changes required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures.

Total liabilities increased by \$11,318,908. Liabilities recorded for Net Pension Liability and Other Post-Employment Benefits increased by \$13,802,246 as a result of the change required by GASB Statement No. 68, referenced above. This is offset by a decrease of \$3,552,313 due to regularly scheduled debt service payments and capital lease transactions. Contracts payable increased by \$591,673 due to ongoing capital projects in progress at year end. Accounts payable increased by \$401,344. Deferred loss on bond refunding, accrued compensated absences, and other changes in smaller liability accounts make up the remaining increase of approximately \$76,000.

Business Type Activities:

The business type activities total assets increased \$580,561, and total liabilities increased \$3,129,256 due to recording defined benefit pension liability required by accounting changes under GASB 68 and GASB 71. The proprietary funds total assets increased \$118,670 while total liabilities increased by \$2,772,253 for the year.

CITY OF TEXARKANA, TEXAS' CHANGES IN NET POSITION

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues						
Charges for services	\$ 4,025,971	3,377,634	15,448,372	15,198,786	19,474,343	18,576,420
Operating grants and contributions	1,514,552	1,323,001			1,514,552	1,323,001
Capital grants and contributions		808,174	118,869	38,071	118,869	846,245
General revenues:						
Property taxes	16,304,576	16,450,285			16,304,576	16,450,285
Other taxes	18,515,584	17,990,916			18,515,584	17,990,916
Other revenue	270,205	258,269	1,201,796	1,117,935	1,472,001	1,376,204
Total revenue	<u>40,630,888</u>	<u>40,208,279</u>	<u>16,769,037</u>	<u>16,354,792</u>	<u>57,399,925</u>	<u>56,563,071</u>
Expenses:						
General government	7,416,500	7,114,857			7,416,500	7,114,857
Public safety	16,272,709	16,681,701			16,272,709	16,681,701
Public works	7,464,975	7,545,126			7,464,975	7,545,126
Parks and recreation	3,408,188	3,012,271			3,408,188	3,012,271
Health and welfare	1,436,864	1,915,780			1,436,864	1,915,780
Interest on long-term debt	2,043,793	2,262,532			2,043,793	2,262,532
Water and sewer			15,736,026	15,841,333	15,736,026	15,841,333
Total expenses	<u>38,043,029</u>	<u>38,532,267</u>	<u>15,736,026</u>	<u>15,841,333</u>	<u>53,779,055</u>	<u>54,373,600</u>

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Change in net position before transfers	2,587,859	1,676,012	1,033,011	513,459	3,620,870	2,189,471
Transfers	18,900	18,900	(18,900)	(18,900)	-	-
Change in net position	<u>2,606,759</u>	<u>1,694,912</u>	<u>1,014,111</u>	<u>494,559</u>	<u>3,620,870</u>	<u>2,189,471</u>
Beginning net position, as previously reported	102,548,682	101,731,673	70,501,426	70,180,659	173,050,108	171,912,332
Prior period adjustment	<u>(10,791,929)</u>	<u>(877,903)</u>	<u>(3,363,562)</u>	<u>(173,792)</u>	<u>(14,155,491)</u>	<u>(1,051,695)</u>
Beginning net position, as restated	<u>91,756,753</u>	<u>100,853,770</u>	<u>67,137,864</u>	<u>70,006,867</u>	<u>158,894,617</u>	<u>170,860,637</u>
Ending net position	<u>\$ 94,363,512</u>	<u>102,548,682</u>	<u>68,151,975</u>	<u>70,501,426</u>	<u>162,515,487</u>	<u>173,050,108</u>

Total Statement of Activities

The total result of the City's activity is a decrease in total net position of \$10,534,621 during the current fiscal year. Net position related to business-type activities decreased by \$2,349,451, while net position from governmental activities decreased by \$8,185,170. Additional related information may be found in the governmental activities section on pages 28 – 29 of this report.

Governmental Activities:

Governmental activities showed a decrease in net position of \$8,185,170. Key elements of this change are summarized as follows:

Revenues

- Sales and other taxes increased by \$524,668 (2.92%).
- Charges for services increased by \$648,337 (19.2%) due to implementation of a new master fee list.
- Capital grants and contributions decreased by \$808,174 due to completion of the Morris Lane project which was partially funded with proceeds from EDA grant funds.
- Smaller changes in operating grants, property taxes, and other revenue account for the remaining \$58,000 increase.

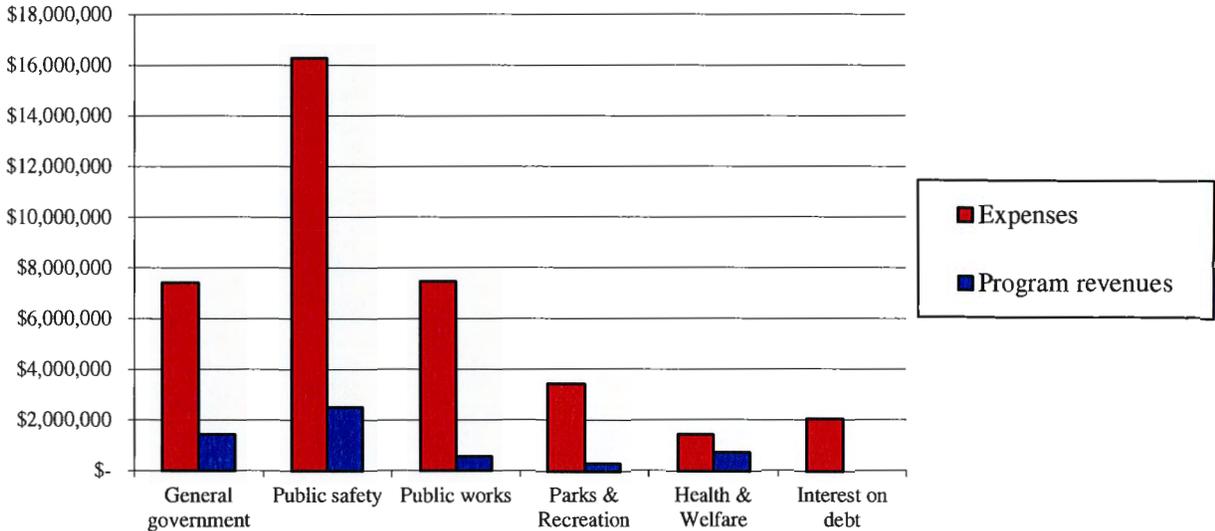
Expenses

- Expenses from governmental activities decreased by \$488,743, as departments continue to reduce expenses while maintaining the same level of service.

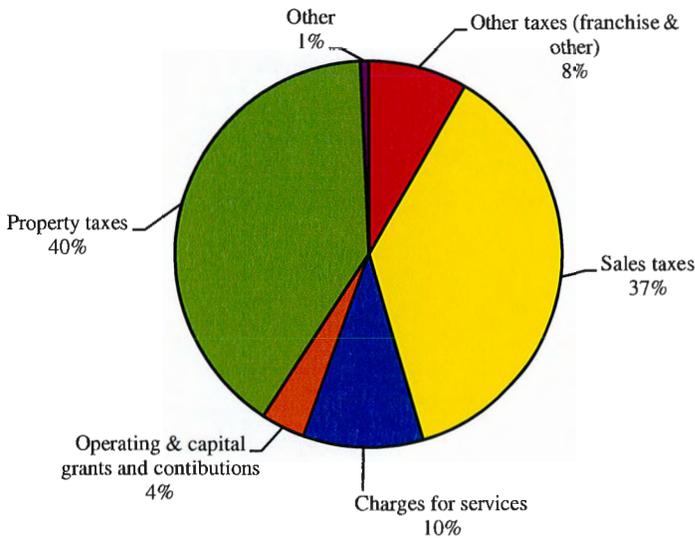
Prior Period Adjustment

- A prior period entry of \$10,791,929 was made to comply with reporting under GASB Statements No. 68 and 71.

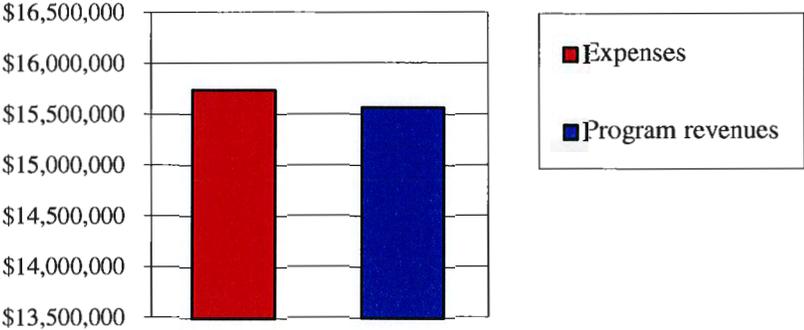
EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES



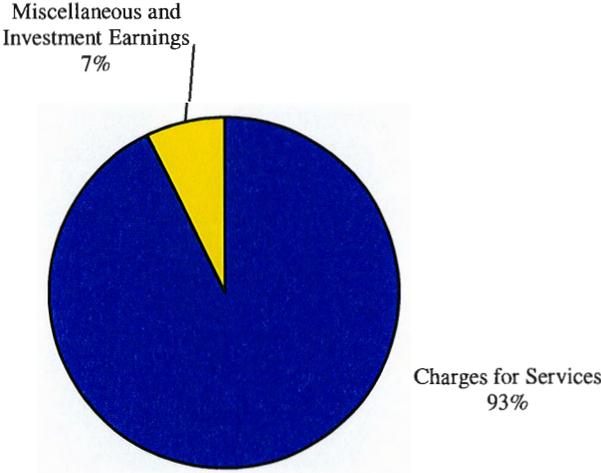
REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



EXPENSES AND PROGRAM REVENUES – BUSINESS-TYPE ACTIVITIES



REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES



Business Type Activities:

Business type activities showed a net decrease in net position of \$2,349,451. TWU had a net decrease of \$2,454,339 after considering a \$3,363,562 prior period adjustment required by accounting changes for recording pension liability implemented under GASB 68 and GASB 71. The other business type funds had a combined net increase of \$104,889. Total charges for services increased by \$249,586, other income increased by \$83,861, and capital contributions increased \$80,798, yielding a net increase in revenues of \$414,245. The 1.7% increase in total charges for services resulted primarily from current year increases in water sales and sewer charges of \$294,095 and \$133,867, respectively, which is partially offset by a \$74,267 decrease in wholesale water sales. Total expenses decreased \$105,307, and operating expenses excluding depreciation increased \$196,627, or 1.8%. TWU depreciation expense was up \$113,226, or

3.6%. The TWU change in net position before contributions and transfers was \$811,623, which was an increase of \$186,572 from the prior year. The change in net position before transfers was \$1,033,011, which was an increase of \$519,552 from last year. As a percentage of revenues, 2015 net position before contributions and transfers was 6.2%, compared to 3.1% 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 \$17,399,701 a decrease of \$2,085,534, in comparison with the prior year. This decrease is due mostly to the following:

- Capital project funds decreased by \$3,754,943, due mostly to expenditures on several capital projects around the City, including Morris Lane Phase II, University Avenue Phase IV, and Summer Ridge Drive.
- Non-major special revenue funds increased by \$405,475 due to an increase in property tax revenue in the TIRZ #1 Fund and a decrease in economic incentive payments in the Economic Development Fund.
- The City's Debt Service Fund decreased by a net of \$27,314, as a result of normal debt service expenditures for the year (\$5,530,593), offset by property tax and investment revenue deposited into the Fund (\$4,757,021), and transfers from other funds for debt service payments (\$746,258).
- General Fund increased by \$1,291,249 for the year, due to net transfers out from other funds of \$1,037,329, partially offset by revenue over expenditures from current year operations of \$2,328,578.

The General Fund is the chief operating fund of the City of Texarkana, Texas. At the end of the current fiscal year, the unassigned fund balance was \$10,511,161, while the total fund balance was \$11,542,674. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balances to total fund expenditures. Unassigned fund balances represent 35.9% of the total General Fund expenditures, while total fund balance represents 39.42% of that same amount.

The net change in fund balance for the City's General Fund increased by \$1,832,141 during the current fiscal year. Key factors in this increase are as follows:

- Sales tax revenue increased by \$388,890. Fees and permit revenue increased by \$484,635 as a result of the implementation of the new master fee list. Intergovernmental revenue increased by \$549,363 from contributions for the downtown enhancement project.

- Total General Fund expenditures declined by \$202,300.
- Transfers from the General Fund to other funds declined by \$224,073.

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 (\$173,968). The Debt Service Fund accounts for the accumulation of resources for, and the payment of long-term debt principal, interest and related costs of all of the City's long-term general obligation debt. The fund expended \$5,530,593 in debt payments during this fiscal year, a decrease of \$224,019 from last year. This decrease is due to changes in regular debt service payments.

The other governmental funds of the City include special revenue funds and capital project funds. At the end of the 2015 fiscal year, the City had combined ending fund balances in its special revenue funds of \$3,255,551, an increase in fund balance of \$405,475. The majority of this increase was due to additional property tax revenue in the TIRZ #1 Fund and a decrease in economic incentive payments made from the Economic Development Fund.

At the end of fiscal year 2015 the City had a total of four (4) capital project funds included in other governmental funds, with total fund balances of \$2,775,444, a decrease of \$1,239,621 from last year. These funds are all reserved for street maintenance projects, park improvements, and other miscellaneous capital projects. Expenditures in the other non-major bond funds totaled \$3,772,226 for the fiscal year, and involved several different projects, including Morris Lane Phase II, University Avenue Phase IV, Summer Ridge Drive, and the Gibson Lane extension.

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 2015 amounted to a net deficit of \$314,620 for a decrease of \$2,315,314 from 2014. The TWU portion of this deficit was \$719,957, which was a decrease of \$2,420,202 from the prior year. This decrease consisted of a net profit of \$909,222 less a \$3,363,561 reduction from the current year implementation of GASB 68 and GASB 71 requiring a change in accounting for employer liability for defined benefit pensions and a \$34,137 decrease in restricted funds for the year. The change in restricted funds for fiscal year 2015 consisted of a decrease of \$625,515 in TWU restricted accounts and an increase of \$591,378 in the amount invested in capital assets, net of the related debt. The increase in investments in capital assets for the year of \$2,544,929 was funded by several accounts including the Capital Improvement account, Infrastructure account, Depreciation account, Technology account, and the Composting account. The net increase of \$591,378 results from applying current year depreciation, debt retirement, and the net increase in current maturities of long term debt to the increase in capital assets for the year.

Internal service funds - The City uses two (2) internal service funds. The combined net position in these funds at the end of the fiscal year was \$2,203,866, an increase from last year of \$368,475 (20.08%). The Employee Benefit Fund accounts for contributions received from other City funds and employees to pay medical benefits and life insurance premiums. Net position in the fund increased by \$327,342, due to premiums received and investment earnings in excess of claims paid. The Fleet Services Fund accounts for repair and maintenance on all City vehicles, excluding TWU. Net position in the fund increased by \$41,133, due to an increase in internal fees collected over operating expenses.

Fiduciary funds - The City also maintains three (3) Fiduciary Funds. The Firemen's Relief Pension Trust Fund accounts for retirement contributions made by the City's firefighters, and contributions made on their behalf by the City. The fund's net position increased by \$1,049,307 for the calendar year of 2014 and net position totaled \$33,244,477. 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 \$78,398 at the end of the fiscal year. The Police Evidence Fund accounts for all funds seized by the Police Department during its apprehension of suspects and subsequent case investigations. The cash balance in the fund at the end of the year was \$16,830.

General Fund Budgetary Highlights

The fund balance difference between the original budget and final amended budget totaled \$2,170,148. The increase can be summarized as follows:

- Fee and permit revenue increased by \$441,000 as a result of the implementation of the new master fee list.
- Municipal Court revenue increased \$496,000, sales tax revenue increased \$118,000, franchise taxes declined \$180,500, charges for services declined by \$126,000, intergovernmental revenue declined \$105,250, and combined other revenues of the City declined by \$39,550 based on trend information at the time of revision.
- General Government expenditures decreased \$411,000, Public Safety expenditures decreased \$211,000, Public Works expenditures decreased \$206,000, Parks and Recreation expenditures decreased \$80,100, Health and Welfare expenditures increased \$31,050, capital outlay expenditures decreased \$769,000, and debt service expenditures decreased \$7,300.
- Transfers in decreased by \$6,000 while transfers out increased by \$80,250.

The difference between the final amended budgeted fund balance and the actual fund balance was a decrease of \$525,529. Factors related to this decrease include:

- Revenue in charges for services was deferred for receivables not collected within 60 days of year-end
- Budgeted transfers between funds were eliminated from actual balances
- Amounts budgeted for the City owned Kress building were not expended
- Personnel vacancies throughout the year

Capital Assets and Debt Administration

Capital assets – The City's investment in total capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$195,460,973 (net of accumulated depreciation), compared to \$194,740,844 in 2014, an increase of \$720,129. Investment in capital assets related to governmental activities (\$128,274,304) increased by \$785,856, and includes land, buildings, improvements, machinery and equipment, licensed vehicles, infrastructure and construction in progress. Investment in capital assets related to business-type activities ended the year at \$67,186,669, a decrease of \$65,727, reflecting the net of additions and disposals of various capital assets and charges for depreciation expense.

Major capital asset events during the current fiscal year included the following:

- Morris Lane Phase II - \$5,081,475
- University Avenue/Texas A&M - \$3,040,882
- Summer Ridge Drive - \$1,002,886
- City Wide Master Drainage Study - \$550,500

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Land	\$ 46,839,655	46,766,807	1,351,883	1,350,883	48,191,538	48,117,690
Buildings	15,372,807	15,716,426	1,025,693	1,087,015	16,398,500	16,803,441
Improvements other than buildings	3,254,272	3,131,655	51,987,243	52,585,422	55,241,515	55,717,077
Machinery and equipment	2,539,427	2,780,946	2,021,589	1,977,532	4,561,016	4,758,478
Licensed vehicles	3,372,143	3,415,515			3,372,143	3,415,515
Infrastructure	53,016,901	46,299,755			53,016,901	46,299,755
Construction in progress	3,879,099	9,377,344	2,345,584	1,452,511	6,224,683	10,829,855
Property under capital lease			8,454,677	8,799,033	8,454,677	8,799,033
Total capital assets	<u>\$ 128,274,304</u>	<u>127,488,448</u>	<u>67,186,669</u>	<u>67,252,396</u>	<u>195,460,973</u>	<u>194,740,844</u>

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

Debt Administration

At the end of the current fiscal year the City of Texarkana, Texas had total debt outstanding of \$83,878,685. Of this amount, \$70,657,677 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 2015, this amount was \$13,221,008.

OUTSTANDING DEBT AT YEAR END

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
General obligation bonds	\$ 25,298,564	27,290,448			25,298,564	27,290,448
Revenue bonds			3,727,670	4,132,463	3,727,670	4,132,463
Certificates of obligation	24,131,334	25,964,808			24,131,334	25,964,808
Capital leases	96,864	54,177	4,516,570	4,734,592	4,613,434	4,788,769
Accrued compensated absences	4,203,810	3,980,177	399,242	391,246	4,603,052	4,371,423
Net pension and other post employment obligations	16,927,105	3,124,859	4,577,526	1,003,007	21,504,631	4,127,866
Total	<u>\$ 70,657,677</u>	<u>60,414,469</u>	<u>13,221,008</u>	<u>10,261,308</u>	<u>83,878,685</u>	<u>70,675,777</u>

The City's total debt increased by \$13,202,908 (18.7%) during the current fiscal year. This increase is due to increases in net pension liabilities, resulting from the implementation of GASB Statement No. 68, and postemployment obligations offset by regularly scheduled debt service payments.

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

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

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's local property tax rate for this fiscal year was \$.669293 per \$100 assessed valuation of which \$.21068 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 74 – 79 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City as of the fiscal year end was 4.8, compared to 5.8 last year. This rate is slightly higher than the State rate (4.4), and lower than the National rate (4.9).

Sales tax collections are projected to comprise about forty eight percent (48.3%) of the City's proposed budget for the 2016 fiscal year. Collections are budgeted to increase two percent (2.19%) over the final budgeted revenue for 2015.

Total assessed value of property within the City for the 2016 budget year (based on the 2015 certified valuation) increased by \$34,038,363 (1.4%) from last year. Current tax revenues allocated to the Debt Service Fund next year will decrease slightly from the prior year to just under thirty percent (29.71%) of collections. The City Council has elected to maintain the property tax rate at .669293 per \$100 valuation for the 2016 fiscal year. Total property tax collections are expected to increase by approximately \$206,000 for 2016.

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

- Revenue Adjustments:
 - Decrease in Property Tax revenue allocated to the General Fund due to decline in property value \$28,956
 - Decrease in Property Tax revenue allocated to the TIRZ#1 Fund due to decline in property value \$41,923
 - Increase in Current City Tax revenue allocated to the Debt Service Fund to account for purchase of public safety radio equipment \$175,000
- Expenditure Adjustments:
 - Reduction of some General Fund expenditures by one, two, and three percent to balance the General Fund budget and allow for an adequate reserve to use for unforeseen expenditures

- Additional debt included in the Debt Service Fund for purchase of public safety radio equipment \$175,000

All of the above factors were considered in preparing the City's budget for the 2015-2016 fiscal year. The adopted 2016 budget is a balanced budget. The ending General Fund balance is projected to be approximately thirty-four percent (33.54%) of budgeted expenditures.

The Texas Revenue Fund of TWU is projected to end the 2015-2016 budget year with a balance of \$1,731,968 or approximately 10% of total budgeted expenditures.

Requests for Information

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

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Basic Financial Statements

CITY OF TEXARKANA, TEXAS

STATEMENT OF NET POSITION September 30, 2015

	<i>Primary Government</i>			<i>Component</i>
	<i>Governmental</i>	<i>Business-Type</i>	<i>Total</i>	<i>Unit</i>
	<i>Activities</i>	<i>Activities</i>		<i>Health</i>
ASSETS				
Cash	\$ 14,192,555	2,422,477	16,615,032	274,172
Investments:				
Certificates of deposit	4,432,152	500,000	4,932,152	
Corporate stocks	1,000		1,000	
Receivables (net of allowance for uncollectibles):				
Property taxes	1,792,574		1,792,574	
Other taxes	498,488		498,488	
Accounts	1,587,227	2,434,665	4,021,892	
Other government agencies	3,789,288	124,835	3,914,123	129,239
Accrued interest	1,439	69	1,508	
Loans	474,364		474,364	
Internal balances	(405,337)	405,337	-	
Inventory	16,900	516,958	533,858	
Prepaid items		21,548	21,548	
Net investment in direct financing lease		13,982	13,982	
Restricted assets:				
Cash		9,129,298	9,129,298	
Investments		2,275,000	2,275,000	
Accrued interest		742	742	
Accounts receivable		131,494	131,494	
Prepaid capital improvement deposits		1,075,901	1,075,901	
Net investment in direct financing lease		313,797	313,797	
Investments in joint venture	11,506,225		11,506,225	
Capital assets (net of accumulated depreciation):				
Land	46,839,655	1,351,883	48,191,538	
Buildings	15,372,807	1,025,693	16,398,500	311,494
Improvements other than buildings	3,254,272	51,987,243	55,241,515	
Infrastructure	53,016,901		53,016,901	
Machinery and equipment	2,539,427	2,021,589	4,561,016	
Licensed vehicles	3,372,143		3,372,143	
Property under capital leases		8,454,677	8,454,677	
Construction in progress	3,879,099	2,345,584	6,224,683	
TOTAL ASSETS	166,161,179	86,552,772	252,713,951	714,905
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	3,643,261	706,286	4,349,547	
Deferred charge on refunding	637,504	14,032	651,536	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,280,765	720,318	5,001,083	-

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

	<i>Primary Government</i>			<i>Component</i>
	<i>Governmental</i>	<i>Business-Type</i>	<i>Total</i>	<i>Unit</i>
	<i>Activities</i>	<i>Activities</i>		<i>Health</i>
LIABILITIES				
Accounts payable	2,451,728	1,015,044	3,466,772	25,874
Contracts payable	1,229,283	232,454	1,461,737	
Accrued liabilities	573,875	188,932	762,807	15,642
Due to other governments	254,701		254,701	
Unearned revenue	10,499		10,499	
Accrued interest payable from restricted assets		24,712	24,712	
Customer deposits		692,311	692,311	
Capital improvement deposits		2,551,169	2,551,169	
Noncurrent contracts payable		635,829	635,829	
Other liabilities and escrow deposits	12,929	59,631	72,560	
Long-term liabilities				
Due within one year:				
Bonds payable	2,345,000	415,000	2,760,000	
Certificates of obligation	1,125,000		1,125,000	
Obligations under capital leases	32,837	379,214	412,051	
Accrued compensated absences	274,016	50,901	324,917	
Due in more than one year:				
Net pension and other postemployment liabilities	16,927,105	4,577,526	21,504,631	
Bonds payable	22,953,564	3,312,670	26,266,234	
Certificates of obligation	23,006,334		23,006,334	
Obligations under capital leases	64,027	4,137,356	4,201,383	
Accrued compensated absences	3,929,794	348,341	4,278,135	
TOTAL LIABILITIES	75,190,692	18,621,090	93,811,782	41,516
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	887,740	500,025	1,387,765	
TOTAL DEFERRED INFLOWS OF RESOURCES	887,740	500,025	1,387,765	-
NET POSITION				
Net invested in capital assets	85,106,547	58,283,054	143,389,601	311,494
Restricted for:				
Court security and technology	351,487		351,487	
Law enforcement	231,231		231,231	
Health and welfare	506,775		506,775	
Tourism	154,068		154,068	
Construction		6,344,009	6,344,009	
Capital maintenance		3,066,328	3,066,328	
Debt service	227,684	773,204	1,000,888	
Capital improvements	2,806,713		2,806,713	
Unrestricted	4,979,007	(314,620)	4,664,387	361,895
TOTAL NET POSITION	\$ 94,363,512	68,151,975	162,515,487	673,389

CITY OF TEXARKANA, TEXAS

STATEMENT OF ACTIVITIES For the Year Ended September 30, 2015

Functions/Programs	<i>Expenses</i>	<i>Charges for Services</i>	<i>Program Revenues</i>	
			<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
Primary government				
Governmental activities:				
General government	\$ 7,416,500	812,556	623,860	
Public safety	16,272,709	2,192,611	309,551	
Public works	7,464,975	564,645		
Parks and recreation	3,408,188	243,524	60,586	
Health and welfare	1,436,864	212,635	520,555	
Interest on long-term debt	2,043,793			
Total governmental activities	<u>38,043,029</u>	<u>4,025,971</u>	<u>1,514,552</u>	<u>-</u>
Business-type activities:				
Water and sewer	15,736,026	15,448,372		118,869
Total business-type activities	<u>15,736,026</u>	<u>15,448,372</u>	<u>-</u>	<u>118,869</u>
Total primary government	<u>53,779,055</u>	<u>19,474,343</u>	<u>1,514,552</u>	<u>118,869</u>
Component unit				
Component unit - Health	1,068,005	236,437	809,473	
Total component unit	<u>\$ 1,068,005</u>	<u>236,437</u>	<u>809,473</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,
as previously reported
Prior period adjustment
Net position, beginning of year,
as restated

Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position

<i>Primary Government</i>			<i>Component Unit</i>
<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Health</i>
(5,980,084)		(5,980,084)	
(13,770,547)		(13,770,547)	
(6,900,330)		(6,900,330)	
(3,104,078)		(3,104,078)	
(703,674)		(703,674)	
(2,043,793)		(2,043,793)	
<u>(32,502,506)</u>	<u>-</u>	<u>(32,502,506)</u>	<u>-</u>
	(168,785)	(168,785)	
<u>-</u>	<u>(168,785)</u>	<u>(168,785)</u>	<u>-</u>
<u>(32,502,506)</u>	<u>(168,785)</u>	<u>(32,671,291)</u>	<u>-</u>
			<u>(22,095)</u>
			<u>(22,095)</u>
16,304,576		16,304,576	
15,164,177		15,164,177	
1,970,362		1,970,362	
1,273,131		1,273,131	
107,914		107,914	
89,385	60,910	150,295	767
180,820	1,140,886	1,321,706	5,200
18,900	(18,900)	-	
<u>35,109,265</u>	<u>1,182,896</u>	<u>36,292,161</u>	<u>5,967</u>
<u>2,606,759</u>	<u>1,014,111</u>	<u>3,620,870</u>	<u>(16,128)</u>
102,548,682	70,501,426	173,050,108	689,517
<u>(10,791,929)</u>	<u>(3,363,562)</u>	<u>(14,155,491)</u>	
<u>91,756,753</u>	<u>67,137,864</u>	<u>158,894,617</u>	<u>689,517</u>
<u>\$ 94,363,512</u>	<u>68,151,975</u>	<u>162,515,487</u>	<u>673,389</u>

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CITY OF TEXARKANA, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 5,946,225		5,698,873	11,645,098
Investments:				
Certificates of deposit	3,525,613		906,539	4,432,152
Corporate stocks	1,000			1,000
Receivables (net of allowance for uncollectible):				
Property taxes	48,202	21,191	888,116	957,509
Other taxes	249,870		248,618	498,488
Accounts	367,853		43,224	411,077
Other government agencies	3,602,788		143,566	3,746,354
Accrued interest	1,200		239	1,439
Loans			474,364	474,364
Due from other funds	314,037	15,364	137,566	466,967
Investment in joint venture	88,297			88,297
TOTAL ASSETS	<u>14,145,085</u>	<u>36,555</u>	<u>8,541,105</u>	<u>22,722,745</u>
LIABILITIES				
Accounts payable	1,260,181		109,917	1,370,098
Contracts payable	48,674		1,180,609	1,229,283
Accrued payroll	564,937			564,937
Due to other governments	254,701			254,701
Due to other funds	209	210,523	256,235	466,967
Unearned revenue			10,499	10,499
Other liabilities and escrow deposits	12,929			12,929
TOTAL LIABILITIES	<u>2,141,631</u>	<u>210,523</u>	<u>1,557,260</u>	<u>3,909,414</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - charges for services	331,128			331,128
Unavailable revenue - property taxes			886,183	886,183
Unavailable revenue - other taxes	70,459		66,279	136,738
Unavailable revenue - grants	59,193		388	59,581
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>460,780</u>	<u>-</u>	<u>952,850</u>	<u>1,413,630</u>
FUND BALANCES (DEFICIT)				
Nonspendable for:				
Noncurrent loans			411,561	411,561
Investment in joint venture	88,297			88,297
Restricted	675,143		3,374,742	4,049,885
Committed			1,267,865	1,267,865
Assigned	268,073		1,102,850	1,370,923
Unassigned (deficit)				
General fund	10,511,161			10,511,161
Special revenue funds			(94,755)	(94,755)
Capital projects funds			(31,268)	(31,268)
Debt service fund		(173,968)		(173,968)
TOTAL FUND BALANCES	<u>11,542,674</u>	<u>(173,968)</u>	<u>6,030,995</u>	<u>17,399,701</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 14,145,085</u>	<u>36,555</u>	<u>8,541,105</u>	<u>22,722,745</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, 2015

Total governmental funds balances	\$ 17,399,701
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.	128,126,722
Receivables reported in the statement of net position that are not available to provide current financial resources are not reported as receivables in the funds.	1,471,653
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,413,630
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.	1,798,530
Long-term liabilities, including bonds payable, are not due and payable in the current periods and therefore are not reported in the funds.	(67,264,651)
Equity interest in joint ventures are not current financial resources and therefore may not be reported in the funds.	<u>11,417,927</u>
Net position of governmental activities	<u>\$ 94,363,512</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, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 10,610,688	4,754,756	521,028	15,886,472
Other taxes	15,272,090		1,240,239	16,512,329
Franchise receipts	1,513,559		378,140	1,891,699
Fees and permits	726,386			726,386
Charges for services	315,187		61,915	377,102
Municipal court	2,023,923			2,023,923
Grants and entitlements	106,727		262,387	369,114
Interest and dividends	42,768	2,265	37,752	82,785
Intergovernmental	741,706		264,526	1,006,232
Other	253,566		104,336	357,902
Total revenues	<u>31,606,600</u>	<u>4,757,021</u>	<u>2,870,323</u>	<u>39,233,944</u>
EXPENDITURES				
Current:				
General government	6,301,042		199,367	6,500,409
Public safety	14,798,681		101,519	14,900,200
Public works	4,674,794			4,674,794
Parks and recreation	1,625,995		803,453	2,429,448
Health and welfare	668,144		405,480	1,073,624
Capital outlay	1,161,581		3,991,071	5,152,652
Debt service:				
Principal retirement	44,164	3,595,000		3,639,164
Interest and fiscal charges	3,621	1,935,593		1,939,214
Total expenditures	<u>29,278,022</u>	<u>5,530,593</u>	<u>5,500,890</u>	<u>40,309,505</u>
Excess (deficiency) of revenues over expenditures	<u>2,328,578</u>	<u>(773,572)</u>	<u>(2,630,567)</u>	<u>(1,075,561)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	34,261	746,258	309,341	1,089,860
Transfers out	(1,158,441)		(1,028,242)	(2,186,683)
Capital leases	86,851			86,851
Total other financing sources (uses)	<u>(1,037,329)</u>	<u>746,258</u>	<u>(718,901)</u>	<u>(1,009,972)</u>
Net change in fund balances	1,291,249	(27,314)	(3,349,468)	(2,085,533)
Fund balances at beginning of year	<u>10,251,425</u>	<u>(146,654)</u>	<u>9,380,463</u>	<u>19,485,234</u>
Fund balances at end of year	<u>\$ 11,542,674</u>	<u>(173,968)</u>	<u>6,030,995</u>	<u>17,399,701</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, 2015

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

Net change in fund balances - total governmental funds	\$ (2,085,533)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	835,080
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.	(30,459)
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.	135,319
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.	866,962
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.	3,447,734
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.	(223,633)
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.	(254,797)
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.	263,587
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>(347,501)</u>
Change in net position of governmental activities	<u>\$ 2,606,759</u>

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

CITY OF TEXARKANA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended September 30, 2015

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Property taxes	\$ 10,616,498	10,644,004	10,610,688	(33,316)
Other taxes	15,039,812	15,157,500	15,272,090	114,590
Franchise receipts	1,750,623	1,570,105	1,513,559	(56,546)
Fees and permits	212,374	653,112	726,386	73,274
Charges for services	951,110	825,200	315,187	(510,013)
Municipal court	1,608,676	2,104,300	2,023,923	(80,377)
Grants and entitlements	181,699	95,909	106,727	10,818
Investment earnings	33,927	36,565	42,768	6,203
Intergovernmental	861,988	756,745	741,706	(15,039)
Other	609,740	625,824	253,566	(372,258)
Total revenues	<u>31,866,447</u>	<u>32,469,264</u>	<u>31,606,600</u>	<u>(862,664)</u>
EXPENDITURES				
Current:				
General government	6,518,572	6,107,279	6,301,042	(193,763)
Public safety	15,173,831	14,962,679	14,798,681	163,998
Public works	5,053,318	4,847,527	4,674,794	172,733
Parks and recreation	1,638,891	1,558,780	1,625,995	(67,215)
Health and welfare	1,067,600	1,098,648	668,144	430,504
Capital outlay	1,842,501	1,073,457	1,161,581	(88,124)
Debt service:				-
Principal	71,288	61,050	44,164	16,886
Interest	-	3,000	3,621	(621)
Total expenditures	<u>31,366,001</u>	<u>29,712,420</u>	<u>29,278,022</u>	<u>434,398</u>
Excess (deficiency) of revenue over expenditures	<u>500,446</u>	<u>2,756,844</u>	<u>2,328,578</u>	<u>(428,266)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	268,761	262,761	34,261	(228,500)
Transfers out	(1,122,577)	(1,202,827)	(1,158,441)	44,386
Capital leases			86,851	86,851
Total other financing sources (uses)	<u>(853,816)</u>	<u>(940,066)</u>	<u>(1,037,329)</u>	<u>(97,263)</u>
Net change in fund balance	(353,370)	1,816,778	1,291,249	(525,529)
Fund balances at beginning of year	<u>10,251,425</u>	<u>10,251,425</u>	<u>10,251,425</u>	<u>-</u>
Fund balance at end of year	<u>\$ 9,898,055</u>	<u>12,068,203</u>	<u>11,542,674</u>	<u>(525,529)</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, 2015

	<u>Business Type Activities - Enterprise Funds</u>			<i>Governmental Activities - Internal Service Funds</i>
	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	
ASSETS				
Current assets:				
Cash	\$ 2,274,630	147,847	2,422,477	2,547,457
Investments	500,000		500,000	
Receivables (net of allowance for uncollectible):				
Accounts	2,251,381	183,284	2,434,665	539,562
Accrued interest	69		69	
Other government agencies	124,835		124,835	42,934
Due from other funds	130,400	119,065	249,465	
Inventory	516,958		516,958	16,900
Prepaid expenses	21,548		21,548	
Net investment in direct financing lease	13,982		13,982	
Total current assets	<u>5,833,803</u>	<u>450,196</u>	<u>6,283,999</u>	<u>3,146,853</u>
Noncurrent assets:				
Restricted assets:				
Cash	8,162,611	966,687	9,129,298	
Investments	2,275,000		2,275,000	
Accrued interest	742		742	
Accounts receivable		131,494	131,494	
Total restricted assets	<u>10,438,353</u>	<u>1,098,181</u>	<u>11,536,534</u>	<u>-</u>
Other noncurrent assets:				
Prepaid capital improvement deposits	1,075,901		1,075,901	
Net investment in direct financing lease	313,797		313,797	
Total other noncurrent assets	<u>1,389,698</u>	<u>-</u>	<u>1,389,698</u>	<u>-</u>
Capital assets (net of accumulated depreciation):				
Land	1,351,883		1,351,883	
Buildings	1,025,693		1,025,693	78,497
Improvements other than buildings	51,987,243		51,987,243	17,482
Machinery and equipment	2,021,589		2,021,589	22,514
Property under capital leases	8,454,677		8,454,677	
Licensed vehicles			-	29,088
Construction in progress	2,345,584		2,345,584	
Total capital assets	<u>67,186,669</u>	<u>-</u>	<u>67,186,669</u>	<u>147,581</u>
Total noncurrent assets	<u>79,014,720</u>	<u>1,098,181</u>	<u>80,112,901</u>	<u>147,581</u>
TOTAL ASSETS	<u>84,848,523</u>	<u>1,548,377</u>	<u>86,396,900</u>	<u>3,294,434</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	706,286		706,286	
Deferred charge on refunding	14,032		14,032	
TOTAL DEFERRED OUTFLOWS ON RESOURCES	<u>720,318</u>	<u>-</u>	<u>720,318</u>	<u>-</u>

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

Business Type Activities - Enterprise Funds

	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	<i>Governmental Activities - Internal Service Funds</i>
LIABILITIES				
Current liabilities:				
Accounts payable	944,404	70,640	1,015,044	1,081,630
Construction contracts payable	232,454		232,454	
Accrued liabilities	184,801	4,131	188,932	8,938
Accrued interest	24,712		24,712	
Due to other funds	119,065	130,400	249,465	
Other payables	59,631		59,631	
Accrued compensated absences - current	50,901		50,901	
Revenue bonds - current	415,000		415,000	
Obligations under capital leases - current	379,214		379,214	
Total current liabilities	<u>2,410,182</u>	<u>205,171</u>	<u>2,615,353</u>	<u>1,090,568</u>
Noncurrent liabilities:				
Customer deposits	692,311		692,311	
Capital improvement deposits	1,207,963	1,343,206	2,551,169	
Contracts payable	635,829		635,829	
Accrued compensated absences	348,341		348,341	
Net pension and other postemployment liabilities	4,577,526		4,577,526	
Revenue bonds	3,312,670		3,312,670	
Obligations under capital leases	4,137,356		4,137,356	
Total noncurrent liabilities	<u>14,911,996</u>	<u>1,343,206</u>	<u>16,255,202</u>	<u>-</u>
TOTAL LIABILITIES	<u>17,322,178</u>	<u>1,548,377</u>	<u>18,870,555</u>	<u>1,090,568</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	500,025		500,025	
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>500,025</u>	<u>-</u>	<u>500,025</u>	<u>-</u>
NET POSITION (DEFICIT)				
Net invested in capital assets	58,283,054		58,283,054	147,581
Restricted for construction	6,344,009		6,344,009	
Restricted for capital maintenance	3,066,328		3,066,328	
Restricted for debt service	773,204		773,204	
Unrestricted	(719,957)		(719,957)	2,056,285
TOTAL NET POSITION	<u>\$ 67,746,638</u>	<u>-</u>	<u>67,746,638</u>	<u>2,203,866</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>405,337</u>
Net position of business-type activities	<u>\$ 68,151,975</u>

CITY OF TEXARKANA, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS For the Year Ended September 30, 2015

	<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>	
OPERATING REVENUES				
Water sales	\$ 5,508,457	935,215	6,443,672	
Wholesale water sales	1,787,023		1,787,023	
Water connection fees	3,215		3,215	
Sewer charges	6,648,899		6,648,899	
Penalties and service charges	565,563		565,563	
Insurance contributions			-	5,926,590
Fleet services			-	179,027
Other income	1,140,886		1,140,886	
Total operating revenues	<u>15,654,043</u>	<u>935,215</u>	<u>16,589,258</u>	<u>6,105,617</u>
OPERATING EXPENSES				
Administrative	227,013		227,013	
Finance	927,482		927,482	
Customer service	489,796		489,796	
Water production	2,707,672		2,707,672	
Water distribution	772,223		772,223	
Sewer collection	704,405		704,405	
Wastewater treatment	2,596,444		2,596,444	
Environmental service	171,741		171,741	
Engineering design	369,167		369,167	
Geographical information systems	273,137		273,137	
Composting	149,572		149,572	
Operations administration	145,689		145,689	
Service center	224,639		224,639	
Safety	55,047		55,047	
Field service	318,856		318,856	
Construction oversight	765,466		765,466	
Benefit payments			-	5,604,540
Fleet services			-	1,236,157
Depreciation	3,240,457		3,240,457	18,766
Other expenses	362,979		362,979	
Contract water & sewer expense-International Paper		938,191	938,191	
Total operating expense	<u>14,501,785</u>	<u>938,191</u>	<u>15,439,976</u>	<u>6,859,463</u>
Operating income (loss)	<u>1,152,258</u>	<u>(2,976)</u>	<u>1,149,282</u>	<u>(753,846)</u>

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

	Business Type Activities - Enterprise Funds			<i>Governmental</i>
	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	<i>Activities - Internal Service Funds</i>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue - investments	53,152	606	53,758	6,598
Interest revenue - capital leases	7,152		7,152	
Interest expense and paying agent fees	(164,788)		(164,788)	
Interest expense - capital leases	(258,742)		(258,742)	
Gain (loss) on disposal of capital assets	22,591		22,591	
Total nonoperating revenues (expenses)	<u>(340,635)</u>	<u>606</u>	<u>(340,029)</u>	<u>6,598</u>
Income before contributions and transfers	811,623	(2,370)	809,253	(747,248)
Capital contributions	116,499	2,370	118,869	
Transfers in			-	1,117,500
Transfers out	<u>(18,900)</u>		<u>(18,900)</u>	<u>(1,777)</u>
Change in net position	<u>909,222</u>	<u>-</u>	<u>909,222</u>	<u>368,475</u>
Total net position, beginning of year, as previously reported	70,200,977	-		1,835,391
Prior period adjustment	<u>(3,363,561)</u>			
Total net position, beginning of year, as restated	<u>66,837,416</u>	<u>-</u>		<u>1,835,391</u>
Total net position, end of year	<u>67,746,638</u>	<u>-</u>		<u>2,203,866</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>104,889</u>	
Change in net position of business-type activities			<u>\$ 1,014,111</u>	

CITY OF TEXARKANA, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended September 30, 2015

	<u>Business Type Activities - Enterprise Funds</u>			<i>Governmental Activities - Internal Service Funds</i>
	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	
Cash flows from operating activities:				
Cash received from customers	\$15,477,475	1,224,217	16,701,692	1,133,219
Cash received from interfund services provided and used			-	5,542,987
Cash paid to suppliers	(7,046,820)	(1,006,242)	(8,053,062)	(6,205,747)
Cash paid to employees	(4,134,854)	(103,537)	(4,238,391)	(246,656)
Net cash provided (used) from operating activities	<u>4,295,801</u>	<u>114,438</u>	<u>4,410,239</u>	<u>223,803</u>
Cash flows from non-capital financing activities:				
Transfers to other funds	(18,900)		(18,900)	(1,777)
Net cash used from non-capital financing activities	<u>(18,900)</u>	<u>-</u>	<u>(18,900)</u>	<u>(1,777)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(3,159,761)	(641,227)	(3,800,988)	
Principal paid on bonds	(405,000)		(405,000)	
Interest paid on bonds	(159,854)		(159,854)	
Principal paid on capital leases	(315,867)		(315,867)	
Interest paid on capital leases	(210,508)		(210,508)	
Principal received on direct financing leases	13,521		13,521	
Interest received on direct financing leases	7,152		7,152	
Capital improvement deposits paid	(380,971)		(380,971)	
Capital improvement deposits received	723,447	634,322	1,357,769	
Interest received on capital improvement deposits	55,156	3,309	58,465	
Net cash provided (used) from capital and related financing activities	<u>(3,832,685)</u>	<u>(3,596)</u>	<u>(3,836,281)</u>	<u>-</u>
Cash flows from investing activities:				
Purchase of investments	(500,000)		(500,000)	
Interest received on investments	38,625	606	39,231	6,598
Net cash provided (used) from investing activities	<u>(461,375)</u>	<u>606</u>	<u>(460,769)</u>	<u>6,598</u>
Net increase (decrease) in cash	(17,159)	111,448	94,289	228,624
Cash, beginning of year	<u>10,454,400</u>	<u>1,003,086</u>	<u>11,457,486</u>	<u>2,318,833</u>
Cash, end of year	<u>\$10,437,241</u>	<u>1,114,534</u>	<u>11,551,775</u>	<u>2,547,457</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, 2015

	<u>Business Type Activities - Enterprise Funds</u>			<i>Governmental Activities - Internal Service Funds</i>
	<i>Texarkana, Texas Water Utilities</i>	<i>Other Proprietary Funds</i>	<i>Total</i>	
<u>Reconciliation of operating income (loss) to net cash provided by operating activities</u>				
Operating income (loss)	<u>\$ 1,152,258</u>	<u>(2,976)</u>	<u>1,149,282</u>	<u>(753,846)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	3,240,457		3,240,457	18,766
Transfers from other funds				1,117,500
(Increase) decrease in assets:				
Accounts receivable	(240,256)	289,002	48,746	(513,202)
Allowance for doubtful accounts	2,618		2,618	
Due from other government agencies	21,363		21,363	(33,709)
Due from other funds	165,780		165,780	(1,346)
Inventory	11,989		11,989	(1,609)
Prepaid expenses	(698)		(698)	
(Increase) expense in deferred outflows	(706,286)		(706,286)	
Increase (decrease) in liabilities:				
Accounts payable	11,814	(23,953)	(12,139)	388,915
Accrued liabilities	19,334	1,243	20,577	2,110
Due to other funds	(64,523)	(148,878)	(213,401)	224
Due to other governments				
Accrued compensated absences	7,996		7,996	
Customer deposits	19,111		19,111	
Net pension and other postemployment liabilities	210,958		210,958	
Other payables	(56,139)		(56,139)	
Increase (decrease) in deferred inflows	500,025		500,025	
Total adjustments	<u>3,143,543</u>	<u>117,414</u>	<u>3,260,957</u>	<u>977,649</u>
Net cash provided from operating activities	<u>\$ 4,295,801</u>	<u>114,438</u>	<u>4,410,239</u>	<u>223,803</u>
Noncash investing, capital, and financing activities:				
Additions to capital assets and direct financing lease	\$ 49,610			

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, 2015

	<i>Firemen's Relief Pension Trust Fund 12/31/2014</i>	<i>Agency Funds</i>
ASSETS		
Cash and cash equivalents	\$ 728,930	95,228
Receivables		
Employer contributions	30,990	
Member contributions	21,455	
Interest and dividends	54,762	
Investments, at current value		
Common trust funds	22,132,786	
U.S. Treasury and Agency securities	4,363,069	
Nongovernment obligations	582,732	
Foreign obligations	1,065,453	
Small cap growth funds	2,001,807	
Common stocks	2,291,533	
TOTAL ASSETS	<u>33,273,517</u>	<u>95,228</u>
LIABILITIES		
Accrued liabilities	29,040	95,228
TOTAL LIABILITIES	<u>29,040</u>	<u>95,228</u>
NET POSITION		
Net position - restricted for pension benefits	33,244,477	
TOTAL NET POSITION	<u>\$ 33,244,477</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, 2014

	<i>Firemen's Relief Pension Trust Fund 12/31/2014</i>
ADDITIONS	
Contributions:	
Employer	\$ 790,379
Employee	547,186
Total contributions	<u>1,337,565</u>
Investment income:	
Interest and dividend income	870,274
Net appreciation in fair value of investments	1,063,670
Total investment earnings	<u>1,933,944</u>
Less investment expense	<u>(275,392)</u>
Net investment earnings	<u>1,658,552</u>
TOTAL ADDITIONS	<u>2,996,117</u>
DEDUCTIONS	
Distributions	
Benefits paid to participants	1,824,855
Refunds and drop payments	78,977
Administrative expenses	42,978
TOTAL DEDUCTIONS	<u>1,946,810</u>
Change in net position	1,049,307
Net position at beginning of year	<u>32,195,170</u>
Net position at end of year	<u><u>\$ 33,244,477</u></u>

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

CITY OF TEXARKANA, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

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, 2014.

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 \$79,300 towards the Health Center's operations during the year ended September 30, 2015. The Health Center does not have separately issued financial statements.

B. RELATED ORGANIZATIONS

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

The City Council or specific committees of the City Council appoint members of the following organizations: Board of Adjustment, Ark-Tex Council of Governments, Building Code Revision Committee, Building and Standards Commission, Civil Service Commission, CDBG Citizens Advisory Committee, Electrical Examining Board, Health Facilities Development Corporation, Historic Landmark Preservation Commission, Hospital Authority Board of Directors, Texarkana Housing Authority, Housing Finance Corporation, Industrial Development Corporation, Intergovernmental Advisory Committee, Library Commission, Northeast Texas Mental Health/Mental Retardation (MHMR) Board of Trustees, Permit and License Appeal Board, Planning and Zoning Commission, Plumbing Appeals and Advisory Board, Public Responsibility Committee (MHMR), and Tax Increment Reinvestment Zone Boards. Positions on these boards are appointed in certain instances in entirety, partially, or with City Board members.

C. JOINT VENTURES

Texarkana Airport Authority

The City is a participant with Texarkana, Arkansas in a joint venture to operate Texarkana Regional Airport. The Texarkana Airport Authority was created in 1956 by ordinance enacted by the two cities. The governing body of Texarkana Airport Authority consists of eight members, four of whom are residents of Texarkana, Texas and four of whom are residents of Texarkana, Arkansas. These board members are appointed by the mayors of the respective Cities. The Airport Authority Board has governance responsibilities over all activities relating to operating and maintaining the Texarkana Regional Airport. The Board receives funding from airport operations and from various local, state, and federal agencies and must comply with any requirements of these funding sources.

In previous years, the cities have made contributions of assets to the Airport Authority of \$1,250,933 by Texarkana, Texas and \$1,351,995 by Texarkana, Arkansas. During the Airport Authority's fiscal year ended December 31, 2014, the City of Texarkana, Texas contributed \$156,264 and the City of Texarkana, Arkansas contributed \$115,166. The City of Texarkana, Texas' net investment in the Airport Authority is reported in the City's financial statements with governmental activities capital assets. The City's equity interest in the Airport Authority was \$9,817,529 at December 31, 2014. Complete financial statements for the Authority can be obtained from the Texarkana Airport Authority's administrative office.

Bi-State Justice Center

The City is also a participant in a joint venture in the Bi-State Justice Center with the City of Texarkana, Arkansas and Bowie County, Texas. The Bi-State Justice Center is jointly occupied by law enforcement and criminal justice agencies of the City of Texarkana, Texas; the City of Texarkana, Arkansas; and Bowie County, Texas. The facility is located on the state line, half in Texarkana, Texas and half in Texarkana, Arkansas. The Intergovernmental Advisory Committee is responsible for the operations of the Center. This seven member committee is comprised of two members from the City of Texarkana, Texas City Council, two members from the Texarkana, Arkansas Board of Directors, the Bowie County Judge, one Bowie County Commissioner, and one independent member. The Center accounts only for the operations of its own law enforcement and criminal justice agencies. The annual budget is underwritten by the participating entities based on a formula which uses floor space occupied, number of records processed by the Building Information Center and the number of prisoners in the detention facility for each entity. Each

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

year's revenues and expenditures are equal; therefore, there is never a net income or loss and no fund balance.

The City of Texarkana, Texas' net investment, which consists of capital outlay in the Bi-State Justice Center, is reported in the City's financial statements with governmental activities capital assets. The City's equity interest at September 30, 2015 was \$257,909 based on the Bi-State Justice Center's audited financial statements at December 31, 2014 (the latest available). As described in Note 18, the City has outstanding debt totaling \$1,455,000 at September 30, 2015, 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, 2015 was \$88,297 based on the Appraisal District's audited financial statements at December 31, 2014 (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, 2015 was \$0 based on the Texarkana Urban Transportation Study

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Policy Committee's audited financial records at September 30, 2015. The TUTS does not have separately issued financial statements for the year ended September 30, 2015.

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, 2015 was \$1,342,490 based on the Texarkana Urban Transit District's audited financial statements at September 30, 2014 (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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

governments, on a cost-reimbursement basis. The City has two internal service funds. The Employee Benefit fund is used to account for employee medical benefits and life insurance premiums for covered City employees. The Fleet Services fund is used to account for the repair and maintenance of all vehicles and equipment owned by the City except for the Water Utilities.

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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.

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 92 percent of outstanding property taxes as of September 30, 2015.

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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, 2015 was levied using a rate of \$.669293 per hundred dollars of assessed valuation, based on 100% of estimated market value, which means that the City has a tax margin of \$1.830707 per \$100 and could raise taxes up to an additional \$43,721,809 a year from the present assessed valuation of \$2,388,247,246 before the limit is reached.

3. Inventories and prepaid items

Inventories of the governmental funds are valued at cost using the average cost method. Inventory in the general fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed.

Inventories of the enterprise funds are valued at average cost or market whichever is lower. The first-in, first-out method of valuation is utilized. Inventories consist of repair materials and spare parts for water and wastewater treatment and distribution.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Each of the enterprise funds report such proceeds of revenue bond issuances that are restricted for use in construction, debt service, and capital maintenance. Restricted assets also include interest accrued on unexpended bond proceeds.

5. Capital assets

Capital assets which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns of the government-wide financial statements.

Governmental activities and health component unit:

Capital assets are defined by governmental activities and the health component unit as assets with a normal service life greater than one year and an initial individual cost of more than the following amounts:

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Land	\$ -
Buildings	5,000
Improvements other than buildings	5,000
Infrastructure	5,000
Machinery and equipment	5,000
Licensed vehicles	5,000

Such assets are stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. Major infrastructure includes those items acquired after June 30, 1980. An infrastructure asset is considered "major" if the cost or estimated cost of a network of infrastructure assets is expected to be at least 10 percent of the total cost of all general capital assets reported in the first fiscal year ending after June 15, 1999. An infrastructure asset is also considered "major" if the cost or estimated cost of a subsystem of infrastructure assets is expected to be at least 5 percent of the total cost of all general capital assets reported in the first fiscal year ending after June 15, 1999.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government as well as the component unit is depreciated using the straight line method over the following estimated useful lives:

Land improvements	20 years
Furniture and fixtures	20 years
Licensed vehicles	8 years
Machinery and equipment	5 to 20 years
Communication equipment	10 years
Building	25 to 50 years
Infrastructure	10 to 60 years

Business-type activities:

Capital assets are defined by business type activities as assets with an initial, individual cost of more than the following amounts and an estimated life in excess of one year.

Furniture and fixtures	\$ 100
Licensed vehicles	1,000
Mobile equipment	1,000
Machinery and equipment	500
Communication equipment	500
Pumps and purification equipment	1,000
Building and facilities	1,000
New improvements	1,000

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest during construction is capitalized to the extent that interest costs exceed interest income on externally restricted bond proceeds. Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

Licensed vehicles	5 years
Mobile equipment	5 years
Machinery and equipment	5 to 10 years
Communication equipment	5 years
Pumps and purification equipment	10 years
Buildings	10 to 50 years
Water and sewer systems	12 to 99 years

Leases are accounted for in accordance with FASB Accounting Standards Codification (ASC) 840. Amortization of the leased assets is recorded in the depreciation accounts.

6. Compensated Absences

The City allows employees to accumulate earned but unused vacation and sick pay benefits. The City's full-time employees are granted 120 hours of vacation and 120 hours of sick leave per year of continuous service. A maximum of 160 hours of accrued vacation leave can be vested and carried forward to succeeding calendar years, with the exception of firemen who can accrue 224 hours. All accrued sick leave credited to an employee can be carried forward to succeeding calendar years without limitation. A maximum of 120 hours accrued vacation is payable to an employee upon termination for any reason. Upon separation from service with the City, whether voluntarily or otherwise, anytime after three years of continuous service, all regular full-time and regular part-time employees can receive pay for any unused sick leave accumulated as summarized in the table below.

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Non-civil service, Bi-City, and such other Bi-City employees governed by the City of Texarkana, Texas personnel policy, who are hired on or after October 1, 1987, upon termination of employment, forfeit any unused sick leave. Such employees may, upon vested termination, convert unused sick leave to health and/or dental insurance coverage, subject to limitations set for employees appointed on or after April 26, 1977.

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of Governmental Accounting Standards Board Statement No.16, "Accounting for Compensated Absences," no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

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

7. Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. 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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Committed fund balance - includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance - includes amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the chief financial officer to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignment generally only exist temporarily, in other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Assigned amounts also include all residual amounts in governmental funds (except negative amounts that are not classified as non-spendable, restricted, or committed).

Unassigned fund balance - this residual classification is used for all negative fund balances.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple funds balance classifications fund balance is depleted in the order of restricted, committed, assigned and unassigned.

9. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Encumbrances

Encumbrance accounting is employed in the governmental fund types in the fund financial statements. Purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation. Any purchase orders open at the end of the fiscal year are closed out and new purchase orders are issued in the subsequent fiscal year, if needed.

11. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred pension outflows and the deferred charge on refunding reported in the statement of net position. The deferred pension outflows are the deferred outflows of contributions for the amount of contributions made by the City after the liability measurement date but

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

prior to the City year end and the deferred outflows - investment experience for the difference in the projected and actual earnings on pension plan investments. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. Accordingly, the item, deferred pension inflows consists of the difference in expected and actual experience and the difference in the assumption changes.

12. Pensions

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

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains the “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds”. The details of this (\$67,264,651) difference are as follows:

General obligation bonds payable	\$ (23,450,000)
Less: Deferred charges on refunding (to be amortized as interest expense)	637,504
Add: Issuance premiums (to be amortized over life of debt)	(1,848,564)
Certificates of obligation	(23,885,000)
Add: Issuance premiums (to be amortized over life of debt)	(246,334)
Capital leases	(96,864)
Compensated absences	(4,203,810)
Net pension and other postemployment liabilities	(16,927,104)
Less: Deferred pension outflows	3,643,261
Add: Deferred pension inflows (to be amortized over 5 years)	<u>(887,740)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (67,264,651)</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 \$835,080 difference are as follows:

Capital outlay	\$ 5,152,647
Amounts in capital outlay below the capitalization threshold	450,838
Depreciation expense	<u>(4,768,405)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 835,080</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 \$3,447,734 difference are as follows:

Issuance of debt:	
Capital leases	\$ (86,851)
Principal repayments:	
General obligation bonds	1,780,000
Certificates of obligation	1,815,000
Capital leases	44,164
Amortization of bond premiums and discounts	<u>(104,579)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 3,447,734</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 COC Homeless Assistance Grant Fund exceeded appropriations by \$114,913.

1. RESTRICTED BY ENABLING LEGISLATION

The government-wide Statement of Net Position reports restricted net position, of which \$154,068 is restricted by enabling legislation. This amount consists of unspent hotel/motel taxes.

2. DEFICIT FUND EQUITY

The Debt Service Fund had a deficit fund balance of \$173,968. The Brownfield Grant Fund had a deficit fund balance of \$74,118. The Supportive Housing Fund had a deficit fund balance of \$16,253. The EPA Petroleum Grant fund had a deficit balance of \$617. The EPA Revolving Loan Fund had a deficit balance of \$3,767. The 2009 Bond Fund had a deficit fund balance of \$31,268.

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.

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 1,442,876
Theatre Fund	3,545
Economic Development Fund	20,000
Brownfield Grant Fund	645
COC Grant Fund	91,594
EPA Petroleum Grant Fund	33,020
2009 Bond	142,164
Total primary government	1,733,844
Component unit - Health	17,275
Total	<u>\$ 1,751,119</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

Interest Rate Risk

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

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

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

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Fire Pension Fund:					
U.S. Treasury & Agency securities	\$ 4,363,069	-	2,247,042	281,363	1,834,664
Nongovernment obligations	582,732	-	-	307,613	275,119
Foreign obligations	1,065,453	292,337	625,142	147,974	
	<u>\$ 6,011,254</u>	<u>292,337</u>	<u>2,872,184</u>	<u>736,950</u>	<u>2,109,783</u>

Custodial Credit Risk

For a deposit, custodial credit risk is the risk that, in the event of a failure of a depository institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Of the primary government's \$19,745,715 in categorizable bank deposits, none were uninsured and uncollateralized. The component unit, the Health center, has \$323,224 in bank deposits, of which none were uninsured and uncollateralized at September 30, 2015. Of the enterprise fund's \$14,614,267, none were uninsured and uncollateralized at September 30, 2015.

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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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	Wells Fargo Bank	\$ 6,259,430	18.22%
Cash	Southside Bank	2,407,967	7.01%
Cash and certificates of deposit	Guaranty Bank	18,838,204	54.82%
Cash and certificates of deposit	Commercial National Bank	2,958,394	8.61%
Certificates of deposit	Farmers Bank and Trust	3,783,162	11.01%

Foreign Currency Risk

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

At December 31, 2014, the City's Firemen's Relief and Pension fund had fixed income securities of \$1,065,453 invested in foreign obligations with Seacrest Investment Management, LLC. The Seacrest investments are comprised of the following investments at December 31, 2014:

	<u>Fair Value</u>
Asia	\$ 48,105
Austria	43,162
Canada	175,589
Europe	164,768
Germany	97,345
Indonesia	30,593
Latin America	50,520
Mexico	49,786

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	Fair Value
Netherlands	34,406
Phillipines	53,235
Sweden	50,028
Turkey	81,500
Venezuela	62,868
Supranational	123,550
Total	<u>\$ 1,065,455</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	\$ 640,161	281,432		911,854	1,833,447
Other taxes	249,870			248,618	498,488
Accounts	1,591,864		2,341,726	766,070	4,699,660
Intergovernmental	3,602,788		124,835	186,500	3,914,123
Interest	1,200		69	239	1,508
Loans				1,453,173	1,453,173
Gross receivables	<u>6,085,883</u>	<u>281,432</u>	<u>2,466,630</u>	<u>3,566,454</u>	<u>12,400,399</u>
Less: allowance for uncollectibles	1,815,970	260,241	90,345	1,002,547	3,169,103
Net total receivables	<u>\$ 4,269,913</u>	<u>21,191</u>	<u>2,376,285</u>	<u>2,563,907</u>	<u>9,231,296</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 was as follows:

	<u>Balance October 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance September 30, 2015</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 46,766,807			72,848	46,839,655
Construction in progress	9,377,344	4,637,532		(10,135,777)	3,879,099
Total capital assets, not being depreciated	<u>56,144,151</u>	<u>4,637,532</u>	<u>-</u>	<u>(10,062,929)</u>	<u>50,718,754</u>
Capital assets, being depreciated:					
Buildings	31,355,763	114,056		184,366	31,654,185
Improvements other than buildings	8,095,595			381,647	8,477,242
Infrastructure	109,136,903	257,234		9,332,564	118,726,701
Machinery and equipment	4,612,964	97,156		67,807	4,777,927
Licensed vehicles	9,428,813	497,504	(767,725)	96,545	9,255,137
Total capital assets, being depreciated	<u>162,630,038</u>	<u>965,950</u>	<u>(767,725)</u>	<u>10,062,929</u>	<u>172,891,192</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<i>Balance October 1, 2014</i>	<i>Additions</i>	<i>Deletions</i>	<i>Transfers</i>	<i>Balance September 30, 2015</i>
Governmental activities:					
Less accumulated depreciation for:					
Buildings	(15,639,337)	(642,041)			(16,281,378)
Improvements other than buildings	(4,963,940)	(259,030)			(5,222,970)
Infrastructure	(62,837,148)	(2,872,652)			(65,709,800)
Machinery and equipment	(1,832,018)	(406,482)			(2,238,500)
Licensed vehicles	(6,013,298)	(606,962)	737,266		(5,882,994)
Total accumulated depreciation	<u>(91,285,741)</u>	<u>(4,787,167)</u>	<u>737,266</u>	<u>-</u>	<u>(95,335,642)</u>
Total capital assets, being depreciated, net	<u>71,344,297</u>	<u>(3,821,217)</u>	<u>(30,459)</u>	<u>10,062,929</u>	<u>77,555,550</u>
Governmental capital assets, net	<u>\$ 127,488,448</u>	<u>816,315</u>	<u>(30,459)</u>	<u>-</u>	<u>128,274,304</u>
	<i>Balance October 1, 2014</i>	<i>Additions</i>	<i>Deletions</i>	<i>Transfers</i>	<i>Balance September 30, 2015</i>
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 1,350,883			1,000	1,351,883
Construction in progress	1,452,511	3,173,506		(2,280,433)	2,345,584
Total capital assets, not being depreciated	<u>2,803,394</u>	<u>3,173,506</u>	<u>-</u>	<u>(2,279,433)</u>	<u>3,697,467</u>
Capital assets, being depreciated:					
Buildings	3,457,793		(3,910)		3,453,883
Improvements other than buildings	90,628,174		(22,072)	1,655,378	92,261,480
Machinery and equipment	10,931,085		(614,904)	624,055	10,940,236
Property under capital lease	20,613,213	33,795	(21,479)		20,625,529
Water rights	287,572				287,572
Total capital assets, being depreciated	<u>125,917,837</u>	<u>33,795</u>	<u>(662,365)</u>	<u>2,279,433</u>	<u>127,568,700</u>
Less accumulated depreciation for:					
Buildings	(2,370,778)	(58,898)	1,486		(2,428,190)
Improvements other than buildings	(38,042,752)	(2,244,725)	13,240		(40,274,237)
Machinery and equipment	(8,953,553)	(559,058)	593,964		(8,918,647)
Property under capital lease	(11,814,180)	(377,776)	21,104		(12,170,852)
Water rights	(287,572)				(287,572)
Total accumulated depreciation	<u>(61,468,835)</u>	<u>(3,240,457)</u>	<u>629,794</u>	<u>-</u>	<u>(64,079,498)</u>
Total capital assets, being depreciated, net	<u>64,449,002</u>	<u>(3,206,662)</u>	<u>(32,571)</u>	<u>2,279,433</u>	<u>63,489,202</u>
Business-type capital assets, net	<u>\$ 67,252,396</u>	<u>(33,156)</u>	<u>(32,571)</u>	<u>-</u>	<u>67,186,669</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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

Governmental activities	
General government	\$ 318,093
Public safety	762,048
Public works	3,008,474
Parks and recreation	679,786
Capital assets held by the City's internal service funds charged to the various functions based on their usage of the assets	18,766
Total depreciation expense - governmental activities	<u>\$ 4,787,167</u>
Business-type activities:	
Water and sewer	<u>\$ 3,240,457</u>
Total depreciation expense - business-type activities	<u>\$ 3,240,457</u>

Discretely Presented Component Unit

Activity for the Health Center for the year ended September 30, 2015 was as follows:

	<i>Balance October 1, 2014</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance Sept. 30, 2015</i>
Capital assets, being depreciated:				
Buildings	\$ 1,251,945	5,200		1,257,145
Improvements other than buildings	42,841			42,841
Machinery and equipment	12,827			12,827
Total capital assets, being depreciated	<u>1,307,613</u>	<u>5,200</u>	<u>-</u>	<u>1,312,813</u>
Less accumulated depreciation for:				
Buildings	(917,637)	(28,014)		(945,651)
Improvements other than buildings	(42,841)			(42,841)
Machinery and equipment	(12,827)			(12,827)
Total accumulated depreciation	<u>(973,305)</u>	<u>(28,014)</u>	<u>-</u>	<u>(1,001,319)</u>
Total capital assets, being depreciated, net	<u>\$ 334,308</u>	<u>(22,814)</u>	<u>-</u>	<u>311,494</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

NOTE 7 - CONSTRUCTION PROJECTS

As of September 30, 2015, the City had the following commitments with respect to unfinished capital projects.

	<i>Project Authorization</i>	<i>Expended Through 9/30/2015</i>	<i>Required Future Financing</i>
Summer Glenn Acres Drive	\$ 355,858	7,000	348,858
University Avenue Phase IV	239	239	-
University Avenue Phase IV	2,640,939	2,527,574	113,365
Linear Park	616,562	107,774	508,788
Gibson Lane	1,217,957	217,957	1,000,000
Downtown Enhancement	831,370	778,547	52,823
Fleet Vehicles	39,225	1,929	37,296
Rollingwood Drainage	37,110	34,735	2,375
City Farmer's Market and Public Space Infrastructure	25,000	25,000	-
Striping Morris Lane	17,500	17,500	-
Motorola Equipment	1,120,154	160,844	959,310
Total	<u>\$ 6,901,914</u>	<u>3,879,099</u>	<u>3,022,815</u>

Business-type activities construction projects

In fiscal year 2015, work was performed on several utility projects from various utility accounts such as capital improvement, infrastructure, depreciation, compost, technology and equipment acquisition.

For the year, Texas capital improvement account expenses totaled \$1,307,998. \$34,409 was spent to complete the Liberty-Eylau elevated water storage tank painting, and \$776,972 was expended to paint the 1-30 elevated water storage tank. Six fire hydrants were added during the year at a cost of \$23,472. \$61,612 was spent on the Texas system chlorine conversion project, and \$31,000 was expended for the utility work on the City's downtown enhancement project during the year. \$148,733 was spent for prior period asbestos cement pipe removal and disposal. \$30,046 was spent on water system improvements and \$18,431 for sewer system improvements. \$24,288 was expended for sewer manholes, and \$41,150 was spent for sewer pump equipment during the year. \$86,440 was expended for a portion of the cost to replace a 24-inch Wagner Creek sewer trunk main that crosses Interstate 30. \$31,445 was spent on various water and sewer improvements.

Texas infrastructure account expenses were \$972,501. \$80,726 was spent for work on the Texas A&M East Approach project during the fiscal year. \$563,377 was expended on the South Stateline Trunk Main Phase III project. \$328,063 was expended for the majority of the cost to replace the Wagner Creek trunk sewer main.

For the year, the South Regional Wastewater Depreciation account expenses were \$64,616 of which the Texas share was \$39,999. Compost account expenses for the fiscal year were \$36,266 of which \$22,326 was paid from the Texas Utility. Millwood depreciation account shared expenses totaled \$132,339, of which the Texas share was \$81,825. The largest expense was for the sludge pond cleaning. North Texarkana Wastewater Treatment Plant projects totaled \$46,726 for the year and the Texas Utility share was \$18,208.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Technology account expenses totaled \$597,954 for the year with the Texas portion costing \$360,336. The expenses included the Pine Street to 1-30 fiber project for \$23,469, Bowie County digital imagery for \$54,975, and \$183,256 to upgrade computer network hardware, as well as purchases of personal computers, tablets, laptops a smart board, network servers and network software, etc.

Equipment account expenses were \$511,970 of which \$317,369 was from the Texas Utility, including the purchase of fleet vehicles, mini-trackhoes, a valve operator machine, a tapping machine, etc.

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2015 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 230,272
General	Debt Service	83,765
Debt Service	Nonmajor governmental fund	15,364
Nonmajor governmental fund	General	208
Nonmajor governmental fund	Debt Service	126,758
Nonmajor governmental fund	Nonmajor governmental fund	10,600
Total		<u>\$ 466,967</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:

- \$13,095 To reimburse the General fund for expenditures paid for the TIRZ #1 fund (nonmajor governmental fund).
- \$1,000 To reclassify deposits between the Donation fund (nonmajor governmental fund) and the General fund.
- \$20,114 To reimburse the General fund for expenditures paid for the Supportive Housing fund (nonmajor governmental fund).
- \$18,737 To reimburse the General fund for expenditures paid for the Housing and Community Development fund (nonmajor governmental fund).
- \$2,137 To reimburse the General fund for expenditures paid on behalf of the EPA Petroleum Grant fund (nonmajor governmental fund).
- \$8,284 To reimburse the General fund for expenditures paid on behalf of the EPA Revolving Loan fund (nonmajor governmental fund).

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

- \$425 To reimburse the General fund for expenditures paid on behalf of the Home Program fund (nonmajor governmental fund).
- \$91,899 To reimburse the General fund for expenditures paid on behalf of the COC Homeless Assistance fund (nonmajor governmental fund).
- \$74,581 To reimburse the General Fund for expenditures paid for the Brownfield grant fund (nonmajor governmental fund).
- \$83,765 To reimburse the General Fund for expenditures paid for the Debt Service fund.
- \$15,364 To reclassify deposits between the Debt Service fund and the TIRZ #1 fund (nonmajor governmental fund).
- \$33 To reimburse the 2009 Bond fund (nonmajor governmental fund) for expenditures paid for the General fund.
- \$175 To reimburse the EPA Multi-purpose fund (nonmajor governmental fund) for expenditures paid on behalf of the General fund.
- \$126,758 To reclassify deposits between the TIRZ #1 fund (nonmajor governmental fund) and the Debt Service fund.
- \$10,105 To reclassify deposits between the TIRZ #2 fund (nonmajor governmental fund) and the TIRZ #1 fund (nonmajor governmental fund).
- \$495 To reimburse the Economic Development Fund (nonmajor governmental fund) for expenses paid for the EPA Revolving Loan 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	\$ -	13,584	1,777	18,900	34,261
Debt service		746,258			746,258
Nonmajor governmental funds	40,941	268,400			309,341
Fleet services (internal service)	1,117,500				1,117,500
Total transfers in	<u>\$ 1,158,441</u>	<u>1,028,242</u>	<u>1,777</u>	<u>18,900</u>	<u>2,207,360</u>

Transfers may be used to (1) move revenues from the fund with collection authorization to another specific required fund, (2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, (3) move unrestricted general fund revenues to finance various programs that the government

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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:

- \$1,260 Funds were transferred from the General fund to the Housing and Community Development fund (nonmajor governmental fund) to cover grant administration expenses.
- \$10,005 Funds were transferred from the General fund to the EPA Revolving Loan fund (nonmajor governmental fund) to cover salary expenses.
- \$5,814 Funds were transferred from the General fund to the EPA Multi-purpose fund (nonmajor governmental fund) to cover salary expenses.
- \$9,880 Funds were transferred from the General fund to the Home Program fund (nonmajor governmental fund) to cover salary expenses.
- \$5,077 Funds were transferred from the General Fund to the Hotel/Motel fund (nonmajor governmental fund) to cover expenses.
- \$8,905 Funds were transferred from the General fund to the COC Homeless Assistance fund (nonmajor governmental fund) to cover salary expenses.
- \$1,117,500 Funds were also transferred from the General Fund to the Fleet Services fund (internal service fund) to cover fuel and maintenance.
- \$12,000 Funds were transferred to the General fund from the TIRZ #1 fund (nonmajor governmental fund) for various expenses.
- \$1,256 Funds were transferred from the Theatre fund (nonmajor governmental fund) to the General fund for expenses.
- \$328 Funds were transferred to the General fund from the Economic Development fund (nonmajor governmental fund).
- \$493,808 Transfers to the Debt Service fund for debt service payments from the Hotel/Motel Tax fund (nonmajor governmental fund).
- \$252,450 Funds were also transferred from the TIRZ #1 fund (nonmajor governmental fund) to the Debt Service fund for principal and interest payment on bonds.
- \$268,400 Transfers to the Theatre fund (nonmajor governmental fund) from the Hotel/Motel fund (nonmajor governmental fund) for the quarterly budget amount for the Perot Theatre.
- \$1,777 Funds were transferred to the General fund from the Fleet Services fund (internal service fund) for various expenses.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

\$18,900 Transfer of the City's administrative fees due under contracts between the City and International Paper Company water service contracts.

NOTE 9 - ENTERPRISE FUNDS - Merger of Texarkana Water Supply Corporation Into Lake Texarkana Water Supply Corporation

In June 1969, Texarkana Water Supply Corporation was merged into Lake Texarkana Water Supply Corporation, the latter being the surviving corporation. Lake Texarkana Water Supply Corporation is a non-profit corporation which was organized under the provisions of the Texas Non-Profit Corporation Act for the purpose of furnishing a water supply to towns, cities, private corporations, individuals and military camps and 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, 2015.

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 \$600,234 and \$538,077 for 2015 and 2014, respectively.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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

A water system agreement entered into on December 1, 1982 and amended on October 15, 1985, with the City of Texarkana, Arkansas provides for the sale of water taken from the Millwood Reservoir and processed in the Millwood Water Treatment Facilities. The agreement further provides that the City of Texarkana, Arkansas will sell treated water to Texarkana, Texas, at the cost per one thousand gallons of water supplied to it as shall be computed to be the cost to Texarkana, Arkansas. The Texarkana, Texas Water Utilities made total transfers to the Texarkana, Arkansas Water Utilities for water purchases of \$597,130 and \$603,037 for 2015 and 2014, respectively.

Additionally, when the indebtedness the City of Texarkana, Arkansas incurred in connection with the acquisition and construction of the water treatment and transmission facilities has been discharged, the City of Texarkana, Arkansas will convey to the City of Texarkana, Texas an undivided interest in the facilities used to serve Texas. Texarkana, Texas' undivided interest in the facilities shall be a pro rata portion of the total capital payments made on the system by both Texarkana, Arkansas and Texarkana, Texas. Texarkana, Texas' share is currently estimated to be approximately 62 percent of the total. Capital payments are defined as payments made or to be made on the principal of the bond obligation of Texarkana, Arkansas. The Texarkana, Texas Water Utilities made total transfers to the Texarkana, Arkansas Water Utilities for debt service of \$416,735 and \$415,606 for 2015 and 2014, 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,

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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

McKinney Bayou Wastewater Facilities

A wastewater agreement dated December 15, 1997 was entered into between the City of Texarkana, Arkansas and the City of Texarkana, Texas. The agreement relates to the operation and maintenance of a wastewater treatment facility, known as the McKinney Bayou Wastewater Facilities (the facilities), and related transmission lines located within the City of Texarkana, Arkansas to be used for the collection and treatment of a portion of the two cities' wastewater. The agreement provides that the City of Texarkana, Arkansas will process a portion of the wastewater from the City of Texarkana, Texas. The City of Texarkana, Texas will pay the City of Texarkana, Arkansas the same amount per one thousand gallons as computed to be the cost to the City of Texarkana, Arkansas for wastewater treatment. The calculation of cost for retail customers billed is based on the metered retail water sales of each City, whose wastewater is treated in the facilities, to the total retail water sales for both Cities, whose wastewater is being treated in the facilities.

The agreement further provides that, when the indebtedness of the City of Texarkana, Arkansas incurred in connection with the acquisition and construction of the wastewater treatment facilities has been discharged, the City of Texarkana, Arkansas will convey to the City of Texarkana, Texas an undivided interest in the system facilities used to serve Texas. Texarkana, Texas' undivided interest in the facilities shall be a pro rata portion of the total payments on bond obligations made on the system by both Texarkana, Arkansas and Texarkana, Texas. In 2015 and 2014, the Texarkana, Texas Water Utilities made transfers to the Texarkana, Arkansas Water Utilities for debt service in the amounts of \$109,639 for each year. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease between the Utilities and all transactions between them are eliminated in combination.

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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

In FY 2013, the Texas Utility issued \$2.2 million in Waterworks and Sanitary Sewer System Revenue Bonds to finance the moving and replacing of a 16 inch ductile iron water line to a 24 inch water line between Malta, Texas and DeKalb, Texas to accommodate the widening of U.S. Highway 82 between New Boston, Texas and DeKalb Texas, a Bowie County voter approved project. In FY 2015 and 2014, the Texas Utility received payments of \$20,673 and \$27,017, respectively, from the "Member Cities" for contributions toward debt service on these bonds based on their ownership ratio in these assets, for which the related transfer is recorded as a direct financing lease by the Texas Utility.

NOTE 13 - WATER SUPPLY CONTRACT WITH INTERNATIONAL PAPER COMPANY

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

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

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

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.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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

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

MILLWOOD RESERVOIR

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

On May 14, 1986, in anticipation of the start-up of the Millwood Water Treatment Plant, the City of Texarkana, Arkansas entered into an agreement with Southwest Arkansas Water District to actually take 5 MGD of the 50 MGD reserved in Millwood Reservoir. The contract specifies a monthly payment of \$793 representing principal and interest for the 5 MGD for a period of 50 years with the final payment being due in 2036. From 1986 through June 2012, the monthly payments to the water district for water used have included principal and interest on the 5 MGD being taken and interest only on the remaining 45 MGD reserved along with the districts monthly operating costs. Payments were made to the water district for water used from the reservoir totaling \$153,181 and \$153,406 for fiscal year 2015 and 2014, respectively. These amounts are included in Water Production costs of the Arkansas Utility and the Texas Utility based on the contract percentages of 55% and 45%, respectively. Due to anticipated needs for additional water from Millwood, the City of Texarkana, Arkansas on July 2, 2012, entered into a new contract with SWAWD to take an additional 10 MGD of the 35 MGD in reserve. Texarkana, Texas was not a party to this contract, so Texarkana, Arkansas anticipates paying all the costs of this addition unless a revised agreement is reached with Texarkana, Texas in the future. The Corp of Engineers determined the cost of this additional water to be \$539,511, plus interest, payable in 44 monthly payments beginning July 2012 and ending February 2016. Total Texarkana, Arkansas Water Utilities water rights at September 30, 2015 were \$495,676. Depreciation of the water rights, which began in fiscal year ending September 30, 2012, the year of purchase, was made over 40 years. In FY 2012, a new restricted account, the Millwood Water Rights account, was set up to receive transfers from the Arkansas Revenue account to pay the monthly cost of the additional 10 MGD as well as to accumulate funds sufficient to cover the full principal cost of \$1,888,451 as of January 2016, with payment pending execution of a corresponding contract between SWAWD and Texarkana. A total of \$500,000 was transferred to the Millwood Water Rights account during FY 2014.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

NOTE 15 - WATER SYSTEM TRANSFER CONTRACT

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

For a period of no more than 20 years or until the dissolution of TAC, or until the value of the TAC-East Water System set forth in the contract has been paid, whichever comes first, the Utility will pay to TAC \$0.03 per 1,000 gallons of water delivered by the Utility to its customers on the TAC- East Water System (excluding the U. S. Army/Red River Army Depot). If during any year, the aggregate amount paid by the Utility exceeds \$39,609 (ceiling aggregate), then the overage is credited to the Utility and applied to the following payment year. If during any year, the aggregate amount paid by the Utility is less than the ceiling aggregate, no further monies are due from the Utility to TAC for that year. In fiscal year 2013, the capital assets and corresponding liability of \$792,172 were recorded in the financial statements. The Utility recorded capital contributions of \$40,315 and \$38,071 for the amount “forgiven” under the contract terms for fiscal year 2015 and 2014, respectively. The remaining liability under this contract is \$673,408.

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, 2015:

<u>Ending September 30:</u>	<i>Governmental Activities</i>	<i>Enterprise Funds</i>
2016	\$ 36,616	684,288
2017	30,810	684,761
2018	18,703	684,604
2019	18,704	683,813
2020		682,392
2021-2025		<u>2,905,114</u>
Total minimum lease payments	<u>104,833</u>	<u>6,324,972</u>
Less:		
Unexpended funds		(649,786)
Amounts representing interest	<u>(7,969)</u>	<u>(1,158,616)</u>
Present value of minimum lease payments	<u>\$ 96,864</u>	<u>4,516,570</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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

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

NOTE 17 - LONG-TERM OBLIGATIONS

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City has dedicated 31.48% 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, 2015 are as follows:

	<u>Rate of interest</u>	<u>Original Issue</u>	<u>Outstanding September 30, 2015</u>
General obligation bonds:			
General Obligation Refunding Bonds, Series 2006 used to refund certain bonds which were issued to finance certain capital improvements of the City - due serially in varying amounts from February 1, 2007 through February 1, 2022.	3.85% - 4.00%	\$ 3,060,000	1,815,000
General Obligation Refunding Bonds, Series 2012 used to refund certain bonds which were issued to finance certain capital improvements of the City - due serially in varying amounts from February 15, 2013 through February 15, 2023.	2.00% - 5.00%	10,730,000	8,305,000
General Obligation Refunding Bonds, Series 2013 used to refund certain bonds which were issued to finance certain capital improvements of the City - due serially in varying amounts from February 15, 2014 through February 15, 2027.	2.00% - 5.00%	14,550,000	13,330,000
Total general obligation bonds		<u>\$ 28,340,000</u>	<u>23,450,000</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Annual requirements to amortize general obligation bonds outstanding at September 30, 2015 are as follows:

<i>Requirements Year Ending September 30</i>	<i>General Obligation Bonds</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	\$ 2,345,000	849,847	3,194,847
2017	2,250,000	783,747	3,033,747
2018	2,330,000	713,013	3,043,013
2019	2,205,000	642,712	2,847,712
2020	2,315,000	562,144	2,877,144
2021-2025	9,195,000	1,323,894	10,518,894
2026-2027	2,810,000	87,891	2,897,891
Total	<u>\$ 23,450,000</u>	<u>4,963,248</u>	<u>28,413,248</u>

Certificates of Obligation

The City issues certificates of obligation to fund construction projects and acquire capital assets. Certificates of obligation are direct obligations and pledge the full faith and credit of the City. Certificates of obligation at September 30, 2015 are as follows:

	<i>Rate of interest</i>	<i>Original Issue</i>	<i>Outstanding September 30, 2015</i>
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	14,290,000
Certificates of Obligation, Series 2010 used for constructing, improving and equipping convention center facilities and the acquisition of sites - due serially in varying amounts through February 1, 2030.	1.02% - 5.728%	7,000,000	5,775,000
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	3,820,000
Total certificates of obligation		<u>\$ 28,535,000</u>	<u>23,885,000</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Annual requirements to amortize certificates of obligations outstanding at September 30, 2015 are as follows:

<i>Requirements Year Ending September 30</i>	<i>Certificates of Obligation</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	\$ 1,125,000	977,244	2,102,244
2017	1,165,000	933,942	2,098,942
2018	1,215,000	886,181	2,101,181
2019	1,265,000	835,266	2,100,266
2020	1,310,000	783,417	2,093,417
2021-2025	7,425,000	3,065,889	10,490,889
2026-2030	9,210,000	1,285,317	10,495,317
2031-2035	1,170,000	103,743	1,273,743
Total	<u>\$ 23,885,000</u>	<u>8,870,999</u>	<u>32,755,999</u>

Revenue Bonds

The City issues bonds pledged with income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at September 30, 2015 are as follows:

	<i>Rate of interest</i>	<i>Original Issue</i>	<i>Outstanding September 30, 2015</i>
Revenue bonds:			
Waterworks and Sanitary Sewer System Revenue Bonds Series 2004 net of bond premium of \$6,035 used to finance the costs of making improvements and extensions to the water and sewer system due serially in varying amounts from February 1, 2006 through February 1, 2023.	3.00% - 4.25%	\$ 2,500,000	1,321,035
Waterworks and Sanitary Sewer System Revenue Bonds, Series 2005 to finance the costs of making improvements and extensions to the water and sewer system. Due serially in varying amounts from February 1, 2007 through February 1, 2017.	3.10% - 4.65%	1,805,000	390,000
Waterworks and Sanitary Sewer System Revenue Bonds, Series 2013 net of bond discount of \$18,365 used to finance the costs of making improvements and extensions to the water and sewer system. Due serially in varying amounts from August 1, 2014 through August 1, 2033.	2.00% - 4.875%	<u>2,200,000</u>	<u>2,016,635</u>
Total Texarkana, Texas Water Utilities		<u>\$ 6,505,000</u>	<u>3,727,670</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Annual requirements to amortize revenue bonds outstanding at September 30, 2015 are as follows:

<i>Requirements Year Ending September 30</i>	<i>Revenue Bonds</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	\$ 414,793	145,647	560,440
2017	434,793	131,159	565,952
2018	244,793	115,819	360,612
2019	249,793	107,169	356,962
2020	259,793	97,663	357,456
2021-2025	1,056,771	341,702	1,398,473
2026-2030	619,851	194,456	814,307
2031-2033	447,083	44,000	491,083
Total	<u>\$ 3,727,670</u>	<u>1,177,615</u>	<u>4,905,285</u>

Changes in long-term liabilities

The following is a summary of changes in long-term liabilities for the year ended September 30, 2015:

	<i>Balance As Restated October 1, 2014</i>	<i>Additions</i>	<i>Retirements/ Deductions</i>	<i>Balance September 30, 2015</i>	<i>Long-term Balance</i>	<i>Due Within One Year</i>
Governmental activities:						
General obligation bonds	\$ 25,230,000		(1,780,000)	23,450,000	21,105,000	2,345,000
Issuance premiums	2,060,448		(211,884)	1,848,564	1,848,564	
Total general obligation bonds	<u>27,290,448</u>	<u>-</u>	<u>(1,991,884)</u>	<u>25,298,564</u>	<u>22,953,564</u>	<u>2,345,000</u>
Certificates of obligation	25,700,000		(1,815,000)	23,885,000	22,760,000	1,125,000
Issuance premiums	264,808		(18,474)	246,334	246,334	
Total certificates of obligation	<u>25,964,808</u>	<u>-</u>	<u>(1,833,474)</u>	<u>24,131,334</u>	<u>23,006,334</u>	<u>1,125,000</u>
Capital leases	54,177	86,851	(44,164)	96,864	64,027	32,837
Net pension and other postemploy- ment liabilities	12,549,034	8,954,816	(8,859,925)	12,643,925	12,643,925	
Accrued compensated absences	3,980,177	223,633		4,203,810	3,929,794	274,016
Governmental activity Long-term liabilities	<u>\$ 69,838,644</u>	<u>9,265,300</u>	<u>(12,729,447)</u>	<u>66,374,497</u>	<u>62,597,644</u>	<u>3,776,853</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<i>Balance as Restated October 1, 2014</i>	<i>Additions</i>	<i>Retirements/ Deductions</i>	<i>Total Balance September 30, 2015</i>	<i>Long-term Balance</i>	<i>Due Within One Year</i>
Business-type activities:						
Revenue bonds	\$ 4,145,000		(405,000)	3,740,000	3,325,000	415,000
Issuance premiums	(12,537)		207	(12,330)	(12,330)	
Total revenue bonds	4,132,463	-	(404,793)	3,727,670	3,312,670	415,000
Capital leases	4,734,592		(218,022)	4,516,570	4,137,356	379,214
Net pension and other post-employment liabilities	4,924,057	2,473,059	(2,819,590)	4,577,526	4,577,526	
Accrued compensated absences	391,246	333,847	(325,851)	399,242	348,341	50,901
Business-type activity						
Long-term liabilities	<u>\$ 14,182,358</u>	<u>2,806,906</u>	<u>(3,768,256)</u>	<u>13,221,008</u>	<u>12,375,893</u>	<u>845,115</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, \$62,304 of internal service funds compensated absences is included in the above amounts.

The General Fund is the governmental fund which primarily is responsible for the accrued compensated absences liability for the governmental activities.

NOTE 18 - CONDUIT DEBT

The City issued \$2,430,000 in Combination Tax and Revenue Certificates of Obligation, Series 2008 dated February 1, 2008. The stated maturity date of the debt is February 1, 2023, with an interest rate of 3.660% per annum. The certificates were issued by the City on behalf of the Bi-State Justice Center. The purpose of the debt is to pay contractual obligations for improvements to the Bi-State Criminal Justice Center and professional services rendered in connection therewith. The payments are made by the Bi-State Justice Center directly to the paying agent. The City has no responsibility for the repayment of the debt beyond its participation in the BSJC joint venture. The balance outstanding at September 30, 2015 is \$1,455,000.

NOTE 19 - RISK MANAGEMENT

The City's workers' compensation insurance coverage is obtained through the Texas Municipal League Intergovernmental Risk Pool (TML Pool). The TML Pool was established by the various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. Losses under a stated amount for workers' compensation that are incurred by TML members are paid with TML Pool funds. Claims in excess of this limit are paid under terms of insurance policies obtained by the TML Pool. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board or by the State Board of Insurance of Texas. Such rates are estimated to include all claims expected to occur during the policy period, including claims incurred but not reported. The TML has established claims reserves for each of the types of insurance offered. Thus, although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contributed rate for subsequent years. Members are also entitled to returns of contributions if actual results are

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

more favorable than estimated. For the year ended September 30, 2015, the City contributed \$389,132 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 \$28,952,573 for major structures, primarily those used by the public and those located in a cluster to provide protection from catastrophic losses, as well as \$8,802,900 of contents coverage.

The City maintains liability insurance coverage of \$1,095,036 for all its vehicles and equipment. It has vehicle damage coverage on the most expensive vehicles and equipment including fire engines and large trucks.

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

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

	<i>Year Ended</i> <u>September 30, 2015</u>	<i>Year Ended</i> <u>September 30, 2014</u>
Unpaid claims, October 1	\$ 346,150	338,100
Incurred claims	3,820,776	2,761,259
Claim payments	<u>(3,854,126)</u>	<u>(2,753,209)</u>
Unpaid claims, September 30	<u>\$ 312,800</u>	<u>346,150</u>

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

NOTE 20 - EMPLOYEE RETIREMENT SYSTEMS

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

A. TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

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

1. Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit plan in the state-wide 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 pensions plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

2. Benefits Provided

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

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

Plan provisions for the City were as follows:

	<u>Plan No. 1</u>	<u>Plan No. 2</u>	<u>Plan No. 3</u>
Employee deposit rate	7%	7%	7%
City current matching ratio	2-1	2-1	2-1
Updated Service Credit:			
Rate	100T	100T	100T
Year effective	1992R	1998R	1992R
Increased benefits to retirees:			
Rate	70%	70%	70%
Year effective	1992R	1998R	1992R

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

	<u><i>Plan No. 1</i></u>	<u><i>Plan No. 2</i></u>	<u><i>Plan No. 3</i></u>
Military service credit effective date	Oct. 1988	Oct. 1988	Oct. 1988
Vesting	5 yrs.	5 yrs.	5 yrs.
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age	5 yrs/age 60, 20 yrs/any age	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	June 1995	June 1995	June 1995
Statutory maximum (%)	Removed	Removed	Removed

At the December 31, 2014 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	65	160	97
Inactive employees entitled to but not yet receiving benefits	26	92	33
Active employees	88	212	159
Total	<u>179</u>	<u>464</u>	<u>289</u>

3. Contributions

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

Employees for the City of Texarkana, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Texarkana, Texas were as follows in calendar years 2014 and 2015.

	<u><i>Plan No. 1</i></u>	<u><i>Plan No. 2</i></u>	<u><i>Plan No. 3</i></u>
City Contribution Rate:			
2014	18.16%	15.73%	17.70%
2015	17.38%	15.82%	16.71%

The City's contributions to TMRS for the year ended September 30, 2015 were \$937,617, \$1,271,591 and \$1,113,475 for Plan No. 1, Plan No. 2, and Plan No. 3, respectively, and were equal to the required contributions.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, 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, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, 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 Table, 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 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CHANGES IN NET PENSION LIABILITY PLAN NO. 1

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at 12/31/2013	\$ 39,624,241	34,573,828	5,050,413
Changes for the year:			
Service cost	968,730		968,730
Interest	2,746,753		2,746,753
Change of benefit terms	-		-
Difference between expected and actual experience	(647,060)		(647,060)
Changes of assumptions	-		-
Contributions - employer		988,531	(988,531)
Contributions - employee		381,042	(381,042)
Net investment income		1,977,814	(1,977,814)
Benefit payments, including refunds of employee contributions	(1,738,559)	(1,738,559)	-
Administrative expense	-	(20,649)	20,649
Other changes		(1,698)	1,698
Net changes	<u>1,329,864</u>	<u>1,586,481</u>	<u>(256,617)</u>
Balance at 12/31/2014	<u>\$ 40,954,105</u>	<u>36,160,309</u>	<u>4,793,796</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 12/31/2013	\$ 44,326,864	38,501,107	5,825,757
Changes for the year:			
Service cost	1,199,684		1,199,684
Interest	3,070,141		3,070,141
Change of benefit terms			-
Difference between expected and actual experience	(470,023)		(470,023)
Changes of assumptions			-
Contributions - employer		1,182,575	(1,182,575)
Contributions - employee		526,260	(526,260)
Net investment income		2,202,368	(2,202,368)
Benefit payments, including refunds of employee contributions	(2,135,093)	(2,135,093)	-
Administrative expense		(22,995)	22,995
Other changes		(1,891)	1,891
Net changes	1,664,709	1,751,224	(86,515)
Balance at 12/31/2014	\$ 45,991,573	40,252,331	5,739,242

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 12/31/2013	\$ 22,976,845	18,526,049	4,450,796
Changes for the year:			
Service cost	641,973		641,973
Interest	1,594,823		1,594,823
Change of benefit terms			-
Difference between expected and actual experience	(635,746)		(635,746)
Changes of assumptions			-
Contributions - employer		767,302	(767,302)
Contributions - employee		303,453	(303,453)
Net investment income		1,059,822	(1,059,822)
Benefit payments, including refunds of employee contributions	(1,029,300)	(1,029,300)	-
Administrative expense		(11,063)	11,063
Other changes		(910)	910
Net changes	571,750	1,089,304	(517,554)
Balance at 12/31/2014	\$ 23,548,595	19,615,353	3,933,242

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 7.0%, 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 (6.0%) or 1% point higher (8.0%) than the current rate:

	<i>1% Decrease in Discount Rate (6.0%)</i>	<i>Discount Rate (7.0%)</i>	<i>1% Increase in Discount Rate (8.0%)</i>
City's net pension liability:			
Plan No. 1	\$ 11,111,836	\$ 4,793,796	\$ (318,573)
Plan No. 2	1,198,164	5,739,242	610,477
Plan No. 3	7,319,077	3,933,242	1,163,914

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the City recognized pension expense of \$923,499, \$1,044,126, and \$560,173 in Plan No. 1, Plan No. 2 and Plan No. 3, respectively.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SCHEDULE OF OUTFLOWS AND INFLOWS PLAN NO. 1

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Net difference between projected and actual earnings on pension plan investments	\$ 353,883	
Changes of assumptions		
Differences between expected and actual experience		545,468
Contributions made after December 31, 2014 but before September 30, 2015	706,234	
Total	<u>\$ 1,060,117</u>	<u>545,468</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

SCHEDULE OF OUTFLOWS AND INFLOWS PLAN NO. 2

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Net difference between projected and actual earnings on pension plan investments	\$ 394,168	
Changes of assumptions		
Differences between expected and actual experience		342,272
Contributions made after December 31, 2014 but before September 30, 2015	928,008	
Total	<u>\$ 1,322,176</u>	<u>342,272</u>

SCHEDULE OF OUTFLOWS AND INFLOWS PLAN NO. 3

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Net difference between projected and actual earnings on pension plan investments	\$ 189,601	
Changes of assumptions		
Differences between expected and actual experience		500,025
Contributions made after December 31, 2014 but before September 30, 2015	516,685	
Total	<u>\$ 706,286</u>	<u>500,025</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, 2016. 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>
2015	\$ (13,121)	(29,209)	(88,321)
2016	(13,121)	(29,209)	(88,321)
2017	(13,121)	11,773	(88,321)
2018	(13,122)	98,541	(45,461)
2019	(101,592)	-	-
Thereafter	(37,508)	-	-
Total	<u>\$ (191,585)</u>	<u>51,896</u>	<u>(310,424)</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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

A. General Information about the Retirement Plan

1. Plan Description

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

2. Benefits Provided

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

A retiring firefighter who is at least age 52.5 with at least 22.5 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 36-Month Average Salary as if he had terminated employment on his selected RETRO DROP benefit calculation date, which is no earlier than the later of the date he meets the RETRO DROP eligibility requirements and the date three years preceding the date he actually retires. Upon retirement, the member will receive, in addition to his monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date he retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

3. Members Covered by the Fund

In the December 31, 2013 actuarial valuation, the following numbers of members were covered by the Fund:

Retirees and beneficiaries currently receiving benefits	61
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>78</u>
Total	<u><u>139</u></u>

4. Funding Policy

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

The funding policy of the Texarkana Firemen's Relief and Retirement Fund requires contributions equal to 13.5% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City currently contributes according to an agreement between the City and the Fund's board of trustees. The City's contribution rate to the Fund is 19.5% of payroll and has been at that rate since October 2009. The December 31, 2013 actuarial valuation includes the assumption that the City contribution rate will be 19.5% at least as long as the UAAL amortization period. The costs of administering the plan are paid from the Fund assets.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. The board selects and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the year ending December 31, 2014, the money-weighted rate of return on pension plan investments was 5.20%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying that the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution agreement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contributions rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

B. Net Pension Liability

The City of Texarkana's net pension liability was measured as of December 31, 2014, 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, 2013 and rolled forward to December 31, 2014.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Total pension liability	\$ 37,527,657
Plan fiduciary net position	<u>33,244,477</u>
City's net pension liability	<u><u>\$ 4,283,180</u></u>

Plan fiduciary net position as a percentage of the total pension liability 88.6%

1. Actuarial Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	3.50%, plus promotion, step and longevity increases that vary by service
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.26%) and by adding expected inflation (3.50%). In addition, the final 7.75% assumption was selected by “rounding down” and thereby reflects a reduction of 0.01% for adverse deviation. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Net Real Rate of Return</i>
Equities		
Large/all cap domestic	24%	5.3%
Small/mid cap domestic	9%	5.8%
International developed	15%	5.8%
Emerging markets	5%	6.3%
Specialty		
Income opportunity	11%	3.8%
Real estate	3%	3.8%
Master limited part.	3%	7.3%

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Net Real Rate of Return</i>
Fixed income		
Domestic core	15%	1.3%
Domestic high yield	10%	2.8%
Global	3%	1.8%
Cash	2%	0.1%
Total	100.0%	
Weighted Average		4.26%

2. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the special study based on the December 31, 2013 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 22 years. That UAAL was based on an actuarial value of assets that was \$2.1 million less than the plan fiduciary net position as of December 31, 2013. Because of the 22-year amortization period of the UAAL with the lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

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

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

	<i>1% Decrease (6.75%)</i>	<i>Current Discount Rate (7.75%)</i>	<i>1% Increase (8.75%)</i>
City's Net Pension Liability	\$ 8,270,487	4,283,180	899,018

4. Plan Fiduciary Net Position

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

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 September 30, 2014 ¹	\$ 35,823,256	32,195,170	3,628,086
Changes for the year:			
Service cost	840,561		840,561
Interest	2,767,672		2,767,672
Differences between expected and actual experience			
Contributions by the city		790,379	(790,379)
Contributions by the firefighter		547,186	(547,186)
Net investment income		1,658,552	(1,658,552)
Benefit Payments	(1,903,832)	(1,903,832)	-
Administrative expenses		(42,978)	42,978
Assumption changes			
Other			
Net changes	<u>1,704,401</u>	<u>1,049,307</u>	<u>655,094</u>
Amounts as of September 30, 2015 ²	<u>\$ 37,527,657</u>	<u>33,244,477</u>	<u>4,283,180</u>

¹ Measurements for the fiscal year ended September 30, 2014 were taken as of December 31, 2013.

² Measurements for the fiscal year ended September 30, 2015 were taken as of December 31, 2014.

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

For the year ended September 30, 2015, the City's GASB 68 pension expense was \$795,101. 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, 2015 are as follows:

Service cost	\$ 840,561
Interest	2,767,672
Firefighter contributions	(547,186)
Projected earnings on pension plan investments	(2,471,517)
Amortization of differences between projected and actual earnings on plan investments	162,593
Amortization of changes of assumptions	
Amortization of differences between expected and actual experience	
Pension plan administrative expenses	42,978
Other	
Total pension expense	<u>\$ 795,101</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

At September 30, 2015, the City reported deferred outflows of resources related to the Fire Pension plan from the following sources:

	<i>Deferred Outflows of Resources</i>
Net difference between projected and actual earnings on pension plan investments	\$ 650,372
Contributions made after December 31, 2014 but before September 30, 2015	<u>610,596</u>
Total	<u><u>\$ 1,260,968</u></u>

The amounts 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, 2016. Other 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>
2016	\$ 162,593
2017	162,593
2018	162,593
2019	162,593
2020	
Thereafter	
Total	<u><u>\$ 650,372</u></u>

NOTE 21 - POSTEMPLOYMENT HEALTH CARE BENEFITS

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

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

Funding Policy

The Annual Required Contribution (ARC) is the periodic required contribution to fund the post employment healthcare benefits of both active and inactive participants. The ARC includes both the value of benefits

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

earned during the year (normal costs) and an amortization of the Unfunded Actuarial Accrued Liability (UAAL). Although there is no requirement to contribute the ARC, it serves as the starting point for the Annual OPEB Cost.

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

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

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

	<u>City</u>	<u>TWU</u>
Normal costs	\$ 461,119	105,616
Amortization of unfunded actuarial accrued liability	394,241	99,825
Annual required contribution	<u>855,360</u>	<u>205,441</u>
Interest on BOY net OPEB obligation	66,915	18,849
Adjustment	<u>(65,190)</u>	<u>(27,250)</u>
Annual OPEB cost	857,085	197,040
Contributions made	<u>(419,062)</u>	<u>(26,018)</u>
Increase (decrease) in OPEB obligation	438,023	171,022
OPEB at the beginning of period	1,672,864	473,262
OPEB at the end of period	<u><u>\$ 2,110,887</u></u>	<u><u>644,284</u></u>

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year ended September 30, 2015 and the two preceding years were as follows:

<u>Plan</u>	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
City	9/30/2013	\$ 681,927	55.00%	1,401,592
	9/30/2014	681,247	60.18%	1,672,864
	9/30/2015	857,085	48.89%	2,110,887
TWU	9/30/2013	\$ 122,336	24.02%	381,562
	9/30/2014	129,866	29.39%	473,262
	9/30/2015	197,040	19.37%	644,284

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Funding Status and Funding Progress

The funded status of the plans as of September 30, 2015 was as follows:

SCHEDULE OF FUNDING PROGRESS

<i>Plan</i>	<i>Fiscal Year Ended</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
City	9/30/2013	\$ -	\$ 7,652,418	\$ 7,652,418	0%	13,682,271	56%
	9/30/2014		7,886,704	7,886,704	0%	13,405,457	59%
	9/30/2015		9,882,392	9,882,392	0%	13,326,982	74%
TWU	9/30/2013	\$ -	\$ 1,055,055	\$ 1,055,055	0%	6,460,314	16%
	9/30/2014		1,130,100	1,130,100	0%	6,525,691	17%
	9/30/2015		1,726,186	1,726,186	0%	6,643,748	26%

Actuarial Methods and Assumptions

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

Valuation date	10/1/2014
Benefits valued	Medical and prescription drug benefits are valued. Dental benefits were not valued because retirees and their dependents are required to contribute the full group rates which are assumed to cover their full expected costs of dental coverage.
Discount Rate	4.0% (1.00% real rate of return plus 3.00% inflation)
Actuarial cost methods	Projected unit cost method. The period used to determine amortization costs for the initial unfunded actuarial accrued liability is a level period for 30 years on an open basis.
Actuarial value of assets	The plan is not prefunded.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Payroll growth rate	3.00%
Inflation rate	3.00%
Coverage	100% of all retirees who currently have healthcare coverage will continue with the same coverage. 90% of all actives employed prior to January 1, 2010, who currently have healthcare coverage will continue with the same coverage. 25% of City employees and 60% of Firefighters with family coverage will continue with spouse coverage. 50% of those hired on or after January 1, 2010, will continue with coverage with the same dependent coverage election rates.
Age Difference/% Married	Males are assumed to be 3 years older than females, 50% married
Termination rates	Rates varying by years of service/gender/class. Sample rates for City employees (non-firefighter): Male, 5 years of service - 14.20%, Male, 10 years of service - 8.00%; Male, 20+ years of service - 0.00%
Disability rate	None
Retirement rates	Rates vary by age, with an average retirement age of 55.
Mortality Rates	RP-2000 combined table M/F projection AA 2015
Healthcare cost trend rates	7.50% for FY2015 grading to 4.00% in FY2022 and later.
Retiree contributions	Retirees pay the full contribution rate for coverage elected subject to payments by the City based on the value of the sick leave buyout account.

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

Discount Rate for Valuing Liabilities	With prefunding: 4.0% per annum, compounded annually		
Payroll Increase	N/A		
Mortality rates	Pre-retirement: Sex distinct RP-2000 Combined Healthy Mortality Table		
	Post-retirement: Sex distinct RP-2000 Combined Healthy Mortality Table		
Disability rates	None assumed		
Withdrawal rates	Sample rates are as follows:		
	<u>Age</u>	<u>Male</u>	<u>Female</u>
	20	17.90%	17.90%
	30	16.2	16.2
	40	13.1	13.1
	50	7.9	7.9
	60	1.2	1.2
Assumed Sick Leave Balance	Active participants assumed to have the maximum leave		
Participation Assumption	100% of all employees who are eligible for retiree medical benefits are		
Marriage Assumption	For actives it is assumed that husbands are two years older than their		
Retirement rates	Sample rates for pre 7/1/1999 hires are as follows:		
	<u>Age</u>	<u>Males</u>	<u>Females</u>
	40-44	5.0%	5.0%
	45-49	6.0%	6.0%
	50-54	4.0%	4.0%
	55-59	3.0%	3.0%
	60	2.9%	2.9%
	61	2.5%	2.5%
	62	4.2%	4.2%
	63	6.6%	6.6%
	64	10.3%	10.3%
	65	17.8%	17.8%
	66-69	32.5%	32.5%
	70+	48.6%	48.6%

NOTE 22 - DEFERRED COMPENSATION PLAN

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

until termination, retirement, death, or unforeseeable emergency. The City's plan was amended effective January 1, 1997 to provide that all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

The City has delegated administrative and investment responsibilities to a third party administrator, ICMA Retirement Corporation, and as such, the plan assets do not meet the requirements for inclusion in the City's financial statements at September 30, 2015.

NOTE 23 – CLASSIFICATION OF GOVERNMENTAL FUND BALANCES

The table below presents a summary of the September 30, 2015, governmental fund balances by fund type and specific purpose. With the exception of nonspendable fund balances, fund balance is presented based on specific purpose. For the general fund, special revenue funds, debt service fund and capital projects funds, the specific purpose of the fund balance is determined by the governmental function for which the funds are restricted, committed, assigned or unassigned.

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable for:				
Noncurrent loans	\$ -		411,561	411,561
Investment in joint venture	88,297			88,297
Restricted				
Court security and technology	351,487			351,487
Police	212,359		18,872	231,231
Health and welfare	111,297		395,090	506,387
Tourism			154,068	154,068
Capital improvements			2,806,712	2,806,712
Committed				
Economic development			1,267,865	1,267,865
Assigned				
Police	1,885			1,885
Theatre			648,184	648,184
Insurance	209,890			209,890
Energy conservation	27,342			27,342
Economic development			454,666	454,666
Subsequent year's expense	28,956			28,956
Unassigned				
General fund	10,511,161			10,511,161
Debt service fund		(173,968)		(173,968)
Capital projects funds			(31,268)	(31,268)
Special revenue funds			(94,755)	(94,755)
Total Fund Balances	<u>\$ 11,542,674</u>	<u>(173,968)</u>	<u>6,030,995</u>	<u>17,399,701</u>

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

NOTE 24 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective for the year ending September 30, 2015. The Statements require the liability of employers for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past period of service (total pension liability), less the amount of the pension plan's fiduciary net position.

Therefore, the Governmental Activities financial statements reflect prior period adjustments to beginning Net Position (1) to remove the prior year amount recorded as the Net Pension Obligation, \$1,451,995, (2) to record the proper amount as the Net Pension Liability, (\$14,504,256), as of December 31, 2013, and (3) to record the beginning deferred outflows of resources, \$2,260,332 for contributions made between the measurement date and fiscal year-end, for a net total of (\$10,791,929).

The Business-type Activities financial statements reflect prior period adjustments to beginning Net Position (1) to remove the prior year amount recorded as the Net Pension Obligation, \$529,746, (2) to record the proper amount as the Net Pension Liability, (\$4,450,796), as of December 31, 2013, and (3) to record the beginning deferred outflows of resources, \$557,488 for contributions made between the measurement date and fiscal year-end, for a net total of (\$3,363,562).

NOTE 25 - CONTINGENT LIABILITIES

Litigation

The City of Texarkana, Arkansas applied in federal court for an order to compel arbitration with the City of Texarkana, Texas, contending a right to arbitration over Texarkana Water Utilities (TWU) management issues. The specific relief requested in the application filed by Texarkana, Arkansas was denied by court order dated July 6, 2012, while other claims later added but not included in the application were ordered to arbitration (but those matters do not involve affirmative claims for money damages). Also ordered to arbitration were all matters requested by the City of Texarkana, Texas, which include claims for money damages. The City of Texarkana, Texas, contests the issues raised by Texarkana, Arkansas. In compliance with the federal court order, the City of Texarkana, Texas promptly appointed an arbitrator, and notice was given to Texarkana, Arkansas, of that appointment. The arbitrator appointed by Texarkana, Arkansas, has not yet contacted the arbitrator appointed by the City of Texarkana, Texas, to select a third arbitrator as required by the contract between the two cities. While there appear to be no allegations or claims for damages asserted by Texarkana, Arkansas, the City attorney asserts that evaluating the likelihood of an unfavorable outcome is premature and an estimate of the amount or range of potential loss cannot be made at this time.

A civil rights complaint has been filed against a police officer of the City, the City and the City police department arising from the officer's lawful use of force which resulted in the death of an individual. The suit was filed January 29, 2016 and summons to the named defendants has yet to issue. The City intends to respond to the litigation and contest the case vigorously. The plaintiffs seek unspecified actual and punitive damages. In an earlier demand letter, the claimants' attorney demanded \$3.5 million in damages. The City

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

attorney maintains 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. This claim is insured through Texas Municipal League – Intergovernmental Risk Pool.

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, 2015, 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 make this additional water storage available are unknown.

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. 72, *Fair Value Measurement and Application*, issued February 2015 will be effective for the year ending September 30, 2016. This statement addresses accounting and reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* –

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

issued June 2015 will be effective for the fiscal year ending September 30, 2016. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in the notes to financial statement and required supplementary information by all similarly situated employers and nonemployer contribution entities. It also clarifies the application of provisions of Statements 67 and 68.

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

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

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

employee service. Note disclosure and required supplementary information required about defined benefit OPEB are also addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015 will be effective for the fiscal year ending September 30, 2016. The objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of general accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

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

NOTE 27 – SUBSEQUENT EVENTS

Pending approval by the Texarkana, Arkansas Board of Directors and the Texarkana, Texas City Council, the Utility has entered into a contract to purchase a commercial building on the Texas side in the amount of \$130,000 to house its Information Technology Division and Geographic Information System Division personnel that are currently located in a rented facility. The Arkansas and Texas Utilities would each pay for its share of the building from available capital improvement accounts that amount to \$48,165 and \$81,835, respectively.

In fiscal year 2016, the Texas Utility reached an agreement between the Texas Utility and the Cities of Nash, Texas and Wake Village, Texas to renovate and upgrade the Waggoner Creek Wastewater Treatment Plant that serves these cities. The first phase of this project is estimated at approximately \$2,500,000 and the design portion of the first phase began in the first quarter of fiscal year 2016.

CITY OF TEXARKANA, TEXAS

Notes to the financial statements continued.

The City of Texarkana, Texas, in an effort to show transparency to all stakeholders in the water rights at Lake Wright Patman, decided to embark on a proactive course of action regarding the additional 120,000 acre feet of water rights that may become available at some point in the future if the Corps enacts the ultimate operating rule curve. As a result, the City Council approved Resolution 2015-104 to adopt a 5-tiered conservation rate structure implemented in fiscal year 2016 that was structured to generate additional revenue sufficient to cover the preliminary estimated annual payment of \$1,510,529 as well as the estimated annual M&O costs of \$68,503 related to the additional water rights. Effective October 1, 2015, the City also created a new restricted Corps of Engineers Cost Fund in its Texas Utility to accumulate these annual amounts to apply toward the purchase of this additional water storage once the Corps has performed the necessary studies and other work needed to raise the lake to the ultimate operating rule curve, and the final costs are known and owing by the Texas Utility.

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 2015 audit for shared costs of the Texarkana Water Utilities (business-type activities and enterprise fund) in the fiscal year 2016. The new funding ratio adopted will be 62.95% Texas and 37.07% Arkansas.

NOTE 28 – MANAGEMENT REVIEW

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through February 26, 2016, the date the financial statements were available to be issued.

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Required Supplementary Information

CITY OF TEXARKANA, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION September 30, 2015

TMRS PLAN #1 - Police Officers

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

	Actuarial Valuation 12/31/2014
1. Total Pension Liability	
a. Service cost	\$ 968,730
b. Interest	2,746,753
c. Changes of benefit provisions	
d. Differences between expected and actual experience	(647,060)
e. Changes of assumptions	
f. Benefit payments	(1,738,559)
g. Net Change in Total Pension Liability	1,329,864
h. Total Pension Liability - Beginning	39,624,241
i. Total Pension Liability - Ending	40,954,105
2. Plan Fiduciary Net Position	
a. Contributions by the City	988,531
b. Contributions by the Employees	381,042
c. Net investment income	1,977,814
d. Benefit payments	(1,738,559)
e. Administrative Expenses	(20,649)
f. Other	(1,698)
g. Net Change in Plan Fiduciary Net Position	1,586,481
h. Plan Fiduciary Net Position - Beginning	34,573,828
i. Plan Fiduciary Net Position - Ending	36,160,309
3. City's Net Pension Liability - Ending [Item 1(i)-2(i)]	4,793,796
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.3%
5. Covered Payroll for Year (Estimated)	5,443,456
6. City's Net Pension Liability as a Percentage of Covered Payroll	88.1%

CITY OF TEXARKANA, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2015

TMRS PLAN #2 - Other City Employees

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

	Actuarial Valuation 12/31/2014
1. Total Pension Liability	
a. Service cost	\$ 1,199,684
b. Interest	3,070,141
c. Changes of benefit provisions	
d. Differences between expected and actual experience	(470,023)
e. Changes of assumptions	
f. Benefit payments	(2,135,093)
g. Net Change in Total Pension Liability	1,664,709
h. Total Pension Liability - Beginning	44,326,864
i. Total Pension Liability - Ending	45,991,573
2. Plan Fiduciary Net Position	
a. Contributions by the City	1,182,575
b. Contributions by the Employees	526,260
c. Net investment income	2,202,368
d. Benefit payments	(2,135,093)
e. Administrative Expenses	(22,995)
f. Other	(1,891)
g. Net Change in Plan Fiduciary Net Position	1,751,224
h. Plan Fiduciary Net Position - Beginning	38,501,107
i. Plan Fiduciary Net Position - Ending	40,252,331
3. City's Net Pension Liability - Ending [Item 1(i)-2(i)]	5,739,242
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.5%
5. Covered Payroll for Year (Estimated)	7,517,730
6. City's Net Pension Liability as a Percentage of Covered Payroll	76.3%

CITY OF TEXARKANA, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION September 30, 2015

TMRS PLAN #3 - Water Utilities

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

	Actuarial Valuation 12/31/2014
1. Total Pension Liability	
a. Service cost	\$ 641,973
b. Interest	1,594,823
c. Changes of benefit provisions	
d. Differences between expected and actual experience	(635,746)
e. Changes of assumptions	
f. Benefit payments	(1,029,300)
g. Net Change in Total Pension Liability	571,750
h. Total Pension Liability - Beginning	22,976,845
i. Total Pension Liability - Ending	23,548,595
2. Plan Fiduciary Net Position	
a. Contributions by the City	767,302
b. Contributions by the Employees	303,453
c. Net investment income	1,059,822
d. Benefit payments	(1,029,300)
e. Administrative Expenses	(11,065)
f. Other	(910)
g. Net Change in Plan Fiduciary Net Position	1,089,302
h. Plan Fiduciary Net Position - Beginning	18,526,049
i. Plan Fiduciary Net Position - Ending	19,615,351
3. City's Net Pension Liability - Ending [Item 1(i)-2(i)]	3,933,244
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.3%
5. Covered Payroll for Year (Estimated)	4,277,720
6. City's Net Pension Liability as a Percentage of Covered Payroll	91.9%

CITY OF TEXARKANA, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION September 30, 2015

TMRS PLAN #1 - Police Officers

SCHEDULE OF CONTRIBUTIONS LAST 10 FISCAL YEARS

	<u>2015</u>
Actuarially Determined Contribution	\$ 937,617
Contributions in relation to the actuarially determined contribution	<u>937,617</u>
Contribution deficiency (excess)	<u>-</u>
Covered employee payroll	5,337,623
Contributions as a percentage of covered employee payroll	17.57%

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	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 pursuant to an experience study of the period 2005-2009
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, 2015

TMRS PLAN #2 - Other City Employees

SCHEDULE OF CONTRIBUTIONS LAST 10 FISCAL YEARS

	<u>2015</u>
Actuarially Determined Contribution	\$ 1,212,706
Contributions in relation to the actuarially determined contribution	<u>1,212,589</u>
Contribution deficiency (excess)	<u>117</u>
Covered employee payroll	7,675,943
Contributions as a percentage of covered employee payroll	15.80%

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	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 pursuant to an experience study of the period 2005-2009
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

Removed statutory max

CITY OF TEXARKANA, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2015

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

	Fiscal Year Ending 9/30/2015
1. Total Pension Liability	
a. Service cost	\$ 840,561
b. Interest	2,767,672
c. Changes of benefit provisions	
d. Differences between expected and actual experience	
e. Changes of assumptions	
f. Benefit payments	(1,903,832)
g. Net Change in Total Pension Liability	1,704,401
h. Total Pension Liability - Beginning	35,823,256
i. Total Pension Liability - Ending	37,527,657²
2. Plan Fiduciary Net Position	
a. Contributions by the City	790,379
b. Contributions by the firefighters	547,186
c. Net investment income	1,658,552
d. Benefit payments	(1,903,832)
e. Administrative Expenses	(42,978)
f. Other	
g. Net Change in Plan Fiduciary Net Position	1,049,307
h. Plan Fiduciary Net Position - Beginning	32,195,170
i. Plan Fiduciary Net Position - Ending	33,244,477
3. City's Net Pension Liability - Ending [Item 1(i)-2(i)]	4,283,180
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.6%
5. Covered Payroll for Year (Estimated)	4,160,599
6. City's Net Pension Liability as a Percentage of Covered Payroll	102.9%

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 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, 2015

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 or contractually established.

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Nonmajor Governmental Funds Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Project Funds

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

2003 Bond Fund - This fund was established to account for bond proceeds used for improving streets, drainage, flood control and the library.

2005 Bond Fund - This fund was established to account for bond proceeds used for improving streets and parks, as well as fire-fighting facilities and purchase of three fire trucks.

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

TIRZ Bond Fund - This fund was established to account for 2012 bond proceeds used for street and drainage improvements, constructing, improving and equipping park and recreational facilities.

CITY OF TEXARKANA, TEXAS

BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS September 30, 2015

	<i>Special Revenue Funds</i>				
	<i>Housing and Community Development</i>	<i>HOME</i>	<i>Theatre</i>	<i>Hotel/ Motel Tax</i>	<i>Housing</i>
ASSETS					
Cash	\$ -	43,822	247,420	31,831	257,754
Investments - certificates of deposit			400,764		
Receivables (net of allowance for uncollectible):					
Property taxes					
Other taxes				248,618	
Accounts				9,046	
Other government agencies	77				
Accrued interest					
Loans	29,261	19,759			180,000
Due from other funds					
TOTAL ASSETS	<u>29,338</u>	<u>63,581</u>	<u>648,184</u>	<u>289,495</u>	<u>437,754</u>
LIABILITIES AND FUND BALANCES					
Accounts payable	102			69,148	
Contracts payable					
Due to other funds	18,737	425			
Unearned revenue	10,499				
TOTAL LIABILITIES	<u>29,338</u>	<u>425</u>	<u>-</u>	<u>69,148</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - grants				66,279	
Unavailable revenue - property taxes					
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,279</u>	<u>-</u>
FUND BALANCES					
Nonspendable:					
Noncurrent loans		17,285			179,166
Restricted		45,871		154,068	258,588
Committed					
Assigned			648,184		
Unassigned					
TOTAL FUND BALANCE	<u>-</u>	<u>63,156</u>	<u>648,184</u>	<u>154,068</u>	<u>437,754</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>29,338</u>	<u>63,581</u>	<u>648,184</u>	<u>289,495</u>	<u>437,754</u>

Special Revenue Funds

<i>Economic Development</i>	<i>Law Enforcement Block Grant</i>	<i>Law Enforcement Programs</i>	<i>Brownfield Grant</i>	<i>Donation</i>	<i>TIRZ #1</i>	<i>TIRZ #2</i>	<i>Rotary Splash Park</i>	<i>CDBG Revolving Loans</i>	<i>Supportive Housing Grant</i>
725,041	7,244	18,786	259	5,589	344,328	10,105	17,171	35,483	
505,775									
					888,116				
34,178			7,293						5,475
239								170,496	
74,848									
495					136,863				
<u>1,340,576</u>	<u>7,244</u>	<u>18,786</u>	<u>7,552</u>	<u>5,589</u>	<u>1,369,307</u>	<u>10,105</u>	<u>17,171</u>	<u>205,979</u>	<u>5,475</u>
7,448	7,159		7,089						1,614
			74,581	1,000	28,458	10,105			20,114
<u>7,448</u>	<u>7,159</u>	<u>-</u>	<u>81,670</u>	<u>1,000</u>	<u>28,458</u>	<u>10,105</u>	<u>-</u>	<u>-</u>	<u>21,728</u>
					886,183				
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>886,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
65,263								149,847	
	85	18,786		4,589			17,171	56,132	
1,267,865					454,666				
			(74,118)						(16,253)
<u>1,333,128</u>	<u>85</u>	<u>18,786</u>	<u>(74,118)</u>	<u>4,589</u>	<u>454,666</u>	<u>-</u>	<u>17,171</u>	<u>205,979</u>	<u>(16,253)</u>
<u>1,340,576</u>	<u>7,244</u>	<u>18,786</u>	<u>7,552</u>	<u>5,589</u>	<u>1,369,307</u>	<u>10,105</u>	<u>17,171</u>	<u>205,979</u>	<u>5,475</u>

(Continued)

CITY OF TEXARKANA, TEXAS

BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS September 30, 2015

	<i>Special Revenue Funds</i>			
	<i>COC Homeless Assistance Grant</i>	<i>EPA Petroleum Grant</i>	<i>EPA Job Training Grant</i>	<i>EPA Revolving Loan Grant</i>
ASSETS				
Cash		566	1,971	
Investments - certificates of deposit				
Receivables (net of allowance for uncollectible):				
Property taxes				
Other taxes				
Accounts				
Other government agencies	99,863	5,054		9,937
Accrued interest				
Loans				
Due from other funds				
TOTAL ASSETS	<u>99,863</u>	<u>5,620</u>	<u>1,971</u>	<u>9,937</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	7,964	4,100		4,537
Contracts payable				
Due to other funds	91,899	2,137		8,779
Unearned revenue				
TOTAL LIABILITIES	<u>99,863</u>	<u>6,237</u>	<u>-</u>	<u>13,316</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - grants				388
Unavailable revenue - property taxes				
TOTAL DEFERRED INFLOWS OF RESOURCES		<u>-</u>	<u>-</u>	<u>388</u>
FUND BALANCES				
Nonspendable:				
Noncurrent loans				
Restricted			1,971	
Committed				
Assigned				
Unassigned		(617)		(3,767)
TOTAL FUND BALANCE	<u>-</u>	<u>(617)</u>	<u>1,971</u>	<u>(3,767)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>99,863</u>	<u>5,620</u>	<u>1,971</u>	<u>9,937</u>

Capital Project Funds

EPA Multipurpose Grant	Total Special Revenue	2003 Bond	2005 Bond	2009 Bond	TIRZ Bond	Total Capital Projects	Total Nonmajor Governmental Fund
9,081	1,756,451	182,073	726,113	161,537	2,872,699	3,942,422	5,698,873
	906,539					-	906,539
	888,116					-	888,116
	248,618					-	248,618
	43,224					-	43,224
2,269	129,968			13,598		13,598	143,566
	239					-	239
	474,364					-	474,364
175	137,533			33		33	137,566
11,525	4,585,052	182,073	726,113	175,168	2,872,699	3,956,053	8,541,105
756	109,917					-	109,917
	-			206,436	974,173	1,180,609	1,180,609
	256,235					-	256,235
	10,499					-	10,499
756	376,651	-	-	206,436	974,173	1,180,609	1,557,260
	66,667					-	66,667
	886,183					-	886,183
-	952,850	-	-	-	-	-	952,850
10,769	411,561					-	411,561
	568,030	182,073	726,113		1,898,526	2,806,712	3,374,742
	1,267,865					-	1,267,865
	1,102,850					-	1,102,850
	(94,755)			(31,268)		(31,268)	(126,023)
10,769	3,255,551	182,073	726,113	(31,268)	1,898,526	2,775,444	6,030,995
11,525	4,585,052	182,073	726,113	175,168	2,872,699	3,956,053	8,541,105

(Concluded)

CITY OF TEXARKANA, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended September 30, 2015

	<i>Special Revenue Funds</i>				
	<i>Housing and Community Development</i>	<i>HOME</i>	<i>Theatre</i>	<i>Hotel/ Motel Tax</i>	<i>Housing</i>
REVENUES:					
Property taxes	\$ -				
Taxes-other				1,240,239	
Franchise receipts					
Charges for services			61,915		
Grants and entitlements	166,145	17,275			
Investment earnings:					
Interest and dividends		116	3,423	766	873
Intergovernmental					
Other				6,175	834
Total revenues	<u>166,145</u>	<u>17,391</u>	<u>65,338</u>	<u>1,247,180</u>	<u>1,707</u>
EXPENDITURES:					
Current:					
General government	419				
Public safety					
Parks and recreation			332,167	471,286	
Health and welfare	53,623	37,718			
Capital outlay	113,363		98,207		
Total expenditures	<u>167,405</u>	<u>37,718</u>	<u>430,374</u>	<u>471,286</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,260)</u>	<u>(20,327)</u>	<u>(365,036)</u>	<u>775,894</u>	<u>1,707</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	1,260	9,880	268,400	5,077	
Transfers out			(1,256)	(762,208)	
Total other financing sources (uses)	<u>1,260</u>	<u>9,880</u>	<u>267,144</u>	<u>(757,131)</u>	<u>-</u>
Net change in fund balances	-	(10,447)	(97,892)	18,763	1,707
Fund balances at beginning of year		73,603	746,076	135,305	436,047
Fund balances at end of year	<u>-</u>	<u>63,156</u>	<u>648,184</u>	<u>154,068</u>	<u>437,754</u>

Special Revenue Funds

<i>Economic Development</i>	<i>Law Enforcement Block Grant</i>	<i>Law Enforcement Programs</i>	<i>Brownfield Grant</i>	<i>Donations</i>	<i>TIRZ #1</i>	<i>TIRZ #2</i>	<i>Rotary Splash Park</i>	<i>CDBG Revolving Loans</i>
					521,028			
378,140	49,057		29,910					
9,634	56	50 7,441		15	1,622		85	3,829
<u>387,774</u>	<u>49,113</u>	<u>7,491</u>	<u>29,910</u>	<u>8,250</u> <u>8,265</u>	<u>522,650</u>	<u>-</u>	<u>89,077</u> <u>89,162</u>	<u>3,829</u>
198,948	69,593	2,027	29,899					
				3,676				
<u>198,948</u>	<u>69,593</u>	<u>2,027</u>	<u>29,899</u>	<u>3,676</u>	<u>-</u>	<u>-</u>	<u>7,275</u> <u>7,275</u>	<u>-</u>
<u>188,826</u>	<u>(20,480)</u>	<u>5,464</u>	<u>11</u>	<u>4,589</u>	<u>522,650</u>	<u>-</u>	<u>81,887</u>	<u>3,829</u>
<u>(328)</u>					<u>(264,450)</u>			
<u>(328)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(264,450)</u>	<u>-</u>	<u>-</u>	<u>-</u>
188,498	(20,480)	5,464	11	4,589	258,200	-	81,887	3,829
<u>1,144,630</u>	<u>20,565</u>	<u>13,322</u>	<u>(74,129)</u>		<u>196,466</u>		<u>(64,716)</u>	<u>202,150</u>
<u>1,333,128</u>	<u>85</u>	<u>18,786</u>	<u>(74,118)</u>	<u>4,589</u>	<u>454,666</u>	<u>-</u>	<u>17,171</u>	<u>205,979</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, 2015

	<i>Special Revenue Funds</i>					
	<i>Supportive Housing Grant</i>	<i>COC Homeless Assistance Grant</i>	<i>EPA Petroleum Grant</i>	<i>EPA Job Training Grant</i>	<i>EPA Revolving Loan Grant</i>	<i>EPA Multipurpose Grant</i>
REVENUES:						
Property taxes						
Taxes-other						
Franchise receipts						
Charges for services						
Grants and entitlements						
Investment earnings:						
Interest and dividends						
Intergovernmental	90,104	106,008	45,071		12,256	3,646
Other						
Total revenues	<u>90,104</u>	<u>106,008</u>	<u>45,071</u>	<u>-</u>	<u>12,256</u>	<u>3,646</u>
EXPENDITURES:						
Current:						
General government						
Public safety						
Parks and recreation						
Health and welfare	111,146	114,913	45,071		29,873	9,460
Capital outlay						
Total expenditures	<u>111,146</u>	<u>114,913</u>	<u>45,071</u>	<u>-</u>	<u>29,873</u>	<u>9,460</u>
Excess (deficiency) of revenues over expenditures	<u>(21,042)</u>	<u>(8,905)</u>	<u>-</u>	<u>-</u>	<u>(17,617)</u>	<u>(5,814)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in		8,905			10,005	5,814
Transfers out						
Total other financing sources (uses)	<u>-</u>	<u>8,905</u>	<u>-</u>	<u>-</u>	<u>10,005</u>	<u>5,814</u>
Net change in fund balances	(21,042)	-	-	-	(7,612)	-
Fund balances at beginning of year	4,789		(617)	1,971	3,845	10,769
Fund balances at end of year	<u>(16,253)</u>	<u>-</u>	<u>(617)</u>	<u>1,971</u>	<u>(3,767)</u>	<u>10,769</u>

Capital Projects Funds

<i>Total Special Revenue</i>	<i>2003 Bond</i>	<i>2005 Bond</i>	<i>2009 Bond</i>	<i>TIRZ Bond</i>	<i>Total Capital Projects</i>	<i>Total Nonmajor Governmental Fund</i>
521,028					-	521,028
1,240,239					-	1,240,239
378,140					-	378,140
61,915					-	61,915
262,387					-	262,387
20,469	547	2,175	3,825	10,736	17,283	37,752
264,526					-	264,526
104,336					-	104,336
<u>2,853,040</u>	<u>547</u>	<u>2,175</u>	<u>3,825</u>	<u>10,736</u>	<u>17,283</u>	<u>2,870,323</u>
199,367					-	199,367
101,519					-	101,519
803,453					-	803,453
405,480					-	405,480
218,845		239	2,550,415	1,221,572	3,772,226	3,991,071
<u>1,728,664</u>	<u>-</u>	<u>239</u>	<u>2,550,415</u>	<u>1,221,572</u>	<u>3,772,226</u>	<u>5,500,890</u>
<u>1,124,376</u>	<u>547</u>	<u>1,936</u>	<u>(2,546,590)</u>	<u>(1,210,836)</u>	<u>(3,754,943)</u>	<u>(2,630,567)</u>
309,341					-	309,341
(1,028,242)					-	(1,028,242)
<u>(718,901)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(718,901)</u>
405,475	547	1,936	(2,546,590)	(1,210,836)	(3,754,943)	(3,349,468)
<u>2,850,076</u>	<u>181,526</u>	<u>724,177</u>	<u>2,515,322</u>	<u>3,109,362</u>	<u>6,530,387</u>	<u>9,380,463</u>
<u>3,255,551</u>	<u>182,073</u>	<u>726,113</u>	<u>(31,268)</u>	<u>1,898,526</u>	<u>2,775,444</u>	<u>6,030,995</u>

(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, 2015**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Grants and entitlements	\$ 1,161,608	320,765	166,145	(154,620)
Total revenues	<u>1,161,608</u>	<u>320,765</u>	<u>166,145</u>	<u>(154,620)</u>
EXPENDITURES:				
Current:				
General government			419	(419)
Health and welfare	878,128	238,118	53,623	184,495
Capital outlay	283,480	82,647	113,363	(30,716)
Total expenditures	<u>1,161,608</u>	<u>320,765</u>	<u>167,405</u>	<u>153,360</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(1,260)</u>	<u>(1,260)</u>
OTHER FINANCING SOURCES/USES				
Transfers in			1,260	1,260
Total other financing sources/uses	<u>-</u>	<u>-</u>	<u>1,260</u>	<u>1,260</u>
Net change in fund balances	-	-	-	-
Fund balances at beginning of year				-
Fund balances at end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</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, 2015**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Grants and entitlements	\$ 411,625		17,275	17,275
Investment earnings:				
Interest			116	116
Total revenues	<u>411,625</u>	<u>-</u>	<u>17,391</u>	<u>17,391</u>
EXPENDITURES:				
Current:				
Health and welfare	<u>411,625</u>	<u>54,156</u>	<u>37,718</u>	<u>16,438</u>
Total expenditures	<u>411,625</u>	<u>54,156</u>	<u>37,718</u>	<u>16,438</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(54,156)</u>	<u>(20,327)</u>	<u>33,829</u>
OTHER FINANCING SOURCES/USES				
Transfers in			9,880	9,880
Total other financing sources/uses	<u>-</u>	<u>-</u>	<u>9,880</u>	<u>9,880</u>
Net change in fund balances	-	(54,156)	(10,447)	43,709
Fund balances at beginning of year	<u>73,603</u>	<u>73,603</u>	<u>73,603</u>	<u>-</u>
Fund balances at end of year	<u>\$ 73,603</u>	<u>19,447</u>	<u>63,156</u>	<u>43,709</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, 2015

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Charges for services	\$ 82,000	55,000	61,915	6,915
Investment earnings:				
Interest and dividends	2,875	3,850	3,423	(427)
Total revenues	<u>84,875</u>	<u>58,850</u>	<u>65,338</u>	<u>6,488</u>
EXPENDITURES:				
Current:				
Parks and recreation	415,730	333,179	332,167	1,012
Capital outlay	60,000	100,000	98,207	1,793
Total expenditures	<u>475,730</u>	<u>433,179</u>	<u>430,374</u>	<u>2,805</u>
Excess (deficiency) of revenues over expenditures	<u>(390,855)</u>	<u>(374,329)</u>	<u>(365,036)</u>	<u>9,293</u>
OTHER FINANCING SOURCES/USES				
Transfers in	268,400	268,400	268,400	-
Transfers out	<u>(1,256)</u>	<u>(1,256)</u>	<u>(1,256)</u>	<u>-</u>
Total other financing sources/uses	<u>267,144</u>	<u>267,144</u>	<u>267,144</u>	<u>-</u>
Net change in fund balances	(123,711)	(107,185)	(97,892)	9,293
Fund balances at beginning of year	<u>746,076</u>	<u>746,076</u>	<u>746,076</u>	<u>-</u>
Fund balances at end of year	<u>\$ 622,365</u>	<u>638,891</u>	<u>648,184</u>	<u>9,293</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, 2015

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Taxes-other	\$ 1,218,000	1,094,000	1,240,239	146,239
Investment earnings:				
Interest and dividends	751	550	766	216
Other		10,525	6,175	(4,350)
Total revenues	<u>1,218,751</u>	<u>1,105,075</u>	<u>1,247,180</u>	<u>142,105</u>
EXPENDITURES:				
Current:				
Parks and recreation	<u>517,596</u>	<u>487,945</u>	<u>471,286</u>	<u>16,659</u>
Total expenditures	<u>517,596</u>	<u>487,945</u>	<u>471,286</u>	<u>16,659</u>
Excess of revenues over expenditures	<u>701,155</u>	<u>617,130</u>	<u>775,894</u>	<u>158,764</u>
OTHER FINANCING USES:				
Transfers in	5,077	5,077	5,077	-
Transfers out	<u>(762,208)</u>	<u>(762,208)</u>	<u>(762,208)</u>	-
Total other financing uses	<u>(757,131)</u>	<u>(757,131)</u>	<u>(757,131)</u>	-
Net change in fund balances	(55,976)	(140,001)	18,763	158,764
Fund balances at beginning of year	<u>135,305</u>	<u>135,305</u>	<u>135,305</u>	-
Fund balances at end of year	<u>\$ 79,329</u>	<u>(4,696)</u>	<u>154,068</u>	<u>158,764</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, 2015**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Investment earnings:				
Interest and dividends	10,000	850	873	23
Other			834	834
Total revenues	<u>10,000</u>	<u>850</u>	<u>1,707</u>	<u>857</u>
EXPENDITURES:				
Current:				
Parks and recreation	<u>100,000</u>			-
Total expenditures	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>(90,000)</u>	<u>850</u>	<u>1,707</u>	<u>857</u>
OTHER FINANCING USES:				
Transfers in				-
Transfers out		-		-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(90,000)	850	1,707	857
Fund balances at beginning of year	<u>436,047</u>	<u>436,047</u>	<u>436,047</u>	<u>-</u>
Fund balances at end of year	<u>\$ 346,047</u>	<u>436,897</u>	<u>437,754</u>	<u>857</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, 2015**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Franchise receipts	\$ 400,000	375,000	378,140	3,140
Investment earnings:				
Interest and dividends	4,200	7,500	9,634	2,134
Total revenues	<u>404,200</u>	<u>382,500</u>	<u>387,774</u>	<u>5,274</u>
EXPENDITURES:				
Current:				
General government	<u>525,751</u>	<u>512,318</u>	<u>198,948</u>	<u>313,370</u>
Total expenditures	<u>525,751</u>	<u>512,318</u>	<u>198,948</u>	<u>313,370</u>
Excess (deficiency) of revenues over expenditures	<u>(121,551)</u>	<u>(129,818)</u>	<u>188,826</u>	<u>318,644</u>
OTHER FINANCING USES:				
Transfers out	<u>(234,828)</u>	<u>(228,828)</u>	<u>(328)</u>	<u>228,500</u>
Total other financing uses	<u>(234,828)</u>	<u>(228,828)</u>	<u>(328)</u>	<u>228,500</u>
Net change in fund balances	(356,379)	(358,646)	188,498	547,144
Fund balances at beginning of year	<u>1,144,630</u>	<u>1,144,630</u>	<u>1,144,630</u>	<u>-</u>
Fund balances at end of year	<u>\$ 788,251</u>	<u>785,984</u>	<u>1,333,128</u>	<u>547,144</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, 2015**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Grants and entitlements	\$ 39,228	49,057	49,057	-
Investment earnings:				
Interest and dividends	5	40	56	16
Total revenues	<u>39,233</u>	<u>49,097</u>	<u>49,113</u>	<u>16</u>
EXPENDITURES:				
Current:				
Public safety	<u>69,594</u>	<u>69,593</u>	<u>69,593</u>	-
Total expenditures	<u>69,594</u>	<u>69,593</u>	<u>69,593</u>	-
Net change in fund balances	(30,361)	(20,496)	(20,480)	16
Fund balances at beginning of year	<u>20,565</u>	<u>20,565</u>	<u>20,565</u>	-
Fund balances at end of year	<u>\$ (9,796)</u>	<u>69</u>	<u>85</u>	<u>16</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, 2015

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Investment earnings:				
Interest and dividends	\$ 35	50	50	-
Intergovernmental	6,500	7,441	7,441	-
Total revenues	<u>6,535</u>	<u>7,491</u>	<u>7,491</u>	<u>-</u>
EXPENDITURES:				
Current:				
Public safety	13,069	18,915	2,027	16,888
Total expenditures	<u>13,069</u>	<u>18,915</u>	<u>2,027</u>	<u>16,888</u>
Net change in fund balances	(6,534)	(11,424)	5,464	16,888
Fund balances at beginning of year	<u>13,322</u>	<u>13,322</u>	<u>13,322</u>	<u>-</u>
Fund balances at end of year	<u>\$ 6,788</u>	<u>1,898</u>	<u>18,786</u>	<u>16,888</u>

CITY OF TEXARKANA, TEXAS

BROWNFIELD GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2015

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Grants and entitlements	\$ 79,375	107,845	29,910	(77,935)
Total revenues	<u>79,375</u>	<u>107,845</u>	<u>29,910</u>	<u>(77,935)</u>
EXPENDITURES:				
Current:				
Public safety	<u>79,375</u>	<u>33,716</u>	<u>29,899</u>	<u>3,817</u>
Total expenditures	<u>79,375</u>	<u>33,716</u>	<u>29,899</u>	<u>3,817</u>
Net change in fund balances	-	74,129	11	(74,118)
Fund balances at beginning of year	<u>(74,129)</u>	<u>(74,129)</u>	<u>(74,129)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (74,129)</u>	<u>-</u>	<u>(74,118)</u>	<u>(74,118)</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, 2015

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Investment earnings:				
Interest	\$ -		15	15
Other	-	30,000	8,250	(21,750)
Total revenues	<u>-</u>	<u>30,000</u>	<u>8,265</u>	<u>(21,735)</u>
EXPENDITURES:				
Current:				
Health and welfare		30,000	3,676	26,324
Total expenditures	<u>-</u>	<u>30,000</u>	<u>3,676</u>	<u>26,324</u>
Net change in fund balances	-	-	4,589	4,589
Fund balances at beginning of year				-
Fund balances at end of year	<u>\$ -</u>	<u>-</u>	<u>4,589</u>	<u>4,589</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, 2015

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Property taxes	\$ 296,295	423,000	521,028	98,028
Investment earnings:				
Interest and dividends	800	1,600	1,622	22
Other	78,500			
Total revenues	<u>375,595</u>	<u>424,600</u>	<u>522,650</u>	<u>98,050</u>
EXPENDITURES:				
Current:				
General government	300	200		200
Total expenditures	<u>300</u>	<u>200</u>	<u>-</u>	<u>200</u>
Excess of revenues over expenditures	<u>375,295</u>	<u>424,400</u>	<u>522,650</u>	<u>98,250</u>
OTHER FINANCING SOURCES/USES				
Transfers out	<u>(264,450)</u>	<u>(264,450)</u>	<u>(264,450)</u>	<u>-</u>
Total other financing sources/uses	<u>(264,450)</u>	<u>(264,450)</u>	<u>(264,450)</u>	<u>-</u>
Net change in fund balances	110,845	159,950	258,200	98,250
Fund balances at beginning of year	<u>196,466</u>	<u>196,466</u>	<u>196,466</u>	<u>-</u>
Fund balances at end of year	<u>\$ 307,311</u>	<u>356,416</u>	<u>454,666</u>	<u>98,250</u>

CITY OF TEXARKANA, TEXAS

TIRZ #2 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

For the Year Ended September 30, 2015

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Investment earnings:				
Interest and dividends	\$ -			-
Intergovernmental				-
Other	-	10,100		(10,100)
Total revenues	<u>-</u>	<u>10,100</u>	<u>-</u>	<u>(10,100)</u>
EXPENDITURES:				
General government				-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	10,100	-	(10,100)
Fund balances at beginning of year		-		-
Fund balances at end of year	<u>\$ -</u>	<u>10,100</u>	<u>-</u>	<u>(10,100)</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, 2015**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Investment earnings:				
Interest and dividends	\$ 40	80	85	5
Other	37,624	71,990	89,077	17,087
Total revenues	<u>37,664</u>	<u>72,070</u>	<u>89,162</u>	<u>17,092</u>
EXPENDITURES:				
Capital outlay	<u>37,664</u>	<u>7,275</u>	<u>7,275</u>	<u>-</u>
Total expenditures	<u>37,664</u>	<u>7,275</u>	<u>7,275</u>	<u>-</u>
Net change in fund balances	-	64,795	81,887	17,092
Fund balances at beginning of year	<u>(64,716)</u>	<u>(64,716)</u>	<u>(64,716)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (64,716)</u>	<u>79</u>	<u>17,171</u>	<u>17,092</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, 2015**

	<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	-		-
Investment earnings:				
Interest	-	5,000	3,829	(1,171)
Total revenues	<u>100,000</u>	<u>5,000</u>	<u>3,829</u>	<u>(1,171)</u>
EXPENDITURES:				
Current:				
Health and welfare	<u>100,000</u>	<u>500</u>		<u>500</u>
Total expenditures	<u>100,000</u>	<u>500</u>	<u>-</u>	<u>500</u>
Net change in fund balances	-	4,500	3,829	(671)
Fund balances at beginning of year	<u>202,150</u>	<u>202,150</u>	<u>202,150</u>	<u>-</u>
Fund balances at end of year	<u>\$ 202,150</u>	<u>206,650</u>	<u>205,979</u>	<u>(671)</u>

CITY OF TEXARKANA, TEXAS

SUPPORTIVE HOUSING GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2015

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Intergovernmental	\$ 314,449	111,977	90,104	(21,873)
Total revenues	<u>314,449</u>	<u>111,977</u>	<u>90,104</u>	<u>(21,873)</u>
EXPENDITURES:				
Current:				
Health and welfare	314,449	116,766	111,146	5,620
Total expenditures	<u>314,449</u>	<u>116,766</u>	<u>111,146</u>	<u>5,620</u>
Net change in fund balances	-	(4,789)	(21,042)	(16,253)
Fund balances at beginning of year	<u>4,789</u>	<u>4,789</u>	<u>4,789</u>	<u>-</u>
Fund balances at end of year	<u>\$ 4,789</u>	<u>-</u>	<u>(16,253)</u>	<u>(16,253)</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, 2015**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Intergovernmental	\$ -		106,008	106,008
Total revenues	-	-	106,008	106,008
EXPENDITURES:				
Current:				
Health and welfare			114,913	(114,913)
Total expenditures	-	-	114,913	(114,913)
Excess (deficiency) of revenues over expenditures	-	-	(8,905)	(8,905)
OTHER FINANCING SOURCES/USES				
Transfers in			8,905	8,905
Total other financing sources/uses	-	-	8,905	8,905
Net change in fund balances	-	-	-	-
Fund balances at beginning of year				-
Fund balances at end of year	\$ -	-	-	-

CITY OF TEXARKANA, TEXAS

**EPA PETROLEUM GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended September 30, 2015**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Intergovernmental	\$ 162,765	77,427	45,071	(32,356)
Total revenues	<u>162,765</u>	<u>77,427</u>	<u>45,071</u>	<u>(32,356)</u>
EXPENDITURES:				
Current:				
Health and welfare	162,765	76,810	45,071	31,739
Total expenditures	<u>162,765</u>	<u>76,810</u>	<u>45,071</u>	<u>31,739</u>
Net change in fund balances	-	617	-	(617)
Fund balances at beginning of year	<u>(617)</u>	<u>(617)</u>	<u>(617)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (617)</u>	<u>-</u>	<u>(617)</u>	<u>(617)</u>

CITY OF TEXARKANA, TEXAS

**EPA JOB TRAINING GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended September 30, 2015**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Intergovernmental	\$ -			-
Total revenues	-	-	-	-
EXPENDITURES:				
Current:				
Health and welfare		1,971		1,971
Total expenditures	-	1,971	-	1,971
Net change in fund balances	-	(1,971)	-	1,971
Fund balances at beginning of year	1,971	1,971	1,971	-
Fund balances at end of year	\$ 1,971	-	1,971	1,971

CITY OF TEXARKANA, TEXAS

**EPA REVOLVING LOAN GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2015**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Intergovernmental	\$ 837,333	354,130	12,256	(341,874)
Total revenues	<u>837,333</u>	<u>354,130</u>	<u>12,256</u>	<u>(341,874)</u>
EXPENDITURES:				
Current:				
Health and welfare	834,333	356,725	29,873	326,852
Capital outlay	3,000	1,250		1,250
Total expenditures	<u>837,333</u>	<u>357,975</u>	<u>29,873</u>	<u>328,102</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(3,845)</u>	<u>(17,617)</u>	<u>(13,772)</u>
OTHER FINANCING SOURCES/USES				
Transfers in			10,005	10,005
Total other financing sources/uses	<u>-</u>	<u>-</u>	<u>10,005</u>	<u>10,005</u>
Net change in fund balances	-	(3,845)	(7,612)	(3,767)
Fund balances at beginning of year	<u>3,845</u>	<u>3,845</u>	<u>3,845</u>	<u>-</u>
Fund balances at end of year	<u>\$ 3,845</u>	<u>-</u>	<u>(3,767)</u>	<u>(3,767)</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, 2015**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES:				
Intergovernmental	\$ 188,236	72,288	3,646	(68,642)
Total revenues	<u>188,236</u>	<u>72,288</u>	<u>3,646</u>	<u>(68,642)</u>
EXPENDITURES:				
Current:				
Health and welfare	188,236	83,057	9,460	73,597
Total expenditures	<u>188,236</u>	<u>83,057</u>	<u>9,460</u>	<u>73,597</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(10,769)</u>	<u>(5,814)</u>	<u>4,955</u>
OTHER FINANCING SOURCES/USES				
Transfers in			5,814	5,814
Total other financing sources/uses	<u>-</u>	<u>-</u>	<u>5,814</u>	<u>5,814</u>
Net change in fund balances	-	(10,769)	-	10,769
Fund balances at beginning of year	<u>10,769</u>	<u>10,769</u>	<u>10,769</u>	<u>-</u>
Fund balances at end of year	<u>\$ 10,769</u>	<u>-</u>	<u>10,769</u>	<u>10,769</u>

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Nonmajor Enterprise Funds

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

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

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

CITY OF TEXARKANA, TEXAS

COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS

September 30, 2015

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
ASSETS			
Current assets:			
Cash	\$ -	147,847	147,847
Receivables (net of allowance for uncollectible):			
Accounts	143,958	39,326	183,284
Due from other funds	119,065		119,065
Total current assets	<u>263,023</u>	<u>187,173</u>	<u>450,196</u>
Noncurrent assets:			
Restricted assets:			
Cash	846,097	120,590	966,687
Accounts receivable		131,494	131,494
Total noncurrent assets	<u>846,097</u>	<u>252,084</u>	<u>1,098,181</u>
TOTAL ASSETS	<u>1,109,120</u>	<u>439,257</u>	<u>1,548,377</u>
LIABILITIES			
Current liabilities:			
Accounts payable	12,024	58,616	70,640
Accrued liabilities		4,131	4,131
Due to other funds	70	130,330	130,400
Total current liabilities	<u>12,094</u>	<u>193,077</u>	<u>205,171</u>
Noncurrent liabilities:			
Capital improvement deposits	1,097,026	246,180	1,343,206
Total noncurrent liabilities	<u>1,097,026</u>	<u>246,180</u>	<u>1,343,206</u>
TOTAL LIABILITIES	<u>1,109,120</u>	<u>439,257</u>	<u>1,548,377</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, 2015**

	<i>Lake Texarkana Water Supply Corporation</i>	<i>International Paper Company Water System Contract Fund</i>	<i>Total</i>
OPERATING REVENUES			
Water sales	\$ -	935,215	935,215
Total operating revenues	<u>-</u>	<u>935,215</u>	<u>935,215</u>
OPERATING EXPENSES			
Contract water & sewer expense-International Paper		938,191	938,191
Total operating expense	<u>-</u>	<u>938,191</u>	<u>938,191</u>
Operating income (loss)	<u>-</u>	<u>(2,976)</u>	<u>(2,976)</u>
NONOPERATING REVENUES			
Interest revenue - investments		606	606
Total nonoperating revenues	<u>-</u>	<u>606</u>	<u>606</u>
Income before contributions	-	(2,370)	(2,370)
Capital contributions		2,370	2,370
Change in net position	-	-	-
Total net position, beginning of year			-
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, 2015

	<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	\$ -	1,224,217	1,224,217
Cash paid to suppliers		(1,006,242)	(1,006,242)
Cash paid to employees		(103,537)	(103,537)
Net cash provided (used) from operating activities	<u>-</u>	<u>114,438</u>	<u>114,438</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(641,227)		(641,227)
Capital improvement deposits received	631,951	2,371	634,322
Interest received on capital improvement deposits	3,309		3,309
Net cash used from capital and related financing activities	<u>(5,967)</u>	<u>2,371</u>	<u>(3,596)</u>
Cash flows from investing activities:			
Interest received on investments		606	606
Net cash provided from investing activities	<u>-</u>	<u>606</u>	<u>606</u>
Net increase in cash	(5,967)	117,415	111,448
Cash, beginning of year	<u>852,064</u>	<u>151,022</u>	<u>1,003,086</u>
Cash, end of year	<u>\$ 846,097</u>	<u>268,437</u>	<u>1,114,534</u>

CITY OF TEXARKANA, TEXAS

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the Year Ended September 30, 2015

	<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)	\$ -	(2,976)	(2,976)
Adjustments to reconcile operating income to net cash provided by operating activities:			
(Increase) decrease in assets:			
Accounts receivable		289,002	289,002
Increase (decrease) in liabilities:			
Accounts payable		(23,953)	(23,953)
Accrued liabilities		1,243	1,243
Due to other funds		(148,878)	(148,878)
Total adjustments	-	117,414	117,414
Net cash provided from operating activities	\$ -	114,438	114,438

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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, 2015

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
ASSETS			
Current assets:			
Cash	\$ 2,107,967	439,490	2,547,457
Receivables (net of allowance for uncollectible):			
Accounts	539,562		539,562
Other government agencies	42,934		42,934
Inventory		16,900	16,900
Total current assets	<u>2,690,463</u>	<u>456,390</u>	<u>3,146,853</u>
Noncurrent assets:			
Capital assets (net of accumulated depreciation)			
Buildings		78,497	78,497
Improvements other than buildings		17,482	17,482
Machinery and equipment		22,514	22,514
Licensed vehicles		29,088	29,088
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>147,581</u>	<u>147,581</u>
TOTAL ASSETS	<u>2,690,463</u>	<u>603,971</u>	<u>3,294,434</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,050,509	31,121	1,081,630
Accrued payroll		8,938	8,938
TOTAL LIABILITIES	<u>1,050,509</u>	<u>40,059</u>	<u>1,090,568</u>
NET POSITION			
Net invested in capital assets		147,581	147,581
Unrestricted	1,639,954	416,331	2,056,285
TOTAL NET POSITION	<u>\$ 1,639,954</u>	<u>563,912</u>	<u>2,203,866</u>

CITY OF TEXARKANA, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS For the Year Ended September 30, 2015

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
OPERATING REVENUES			
Charges for services	\$ 5,926,590	151,041	6,077,631
Other		27,986	27,986
Total revenues	<u>5,926,590</u>	<u>179,027</u>	<u>6,105,617</u>
OPERATING EXPENSES			
Benefit payments	5,604,540		5,604,540
Cost of sales and service		1,236,157	1,236,157
Depreciation		18,766	18,766
Total expenditures	<u>5,604,540</u>	<u>1,254,923</u>	<u>6,859,463</u>
Operating income (loss)	<u>322,050</u>	<u>(1,075,896)</u>	<u>(753,846)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	5,292	1,306	6,598
Total nonoperating revenues (expenses)	<u>5,292</u>	<u>1,306</u>	<u>6,598</u>
Income (loss) before transfers	327,342	(1,074,590)	(747,248)
Transfers in		1,117,500	1,117,500
Transfers out		(1,777)	(1,777)
Change in net position	327,342	41,133	368,475
Total net position - beginning	<u>1,312,612</u>	<u>522,779</u>	<u>1,835,391</u>
Total net position - ending	<u>\$ 1,639,954</u>	<u>563,912</u>	<u>2,203,866</u>

CITY OF TEXARKANA, TEXAS

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended September 30, 2015

	<i>Employee Benefit</i>	<i>Fleet Services</i>	<i>Total</i>
Cash flows from operating activities:			
Cash received from users	\$ 1,133,219		1,133,219
Cash received from interfund services provided and used	4,227,877	1,315,110	5,542,987
Cash paid to suppliers	(5,213,219)	(992,528)	(6,205,747)
Cash paid to employees		(246,656)	(246,656)
Net cash provided from operating activities	<u>147,877</u>	<u>75,926</u>	<u>223,803</u>
Cash flows from noncapital financing activities:			
Transfers to other funds		(1,777)	(1,777)
Net cash provided (used) from noncapital financing activities	<u>-</u>	<u>(1,777)</u>	<u>(1,777)</u>
Cash flows from investing activities:			
Interest received from investment	5,292	1,306	6,598
Net cash provided from investing activities	<u>5,292</u>	<u>1,306</u>	<u>6,598</u>
Net increase in cash	153,169	75,455	228,624
Cash at beginning of year	1,954,798	364,035	2,318,833
Cash at end of year	<u>2,107,967</u>	<u>439,490</u>	<u>2,547,457</u>
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities</u>			
Operating income (loss)	322,050	(1,075,896)	(753,846)
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities			
Depreciation		18,766	18,766
Transfers from other funds		1,117,500	1,117,500
(Increase) decrease in assets:			
Accounts receivable	(531,698)	18,496	(513,202)
Due from other government agencies	(33,796)	87	(33,709)
Due from other funds	(1,346)		(1,346)
Inventory		(1,609)	(1,609)
Increase (decrease) in liabilities:			
Accrued liabilities	392,667	(3,752)	388,915
Accrued payroll		2,110	2,110
Due to other funds		224	224
Total adjustments	<u>(174,173)</u>	<u>1,151,822</u>	<u>977,649</u>
Net cash provided by operating activities	<u>\$ 147,877</u>	<u>75,926</u>	<u>223,803</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, 2015

	<i>Balance October 1, 2014</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance September 30, 2015</i>
POLICE EVIDENCE FUND				
Assets				
Cash	\$ 16,830	101	(101)	16,830
Total Assets	<u>16,830</u>	<u>101</u>	<u>(101)</u>	<u>16,830</u>
Liabilities				
Escrow Deposits	16,830			16,830
Total Liabilities	<u>16,830</u>	<u>-</u>	<u>-</u>	<u>16,830</u>
Net position	<u>-</u>	<u>101</u>	<u>(101)</u>	<u>-</u>
DRUG ENFORCEMENT ESCROW FUND				
Assets				
Cash	23,644	56,375	(1,621)	78,398
Total Assets	<u>23,644</u>	<u>56,375</u>	<u>(1,621)</u>	<u>78,398</u>
Liabilities				
Escrow deposits	23,644	(1,380)	56,134	78,398
Total liabilities	<u>23,644</u>	<u>(1,380)</u>	<u>56,134</u>	<u>78,398</u>
Net position	<u>-</u>	<u>57,755</u>	<u>(57,755)</u>	<u>-</u>
TOTAL ALL AGENCY FUNDS				
Assets				
Cash	40,474	56,476	(1,722)	95,228
Total assets	<u>40,474</u>	<u>56,476</u>	<u>(1,722)</u>	<u>95,228</u>
Liabilities				
Escrow deposits	40,474	(1,380)	56,134	95,228
Total liabilities	<u>40,474</u>	<u>(1,380)</u>	<u>56,134</u>	<u>95,228</u>
Net position	<u>\$ -</u>	<u>57,856</u>	<u>(57,856)</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, 2015

Governmental funds capital assets:

Land	\$ 46,839,655
Buildings	31,375,874
Improvements other than buildings	8,417,981
Infrastructure	118,726,701
Machinery and equipment	4,709,092
Licensed vehicles	9,153,053
Construction in progress	3,879,099
Total governmental funds capital assets	<u>\$ 223,101,455</u>

Investments in governmental funds capital assets by source:

General fund	\$ 138,557,686
Special revenue funds	4,876,940
Capital projects funds	79,666,829
Total governmental funds capital assets	<u>\$ 223,101,455</u>

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

CITY OF TEXARKANA, TEXAS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION AND ACTIVITY September 30, 2015

Function and activity	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>	<u>Infrastructure</u>
General government				
City manager				
Quality assurance				
Municipal court		18,976		
Finance administration				
Purchasing		374,743		
Accounting				
Building maintenance		1,900,832	133,102	
Economic development				244,500
Other - unclassified	46,839,655			
Total general government	<u>46,839,655</u>	<u>2,294,551</u>	<u>133,102</u>	<u>244,500</u>
Public safety				
Police administration		12,069,245	167,088	
Patrol division				
Services division		63,000		
Criminal investigation				
Commercial vehicle enforcement				
Code enforcement				
Animal control				
Special operations				
Narcotics				
Narcotics operations				
JAG Grant				
Law enforcement				
Fire administration		13,563		
Fire operations		1,652,789	136,236	12,493
Fire prevention				
Fire training		791,009		
Emergency management		6,450		11,109
Total public safety	<u>-</u>	<u>14,596,056</u>	<u>303,324</u>	<u>23,602</u>
Public works				
Engineering design				
Urban transportation				
Street maintenance		499,758	750,364	111,898,970
Inspection				
Sign and signal		249,164	64,064	2,684,999
Stormwater management				888,257
Downtown enhancement				
Total public works	<u>-</u>	<u>748,922</u>	<u>814,428</u>	<u>115,472,226</u>

<i><u>Machinery and Equipment</u></i>	<i><u>Licensed Vehicles</u></i>	<i><u>Construction in Progress</u></i>	<i><u>Total</u></i>
14,323			14,323
16,958			16,958
70,567			89,543
340,605			340,605
166,667			541,410
			-
9,668			2,043,602
			244,500
			46,839,655
<u>618,788</u>	<u>-</u>	<u>-</u>	<u>50,130,596</u>
6,000	892,714	160,844	13,295,891
145,396	860,382		1,005,778
11,017	174,031		248,048
30,452	242,913		273,365
5,795	51,625		57,420
10,808	19,206		30,014
	80,170		80,170
15,188	15,250		30,438
14,150			14,150
30,320	73,434		103,754
31,350			31,350
14,414			14,414
	99,749		113,312
304,627	3,151,201		5,257,346
14,309	46,516		60,825
	17,424		808,433
231,179	32,175		280,913
<u>865,005</u>	<u>5,756,790</u>	<u>160,844</u>	<u>21,705,621</u>
81,923	65,133		147,056
6,950			6,950
993,191	2,361,566	2,912,779	119,416,628
20,355	95,667		116,022
118,310	265,825		3,382,362
310,388			1,198,645
		803,547	803,547
<u>1,531,117</u>	<u>2,788,191</u>	<u>3,716,326</u>	<u>125,071,210</u>

CITY OF TEXARKANA, TEXAS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION AND ACTIVITY September 30, 2015

Function and activity	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>	<u>Infrastructure</u>
Health and welfare				
Community development		6,500		
Environmental services				
Farmers' market				107,792
Total health and welfare	-	6,500	-	107,792
Parks and recreation				
Parks and recreation administration				
Parks maintenance		2,435,847	2,028,735	2,693,482
Recreational programs		60,468	3,983,926	5,740
Perot Theatre		3,061,434	51,468	
Perot Theatre building maintenance		253,162		
Senior citizens programs		103,800	70,084	
Beverly Center		125,960		
Sports Promotion				
Library		2,621,241	46,228	67,149
Convention Center		5,067,933	986,686	112,210
Total parks and recreation	-	13,729,845	7,167,127	2,878,581
Total governmental funds capital assets	\$ 46,839,655	31,375,874	8,417,981	118,726,701

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

<u>Machinery and Equipment</u>	<u>Licensed Vehicles</u>	<u>Construction in Progress</u>	<u>Total</u>
	16,600		23,100
11,271	32,829	1,929	46,029
6,100			113,892
<u>17,371</u>	<u>49,429</u>	<u>1,929</u>	<u>183,021</u>
6,100			6,100
1,086,906	558,643		8,803,613
69,418			4,119,552
82,330			3,195,232
57,950			311,112
			173,884
			125,960
50,540			50,540
6,438			2,741,056
317,129			6,483,958
<u>1,676,811</u>	<u>558,643</u>	<u>-</u>	<u>26,011,007</u>
<u>4,709,092</u>	<u>9,153,053</u>	<u>3,879,099</u>	<u>223,101,455</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, 2015

Function and activity	Governmental Funds Capital Assets 9/30/2014	Additions
General government		
City manager	\$ 8,985	5,338
Quality assurance	16,958	
Municipal court	79,348	10,195
Finance administration	340,605	
Purchasing	541,410	
Accounting	-	
Building maintenance	2,043,602	
Economic development	244,500	
Other - unclassified	46,766,807	
Total general government	<u>50,042,215</u>	<u>15,533</u>
Public safety		
Police administration	12,805,191	490,700
Patrol division	1,040,932	
Services division	230,772	17,276
Criminal investigation	273,365	
Commercial vehicle enforcement	57,420	
Code enforcement	30,014	
Animal control	80,170	
Special operations	30,438	
Narcotics	14,150	
Narcotics operations	80,212	23,542
JAG Grant	-	31,350
Law enforcement	14,414	
Fire administration	29,561	49,880
Fire operations	5,989,917	
Fire prevention	60,825	
Fire training	808,433	
Emergency management	280,913	
Total public safety	<u>21,826,727</u>	<u>612,748</u>
Public works		
Engineering design	147,056	
Urban transportation	6,950	
Street maintenance	116,019,247	4,192,331
Inspection	97,836	
Sign and signal	3,361,673	
Stormwater management	440,238	36,305
Downtown enhancement	240,041	563,506
Total public works	<u>120,313,041</u>	<u>4,792,142</u>

<u>Deductions</u>	<u>Transfers</u>	<u>Governmental Funds Capital Assets 9/30/2015</u>
		14,323
		16,958
		89,543
		340,605
		541,410
		-
		2,043,602
		244,500
	72,848	46,839,655
<u>-</u>	<u>72,848</u>	<u>50,130,596</u>
		13,295,891
(35,154)		1,005,778
		248,048
		273,365
		57,420
		30,014
		80,170
		30,438
		14,150
		103,754
		31,350
		14,414
	33,871	113,312
(732,571)		5,257,346
		60,825
		808,433
		280,913
<u>(767,725)</u>	<u>33,871</u>	<u>21,705,621</u>
		147,056
		6,950
	(794,950)	119,416,628
	18,186	116,022
	20,689	3,382,362
	722,102	1,198,645
		803,547
<u>-</u>	<u>(33,973)</u>	<u>125,071,210</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, 2015

Function and activity	<i>Governmental Funds Capital Assets 9/30/2014</i>	<i>Additions</i>
Health and welfare		
Community development	23,100	
Environmental services	44,100	1,929
Farmers' market	113,892	
Total health and welfare	<u>181,092</u>	<u>1,929</u>
Parks and recreation		
Parks and recreation administration	6,100	
Parks maintenance	8,812,314	64,045
Recreational programs	4,119,552	
Perot Theatre	3,195,232	
Perot Theatre building maintenance	210,023	101,089
Senior citizens programs	173,884	
Beverly Center	125,960	
Sports Promotion	34,540	16,000
Library	2,741,056	
Convention Center	6,483,958	
Total parks and recreation	<u>25,902,619</u>	<u>181,134</u>
Total governmental funds capital assets	<u>218,265,694</u>	<u>5,603,486</u>

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

<u>Deductions</u>	<u>Transfers</u>	<i>Governmental Funds Capital Assets 9/30/2015</i>
		23,100
		46,029
		<u>113,892</u>
<u>-</u>	<u>-</u>	<u>183,021</u>
		6,100
	(72,746)	8,803,613
		4,119,552
		3,195,232
		311,112
		173,884
		125,960
		50,540
		2,741,056
		<u>6,483,958</u>
<u>-</u>	<u>(72,746)</u>	<u>26,011,007</u>
<u>(767,725)</u>	<u>-</u>	<u>223,101,455</u>

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Component Unit

CITY OF TEXARKANA, TEXAS

BALANCE SHEET COMPONENT UNIT - HEALTH CENTER September 30, 2015

ASSETS

Cash	\$ 274,172
Receivables (net of allowance for uncollectible):	
Other government agencies	<u>129,239</u>
TOTAL ASSETS	<u>403,411</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	25,874
Accrued payroll	15,642
Deferred revenue	<u>37,987</u>
TOTAL LIABILITIES	<u>79,503</u>

Fund Balances:

Unassigned	<u>323,908</u>
TOTAL FUND BALANCES	<u>323,908</u>

TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 403,411</u>
--	--------------------------

CITY OF TEXARKANA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE COMPONENT UNIT - HEALTH CENTER For the Year Ended September 30, 2015

REVENUES

Charges for services	\$ 236,437
Grants and entitlements	706,973
Investment earnings:	
Interest and dividends	767
Intergovernmental	154,245
Other	105
Total revenues	<u>1,098,527</u>

EXPENDITURES

Current:	
Health and welfare	<u>1,039,991</u>
Total expenditures	<u>1,039,991</u>
Net change in fund balance	58,536
Fund balance at beginning of year	<u>265,372</u>
Fund balance at end of year	<u>\$ 323,908</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities:					
Net invested in capital assets	\$ 75,882,325	76,103,232	76,349,021	75,187,833	75,989,018
Restricted	3,858,131	3,808,754	3,955,059	4,597,610	3,527,351
Unrestricted	10,442,284	16,623,006	14,341,579	16,619,162	16,705,965
Total governmental activities net position	<u>90,182,740</u>	<u>96,534,992</u>	<u>94,645,659</u>	<u>96,404,605</u>	<u>96,222,334</u>
Business-type activities:					
Net invested in capital assets	53,583,586	55,838,951	57,848,213	57,582,403	56,910,208
Restricted	7,524,832	8,176,712	6,458,586	7,646,353	9,365,905
Unrestricted	7,207,285	6,079,546	5,662,181	4,777,364	4,719,398
Total business-type activities net position	<u>68,315,703</u>	<u>70,095,209</u>	<u>69,968,980</u>	<u>70,006,120</u>	<u>70,995,511</u>
Primary government					
Net invested in capital assets	129,465,911	131,942,183	134,197,234	132,770,236	132,899,226
Restricted	11,382,963	11,985,466	10,413,645	12,243,963	12,893,256
Unrestricted	17,649,569	22,702,552	20,003,760	21,396,526	21,425,363
Total primary government net position	<u>\$ 158,498,443</u>	<u>166,630,201</u>	<u>164,614,639</u>	<u>166,410,725</u>	<u>167,217,845</u>

Unaudited -see accompanying auditors' report

<i>Fiscal Year</i>				
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
73,083,340	77,541,533	82,719,452	83,155,796	85,106,547
22,377,550	16,346,523	13,196,487	8,118,578	4,277,958
395,143	5,992,540	5,815,734	11,274,308	4,979,007
<u>95,856,033</u>	<u>99,880,596</u>	<u>101,731,673</u>	<u>102,548,682</u>	<u>94,363,512</u>
58,447,526	59,671,961	58,503,625	57,691,676	58,283,054
9,068,969	6,302,773	8,744,657	10,809,056	10,183,541
4,782,683	4,317,249	2,932,377	2,000,694	(314,620)
<u>72,299,178</u>	<u>70,291,983</u>	<u>70,180,659</u>	<u>70,501,426</u>	<u>68,151,975</u>
131,530,866	137,213,494	141,223,077	140,847,472	143,389,601
31,446,519	22,649,296	21,941,144	18,927,634	14,461,499
5,177,826	10,309,789	8,748,111	13,275,002	4,664,387
<u>168,155,211</u>	<u>170,172,579</u>	<u>171,912,332</u>	<u>173,050,108</u>	<u>162,515,487</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses				
Governmental activities:				
Current:				
General government	\$ 6,146,510	6,612,065	7,494,737	6,677,826
Public safety	13,182,978	13,517,972	13,812,910	16,495,996
Public works	5,832,473	5,956,957	5,682,854	6,755,059
Parks and recreation	2,520,349	2,632,806	2,926,214	2,755,050
Health and welfare	1,250,425	1,260,117	1,391,078	1,724,892
Interest on long-term debt	2,056,693	1,954,819	1,947,304	1,868,860
Total governmental activities expenses	<u>30,989,428</u>	<u>31,934,736</u>	<u>33,255,097</u>	<u>36,277,683</u>
Business-type activities:				
Water and Sewer	<u>13,348,455</u>	<u>13,931,868</u>	<u>15,361,311</u>	<u>16,166,206</u>
Total business-type activities expenses	<u>13,348,455</u>	<u>13,931,868</u>	<u>15,361,311</u>	<u>16,166,206</u>
Total primary government expenses	<u>44,337,883</u>	<u>45,866,604</u>	<u>48,616,408</u>	<u>52,443,889</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	995,303	1,081,360	966,780	978,806
Public safety	1,488,121	1,506,126	1,839,093	2,148,979
Other activities	459,752	496,407	607,380	572,359
Operating grants and contributions	1,183,307	1,616,829	1,476,933	2,513,783
Capital grants and contributions			355,900	
Total governmental activities program revenues	<u>4,126,483</u>	<u>4,700,722</u>	<u>5,246,086</u>	<u>6,213,927</u>
Business-type activities:				
Charges for services:				
Water and sewer	14,351,535	13,453,857	13,988,748	15,184,072
Capital grants and contributions	1,054	879,848	41,822	
Total business-type activities program revenues	<u>14,352,589</u>	<u>14,333,705</u>	<u>14,030,570</u>	<u>15,184,072</u>
Total primary government program revenues	<u>\$ 18,479,072</u>	<u>19,034,427</u>	<u>19,276,656</u>	<u>21,397,999</u>

Unaudited -see accompanying auditors' report

Fiscal Year

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
6,009,327	5,523,459	5,984,631	6,797,714	7,114,857	7,416,500
17,460,252	17,142,327	17,624,401	16,886,838	16,681,701	16,272,709
7,271,760	7,117,788	7,461,167	7,498,517	7,545,126	7,464,975
2,906,975	3,027,226	2,918,560	3,379,678	3,012,271	3,408,188
1,630,227	1,659,584	2,451,906	2,335,011	1,915,780	1,436,864
2,246,394	2,747,460	2,593,982	2,167,516	2,262,532	2,043,793
<u>37,524,935</u>	<u>37,217,844</u>	<u>39,034,647</u>	<u>39,065,274</u>	<u>38,532,267</u>	<u>38,043,029</u>
16,154,126	15,592,718	15,840,902	15,813,999	15,841,333	15,736,026
16,154,126	15,592,718	15,840,902	15,813,999	15,841,333	15,736,026
<u>53,679,061</u>	<u>52,810,562</u>	<u>54,875,549</u>	<u>54,879,273</u>	<u>54,373,600</u>	<u>53,779,055</u>
1,057,194	957,111	583,956	981,567	887,114	812,556
1,735,896	1,619,345	1,725,816	1,698,464	1,733,651	2,192,611
678,445	645,522	581,768	748,273	756,869	1,020,804
1,552,787	1,133,876	2,467,647	1,851,104	1,323,001	1,514,552
293,158			566,142	808,174	
<u>5,317,480</u>	<u>4,355,854</u>	<u>5,359,187</u>	<u>5,845,550</u>	<u>5,508,809</u>	<u>5,540,523</u>
15,259,196	16,030,015	16,136,042	15,642,192	15,198,786	15,448,372
199,074			39,387	38,071	118,869
<u>15,458,270</u>	<u>16,030,015</u>	<u>16,136,042</u>	<u>15,681,579</u>	<u>15,236,857</u>	<u>15,567,241</u>
<u>20,775,750</u>	<u>20,385,869</u>	<u>21,495,229</u>	<u>21,527,129</u>	<u>20,745,666</u>	<u>21,107,764</u>

(Continued)

CITY OF TEXARKANA, TEXAS

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

	<i>Fiscal Year</i>			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net (Expense)/Revenue				
Governmental activities	(26,862,945)	(27,234,014)	(28,009,011)	(30,063,756)
Business-type activities	1,004,134	401,837	(1,330,741)	(982,134)
Total primary government net expense	<u>(25,858,811)</u>	<u>(26,832,177)</u>	<u>(29,339,752)</u>	<u>(31,045,890)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	9,959,722	10,689,899	11,456,172	13,346,908
Sales taxes	12,349,822	12,861,211	13,045,922	13,392,204
Franchise taxes	2,165,122	2,160,078	2,230,071	2,196,103
Other taxes	919,402	892,562	1,261,153	1,183,855
Unrestricted investment earnings	1,603,970	1,425,700	663,762	198,386
Gain on sale of capital assets	6,398	62,273		
Miscellaneous	178,743	627,374	1,231,150	1,486,346
Transfers	36,703	14,308	17,325	18,900
Total governmental activities	<u>27,219,882</u>	<u>28,733,405</u>	<u>29,905,555</u>	<u>31,822,702</u>
Business-type activities:				
Unrestricted investment earnings	583,293	669,904	348,128	94,880
Gain on sale of capital assets				
Miscellaneous	751,105	722,073	873,709	943,294
Transfers	(36,703)	(14,308)	(17,325)	(18,900)
Total business-type activities program revenues	<u>1,297,695</u>	<u>1,377,669</u>	<u>1,204,512</u>	<u>1,019,274</u>
Change in Net Position				
Governmental activities	356,937	1,499,391	1,896,544	1,758,946
Business-type activities	2,301,829	1,779,506	(126,229)	37,140
Total primary government	<u>2,658,766</u>	<u>3,278,897</u>	<u>1,770,315</u>	<u>1,796,086</u>

<i>Fiscal Year</i>					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
(32,207,455)	(32,861,990)	(33,675,460)	(33,219,724)	(33,023,458)	(32,502,506)
(695,856)	437,297	295,140	(132,420)	(604,476)	(168,785)
<u>(32,903,311)</u>	<u>(32,424,693)</u>	<u>(33,380,320)</u>	<u>(33,352,144)</u>	<u>(33,627,934)</u>	<u>(32,671,291)</u>
13,584,920	13,655,104	15,577,638	15,763,817	16,450,285	16,304,576
13,148,821	13,800,353	14,114,271	14,326,770	14,735,398	15,164,177
2,197,528	2,070,004	2,002,603	2,005,690	2,006,662	1,970,362
1,379,404	1,278,680	1,264,118	1,351,583	1,248,856	1,273,131
243,935	211,155	186,700	170,967	88,788	107,914
1,451,676	1,211,493	1,235,793	365,470	169,481	89,385
18,900	268,900	3,318,900	1,086,504	18,900	180,820
<u>32,025,184</u>	<u>32,495,689</u>	<u>37,700,023</u>	<u>35,070,801</u>	<u>34,718,370</u>	<u>35,109,265</u>
48,472	65,121	50,601	38,346	62,088	60,910
1,655,675	1,070,149	965,964	1,069,254	1,055,847	1,140,886
(18,900)	(268,900)	(3,318,900)	(1,086,504)	(18,900)	(18,900)
<u>1,685,247</u>	<u>866,370</u>	<u>(2,302,335)</u>	<u>21,096</u>	<u>1,099,035</u>	<u>1,182,896</u>
(182,271)	(366,301)	4,024,563	1,851,077	1,694,912	2,606,759
989,391	1,303,667	(2,007,195)	(111,324)	494,559	1,014,111
<u>807,120</u>	<u>937,366</u>	<u>2,017,368</u>	<u>1,739,753</u>	<u>2,189,471</u>	<u>3,620,870</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Function/ Program					
Governmental activities:					
General government	\$ 1,035,897	1,231,574	1,565,525	1,436,165	1,385,662
Public safety	1,831,168	2,019,494	2,153,738	2,991,916	2,604,636
Public works	313,885	444,022	671,838	446,057	509,842
Parks and Recreation	167,308	199,088	167,696	238,500	296,044
Health and welfare	778,225	806,544	687,289	1,101,289	521,296
Subtotal governmental activities	<u>4,126,483</u>	<u>4,700,722</u>	<u>5,246,086</u>	<u>6,213,927</u>	<u>5,317,480</u>
<i>Business-type activities:</i>					
Water and sewer	<u>14,352,589</u>	<u>14,333,705</u>	<u>14,030,570</u>	<u>15,184,072</u>	<u>15,458,270</u>
Subtotal business-type activities	<u>14,352,589</u>	<u>14,333,705</u>	<u>14,030,570</u>	<u>15,184,072</u>	<u>15,458,270</u>
Total primary government	<u>\$ 18,479,072</u>	<u>19,034,427</u>	<u>19,276,656</u>	<u>21,397,999</u>	<u>20,775,750</u>

Unaudited -see accompanying auditors' report

Program Revenues

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1,049,720	750,688	1,145,219	1,061,405	1,436,416
2,112,675	2,321,374	1,988,390	2,252,465	2,502,162
223,836	332,797	680,520	979,029	564,645
315,563	527,139	365,251	355,000	304,110
654,060	1,427,189	1,666,170	860,910	733,190
<u>4,355,854</u>	<u>5,359,187</u>	<u>5,845,550</u>	<u>5,508,809</u>	<u>5,540,523</u>
<u>16,030,015</u>	<u>16,136,042</u>	<u>15,681,579</u>	<u>15,236,857</u>	<u>15,567,241</u>
<u>16,030,015</u>	<u>16,136,042</u>	<u>15,681,579</u>	<u>15,236,857</u>	<u>15,567,241</u>
<u>20,385,869</u>	<u>21,495,229</u>	<u>21,527,129</u>	<u>20,745,666</u>	<u>21,107,764</u>

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund					
Reserved	\$ 384,658	425,905	491,130	372,368	379,637
Unreserved	732,852	504,565	205,066	551,949	1,550,244
Nonspendable					
Restricted					
Committed					
Assigned					
Unassigned	<u>1,985,615</u>	<u>2,990,900</u>	<u>3,595,302</u>	<u>4,245,301</u>	<u>3,371,709</u>
Total General Fund	<u><u>3,103,125</u></u>	<u><u>3,921,370</u></u>	<u><u>4,291,498</u></u>	<u><u>5,169,618</u></u>	<u><u>5,301,590</u></u>
All Other Governmental Funds					
Reserved	21,604,607	12,395,257	7,093,884	4,356,314	25,434,284
Unreserved, designated for					
Convention center		469,717	827,949	1,183,828	201,975
Unreserved					
Special revenue fund	564,945	1,474,430	1,757,441	2,400,757	2,369,474
Debt service fund	1,588,486	1,779,458	1,748,284	1,707,982	1,538,656
Capital projects fund	1,345,965	1,841,743	786,593	622,126	469,315
Nonspendable					
Special revenue fund					
Restricted					
Special revenue fund					
Debt service fund					
Capital projects fund					
Committed					
Special revenue fund					
Assigned					
Special revenue fund					
Unassigned					
Special revenue fund					
Debt service fund					
Capital projects fund					
Total all other governmental funds	<u><u>\$ 25,104,003</u></u>	<u><u>17,960,605</u></u>	<u><u>12,214,151</u></u>	<u><u>10,271,007</u></u>	<u><u>30,013,704</u></u>

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

Unaudited -see accompanying auditors' report

<i>Fiscal Year</i>				
<u>2011*</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
93,257	101,081	98,990	93,432	88,297
499,889	478,043	330,049	689,448	675,143
			35,000	
2,172,462	462,852	36,021	128,739	268,073
<u>2,785,910</u>	<u>7,808,993</u>	<u>10,327,257</u>	<u>9,304,806</u>	<u>10,511,161</u>
<u>5,551,518</u>	<u>8,850,969</u>	<u>10,792,317</u>	<u>10,251,425</u>	<u>11,542,674</u>
638,311	310,426	261,448	325,693	411,561
1,309,318	854,290	499,913	4,624,343	3,374,742
670,992	318,394			
19,599,146	14,388,271	12,070,107	2,515,323	
1,911,341	1,751,275	1,149,318	1,112,025	1,267,865
697,434	1,371,484	862,925	942,542	1,102,850
(23,568)	(338,733)	(340,465)	(139,462)	(126,023)
	(741,393)	(104,606)	(146,654)	(173,968)
<u>24,802,974</u>	<u>17,914,014</u>	<u>14,398,640</u>	<u>9,233,810</u>	<u>5,857,027</u>

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

Schedule 5

(modified accrual basis of accounting)

	<i>Fiscal Year</i>			
	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
REVENUES:				
Taxes	\$ 25,243,079	26,545,692	27,941,371	30,037,456
Fees and permits	426,164	219,157	309,680	395,834
Charges for services	620,418	775,330	694,878	677,603
Municipal court	1,251,154	1,428,189	1,734,734	2,051,942
Grants and entitlements	939,334	929,462	884,610	1,182,928
Investment earnings	1,557,036	1,377,117	620,674	173,039
Intergovernmental	213,570	504,807	284,794	507,715
Sale of capital assets				
Other	404,529	602,235	1,021,179	935,364
Total revenues	<u>30,655,284</u>	<u>32,381,989</u>	<u>33,491,920</u>	<u>35,961,881</u>
EXPENDITURES:				
Current:				
General government	5,627,117	6,240,999	7,171,027	6,326,081
Public safety	12,428,580	12,823,379	13,615,418	15,178,168
Public works	3,399,674	3,806,711	3,467,370	4,036,371
Parks and recreation	2,076,854	2,151,789	2,496,629	2,159,831
Health and welfare	596,843	674,659	613,902	1,497,632
Miscellaneous	504,364	410,378	612,979	9,609
Capital outlay	6,235,723	9,738,050	7,960,625	3,650,301
Debt service:				
Principal retirement	2,553,606	2,798,292	2,583,789	2,685,087
Interest and fiscal charges	1,682,159	1,588,909	1,573,889	1,502,725
Bond issuance costs	73,907		12,820	
Total expenditures	<u>35,178,827</u>	<u>40,233,166</u>	<u>40,108,448</u>	<u>37,045,805</u>
Excess (deficiency) of revenues over expenditures	<u>(4,523,543)</u>	<u>(7,851,177)</u>	<u>(6,616,528)</u>	<u>(1,083,924)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	404,381	555,206	408,440	488,197
Transfers out	(367,678)	(540,898)	(391,115)	(469,297)
Bonds issued	3,060,000			
Tax notes issued			1,200,000	
Payments to refunded bond escrow agent	(3,024,153)			
Bond premium	-			
Capital lease	288,021	248,619		
Discount on bonds issued				
Total other financing sources (uses)	<u>360,571</u>	<u>262,927</u>	<u>1,217,325</u>	<u>18,900</u>
Net change in fund balances	<u>\$ (4,162,972)</u>	<u>(7,588,250)</u>	<u>(5,399,203)</u>	<u>(1,065,024)</u>
Debt Service as a percentage of noncapital expenditures	14.6%	14.4%	12.9%	12.5%

Unaudited - see accompanying auditors' report

Fiscal Year

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
30,258,026	30,846,064	33,042,265	33,432,131	33,976,724	34,290,500
395,511	200,558	185,615	245,003	241,751	726,386
846,054	760,200	622,632	1,175,867	560,530	377,102
1,648,799	1,723,251	1,715,643	1,631,182	1,652,149	2,023,923
1,013,367	766,275	1,999,673	794,466	626,421	369,114
233,463	199,616	178,533	167,813	79,017	82,785
677,714	289,924	321,621	1,092,352	1,518,657	1,006,232
	780,731				
467,527	335,346	288,508	647,550	447,449	357,902
<u>35,540,461</u>	<u>35,901,965</u>	<u>38,354,490</u>	<u>39,186,364</u>	<u>39,102,698</u>	<u>39,233,944</u>
5,638,878	5,167,206	5,687,089	6,096,316	5,778,132	6,500,409
16,291,717	15,479,970	15,729,556	15,370,410	14,913,921	14,900,200
4,004,301	4,077,566	3,815,722	3,843,357	4,085,840	4,674,794
2,282,880	2,342,064	2,133,616	2,393,470	2,234,747	2,429,448
1,419,374	1,483,147	2,272,270	2,144,737	1,727,656	1,073,624
16,448	11,134				
6,115,692	6,859,040	12,141,083	4,651,366	8,921,568	5,152,652
2,552,290	3,472,228	3,788,802	3,780,647	3,747,283	3,639,164
1,897,567	2,415,565	2,301,087	2,182,138	2,047,350	1,939,214
394,530		219,427	193,000		
<u>40,613,677</u>	<u>41,307,920</u>	<u>48,088,652</u>	<u>40,655,441</u>	<u>43,456,497</u>	<u>40,309,505</u>
<u>(5,073,216)</u>	<u>(5,405,955)</u>	<u>(9,734,162)</u>	<u>(1,469,077)</u>	<u>(4,353,799)</u>	<u>(1,075,561)</u>
593,911	1,510,273	4,277,448	4,472,167	995,874	1,089,860
(752,978)	(1,065,120)	(2,406,073)	(4,630,978)	(2,392,810)	(2,186,683)
24,420,000		14,845,000	14,550,000		
		(11,805,488)	(15,788,017)		
446,830		1,150,861	1,270,367		
332,847		82,905	21,512	45,013	86,851
(92,725)					
<u>24,947,885</u>	<u>445,153</u>	<u>6,144,653</u>	<u>(104,949)</u>	<u>(1,351,923)</u>	<u>(1,009,972)</u>
<u>19,874,669</u>	<u>(4,960,802)</u>	<u>(3,589,509)</u>	<u>(1,574,026)</u>	<u>(5,705,722)</u>	<u>(2,085,533)</u>
12.9%	17.1%	16.9%	16.6%	16.8%	15.9%

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>
2006	\$ 9,891,537	12,349,822	2,165,122	836,598	25,243,079
2007	10,606,159	12,861,211	2,160,079	918,243	26,545,692
2008	11,350,892	13,045,922	2,230,070	1,314,487	27,941,371
2009	13,261,502	13,392,204	2,196,103	1,187,647	30,037,456
2010	13,606,421	13,148,821	2,197,528	1,305,256	30,258,026
2011	13,666,358	13,800,353	2,070,004	1,309,349	30,846,064
2012	15,629,446	14,114,271	2,002,603	1,295,945	33,042,265
2013	15,762,593	14,326,770	2,005,689	1,337,079	33,432,131
2014	15,993,035	14,735,398	2,006,662	1,241,629	33,976,724
2015	15,886,472	15,164,177	1,891,699	1,348,152	34,290,500
Percentage change	-0.67%	2.91%	-5.73%	8.58%	0.92%

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>Total Tax Levy</i>	<i>Tax Distribution</i>		
							<i>General Fund</i>	<i>Debt Service</i>	<i>TIRZ #1</i>
2006	2005	\$ 349,333,095	1,524,200,808	1,873,533,903	0.5265	9,864,056	6,038,775	3,825,281	
2007	2006	343,388,570	1,666,170,594	2,009,559,164	0.5265	10,580,329	6,608,474	3,971,855	
2008	2007	363,820,820	1,789,358,078	2,153,178,898	0.5265	11,339,330	7,593,949	3,745,381	
2009	2008	378,012,082	1,911,219,783	2,289,231,865	0.5831	12,971,666	9,071,086	3,900,580	
2010	2009	388,655,480	1,998,210,887	2,386,866,367	0.5831	13,507,427	9,182,349	4,325,078	
2011	2010	366,108,919	2,104,527,844	2,470,636,763	0.5831	13,533,009	8,925,019	4,502,432	105,558
2012	2011	356,579,341	2,127,490,741	2,484,070,082	0.669293	15,479,476	10,208,714	5,150,022	120,740
2013	2012	366,695,306	2,130,026,677	2,496,721,983	0.669293	15,599,509	10,280,076	5,146,278	173,155
2014	2013	369,660,911	2,156,931,065	2,526,591,976	0.669293	15,886,117	10,364,103	5,075,614	446,400
2015	2014	369,666,514	2,148,580,335	2,518,246,849	0.669293	16,000,266	10,656,177	5,036,884	307,205

Note:

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

Source: Bowie Central Appraisal District

Unaudited - see accompanying auditors' report

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION
Direct and Overlapping Property Tax Rates
(per \$100 of assessed value)
Last Ten Fiscal Years
Schedule 8

<i>Fiscal Year</i>	<i>City Direct Rates</i>			<i>Total City Direct Rate</i>
	<i>General</i>	<i>General Obligation Debt Service</i>	<i>TIRZ #1</i>	
2006	0.3223	0.2042		0.5265
2007	0.3289	0.1976		0.5265
2008	0.3526	0.1739		0.5265
2009	0.4078	0.1753		0.5831
2010	0.3964	0.1867		0.5831
2011	0.3846	0.194	0.0045	0.5831
2012	0.441429	0.222636	0.005228	0.669293
2013	0.41819	0.24368	0.00743	0.669293
2014	0.436613	0.213842	0.018838	0.669293
2015	0.445789	0.21068	0.012824	0.669293

Source: Bowie Central Appraisal District

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

Unaudited -see accompanying auditors' report

Overlapping Rates

<i>Texarkana Independent School District</i>	<i>Bowie County</i>	<i>Texarkana College</i>	<i>Liberty-Eylau Independent School District</i>	<i>Pleasant Grove Independent School District</i>
1.6200	0.3090	0.0827	1.5453	1.6595
1.5116	0.3191	0.0826	1.4390	1.5289
1.339	0.327	0.089591	1.299535	1.44
1.339	0.327	0.09679	1.299193	1.44
1.339	0.3262	0.097527	1.29388	1.44
1.339	0.3262	0.097527	1.29388	1.44
1.339	0.3262	0.105339	1.29622	1.44
1.339	0.3612	0.10527	1.26126	1.44
1.339	0.47361	0.105267	1.26102	1.44
1.425	0.399173	0.105267	1.261	1.44

CITY OF TEXARKANA, TEXAS

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

<u>Taxpayer</u>	<u>Rank</u>	<u>2015</u>	
		<u>2014 Assessed Valuation (1) (2)</u>	<u>Percentage of Total Assessed Valuation</u>
GG&A Central Mall Partners	1	\$ 31,250,308	1.24%
Christus Health ArkLaTex	2	22,698,047	0.90%
AEP Southwestern Electric Power Co	3	21,344,317	0.85%
Arklatex Real Estate	4	13,352,450	0.53%
LPG Apartments LP	5	12,261,516	0.49%
Sterno Candle Lamp	6	12,152,238	0.48%
Orr, William Gregg	7	11,845,056	0.47%
Waggoner Creek Crossing LP	8	11,554,532	0.46%
Walmart Store #01-2123	9	11,000,000	0.44%
Encore MF Texarkana LP	10	10,108,613	0.40%
Merchant Holding Dev LLC			
Candle Corporation of America			
Valor Telecom			
Cowhorn Creek Property, LLC			
Target Corp			
CONDEB LP			
Total principal taxpayers		<u>\$ 157,567,077</u>	<u>6.26%</u>

(1) Net of exemptions

(2) Source - Bowie Central Appraisal District

Unaudited - see accompanying auditors' report

<i>2006</i>		
<i>Rank</i>	<i>2005 Assessed Valuation (1) (2)</i>	<i>Percentage of Total Assessed Valuation</i>
1	\$ 29,749,930	1.59%
2	22,548,600	1.20%
4	19,059,930	1.02%
7	11,012,250	0.59%
3	19,817,720	1.06%
5	17,285,010	0.92%
6	16,981,400	0.91%
8	10,005,430	0.53%
9	9,406,870	0.50%
10	8,665,220	0.46%
	<u>\$ 164,532,360</u>	<u>8.78%</u>

CITY OF TEXARKANA, TEXAS

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

<i>Fiscal Year</i>	<i>Tax Roll Year</i>	<i>Total Tax Levy</i>	<i>Collected within the Fiscal Year of the Levy</i>		<i>Collections in Subsequent Years</i>	<i>Total Collections to Date</i>	
			<i>Amount</i>	<i>Percentage</i>		<i>Amount</i>	<i>Percentage</i>
2006	2005	\$ 9,864,056	9,571,045	97.03%	236,391	9,807,436	99.43%
2007	2006	10,580,329	10,253,335	96.90%	255,169	10,508,504	99.32%
2008	2007	11,339,330	10,918,808	96.29%	235,088	11,153,896	98.36%
2009	2008	12,971,666	12,634,807	97.40%	392,913	13,027,720	100.43%
2010	2009	13,523,534	13,056,769	96.55%	205,755	13,262,524	98.07%
2011	2010	13,533,009	13,150,342	97.17%	236,565	13,386,907	98.92%
2012	2011	15,479,476	15,117,864	97.66%	304,184	15,422,048	99.63%
2013	2012	15,599,509	15,256,890	97.80%	296,341	15,553,231	99.70%
2014	2013	15,886,117	15,514,090	97.66%	286,899	15,800,989	99.46%
2015	2014	16,000,266	15,452,342	96.58%		15,452,342	96.58%

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

Source - Bowie Central Appraisal District.

CITY OF TEXARKANA, TEXAS

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

<i>Fiscal Year</i>	<i>City Direct Rate</i>	<i>Bowie County</i>
2006	1.50%	0.50%
2007	1.50%	0.50%
2008	1.50%	0.50%
2009	1.50%	0.50%
2010	1.50%	0.50%
2011	1.50%	0.50%
2012	1.50%	0.50%
2013	1.50%	0.50%
2014	1.50%	0.50%
2015	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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Residential	1,020,361	944,028	937,401	914,376	926,250
Commercial	722,743	664,667	652,537	585,553	596,290
Member Cities	1,012,144	905,547	936,941	916,698	928,052
Wholesale	<u>752,482</u>	<u>723,824</u>	<u>683,562</u>	<u>676,645</u>	<u>717,840</u>
Total	<u><u>3,507,730</u></u>	<u><u>3,238,066</u></u>	<u><u>3,210,441</u></u>	<u><u>3,093,272</u></u>	<u><u>3,168,432</u></u>
Total Direct Rate					
per 1,000 Gallons					
Residential	\$ 2.43	2.48	2.59	3.01	3.01
Commercial	1.83	1.87	1.95	2.26	2.26
Member Cities	0.64	0.67	0.64	0.98	0.77

(1) Includes TexAmericas Center usage of 270,191 (in 000's).

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1,164,446	1,141,614	1,027,446	1,417,354	1,376,505
735,020	769,874	717,174	991,064	951,031
1,014,877	1,071,608	952,637	874,055	817,986
<u>683,856</u>	<u>650,888</u>	<u>958,491</u>	<u>948,195</u>	<u>918,397</u>
<u><u>3,598,199</u></u>	<u><u>3,633,984</u></u>	<u><u>3,655,748</u></u>	<u><u>4,230,668</u></u>	<u><u>4,063,919</u></u>

3.01	3.01	3.01	3.01	3.01
2.26	2.26	2.26	2.26	2.26
0.65	0.83	0.7308	0.7448	0.7275

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Water and Sewer Rates - Texarkana, Texas Water Utilities

Last Ten Fiscal Years

Schedule 13

<i>Fiscal Year</i>	<i>Water</i>		<i>Sewer</i>	
	<i>Monthly Minimum 2000 Gals</i>	<i>Rate per 1000 Gals Over Minimum</i>	<i>Monthly Minimum 2000 Gals</i>	<i>Rate per 1000 Gals Over Minimum</i>
Residential				
2006	\$ 6.59	2.43	8.89	3.19
2007	6.72	2.48	9.07	3.25
2008	7.01	2.59	9.46	3.39
2009	8.15	3.01	10.52	3.77
2010	8.15	3.01	10.52	3.77
2011	8.15	3.01	10.52	3.77
2012	8.15	3.01	10.52	3.77
2013	8.15	3.01	10.52	3.77
2014	8.15	3.01	10.52	3.77
2015	8.15	3.01	10.52	3.77
Commercial				
2006	7.50	1.83	8.89	3.73
2007	7.65	1.87	9.07	3.80
2008	7.98	1.95	9.46	3.96
2009	9.28	2.26	10.52	4.41
2010	9.28	2.26	10.52	4.41
2011	9.28	2.26	10.52	4.41
2012	9.28	2.26	10.52	4.41
2013	9.28	2.26	10.52	4.41
2014	9.28	2.26	10.52	4.41
2015	9.28	2.26	10.52	4.41

Note: (1) The Commercial minimum for water is based on a 5/8 inch meter. The minimum increases for each size up to \$50 for a 6 inch or larger meter.

(2) Rates for outside the City limit are 50% more than the above.

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

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

Current Year and Nine Years Ago

Schedule 14

<i>Payer</i>	<i>2015</i>			<i>2006</i>		
	<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	\$ 615,350	5.30%	2	\$ 772,071	7.04%
Christus St Michael Hospital	2	303,042	2.61%	6	182,626	1.67%
Wadley Hospital	3	138,630	1.19%	3	255,810	2.33%
Texarkana Housing Authority	4	231,814	2.00%	4	243,187	2.22%
Texarkana Texas ISD	5	153,639	1.32%	5	142,129	1.30%
City of Texarkana, Texas	6	106,558	0.92%			
LaSalle Southwest Corrections	7	149,823	1.29%			
Westridge Apartments	8	112,221	0.97%			
West Fraser	9	47,472	0.41%			
Texarkana College	10	63,480	0.55%			
Alcoa				1	302,835	2.76%
Civigenics Texas Inc.				7	130,618	1.19%
IP Sawmill				8	61,923	0.56%
Richmond Oaks Apartments				9	78,171	0.71%
Woodlands Apartments				10	76,717	0.70%
Totals		<u>\$ 1,922,029</u>	16.56%		<u>\$ 2,246,087</u>	20.48%

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

CITY OF TEXARKANA, TEXAS

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

<i>Fiscal Year</i>	<i>Governmental Activities</i>				
	<i>General Obligation Bonds</i>	<i>Certificates of Obligation</i>	<i>Tax Notes</i>	<i>Installment loans</i>	<i>Capital Leases</i>
2006 (1)	\$ 22,016,817	21,865,680		22,893	628,627
2007	20,625,223	21,281,360		5,818	437,852
2008 (3)	19,301,168	20,617,040	1,200,000		208,852
2009	17,867,429	19,857,720	1,200,000		82,959
2010 (4)	16,509,387	43,564,165	1,160,000		254,195
2011	15,108,573	42,021,874	1,040,000		148,537
2012 (5)	15,808,814	42,125,475	860,000		86,295
2013 (6)(7)	27,636,147	27,263,094			46,935
2014	27,290,448	25,964,808			54,177
2015	25,298,564	24,131,334			96,864

- (1) The City issued \$3,060,000 in General Obligation Refunding Bonds in 2006.
- (2) See Demographic and Economic Statistics Schedule for personal income and population data.
- (3) The City issued \$1,200,000 in Tax Notes in 2009.
- (4) The City issued \$24,420,000 in Certificates of Obligation in 2010.
- (5) The City issued \$4,115,000 in Certificates of Obligation in 2012.
- (6) The City issued \$14,550,000 in General Obligation Refunding Bonds in 2013.
- (7) The City issued \$2,200,000 in Revenue Bonds in 2013.

Unaudited -see accompanying auditors' report

Business-type Activities

<i>Water Revenue Bonds</i>	<i>Capital Leases</i>	<i>Total Primary Government</i>	<i>Percentage of Personal Income(2)</i>	<i>Per Capita(2)</i>
7,882,549	6,470,001	58,886,567	9.01%	1,647
6,930,380	6,129,990	55,410,623	7.21%	1,529
5,963,213	5,900,544	53,190,817	6.56%	1,463
4,961,046	5,674,537	49,643,691	6.23%	1,391
4,478,878	5,685,765	71,652,390	7.77%	1,968
3,971,711	5,497,784	67,788,479	8.09%	1,862
2,689,544	5,229,477	66,799,605	7.88%	1,835
4,489,191	4,985,995	64,421,362	7.59%	1,769
4,132,463	4,734,592	62,176,488	6.91%	1,666
3,727,670	4,516,570	57,771,002	6.33%	1,526

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>
2006	35,750	\$ 1,873,533,903	51,765,046
2007	36,250	2,009,559,164	48,836,963
2008	36,350	2,153,718,898	47,081,421
2009	35,682	2,289,231,865	43,886,195
2010 (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

Notes:

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

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

(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>
1,588,486	7,882,549	42,294,011	2.26	1,183
1,779,458	6,930,380	40,127,125	2.00	1,107
1,748,284	5,963,213	39,369,924	1.83	1,083
1,707,982	4,961,046	37,217,167	1.63	1,043
1,538,656	4,478,878	59,694,896	2.50	1,639
670,992	3,971,711	57,499,455	2.65	1,579
318,397	2,689,544	58,475,892	2.35	1,606
0	4,489,191	54,899,241	2.20	1,484
0	4,132,463	53,255,256	2.11	1,427
0	3,727,670	49,429,898	1.96	1,306

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CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

Direct and Overlapping Governmental Activities Debt

September 30, 2015

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	\$ 49,526,762	100.00%	<u>\$ 49,526,762</u>
Overlapping:			
Texarkana Independent School District	58,138,307	60.01%	34,888,798
Bowie County	34,160,000	38.95%	13,305,320
Liberty-Eylau Independent School District	6,535,000	37.93%	2,478,726
Pleasant Grove School District	32,350,000	71.19%	23,029,965
Red Lick Independent School District	5,065,000	8.03%	<u>406,720</u>
Subtotal - Overlapping debt			<u>74,109,529</u>
Total direct and overlapping			<u><u>\$ 123,636,291</u></u>
Per capita overlapping debt			<u><u>\$ 3,266</u></u>

Source - City and County tax records

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

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION
Legal Debt Margin
Last Ten Fiscal Years
Schedule 18

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Assessed value of real property	<u>\$ 1,521,332,143</u>	<u>1,640,707,284</u>	<u>1,771,117,978</u>	<u>1,997,924,581</u>
Debt limit - 25% of assessed value of real property	<u>380,333,036</u>	<u>410,176,821</u>	<u>442,779,495</u>	<u>499,481,145</u>
Total general obligation bonded debt	22,016,817	20,625,223	-	(4)
Less amount available in Debt Service Fund	<u>(1,588,486)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total amount of debt applicable to debt limit	<u>20,428,331</u>	<u>20,625,223</u>	<u>-</u>	<u>(4)</u>
Legal debt margin	<u>359,904,705</u>	<u>389,551,598</u>	<u>442,779,495</u>	<u>499,481,149</u>

Notes:

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

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

<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
<u>1,998,210,887</u>	<u>2,104,527,844</u>	<u>2,127,490,741</u>	<u>2,130,026,677</u>	<u>2,156,931,065</u>	<u>2,148,580,335</u>
<u>499,552,722</u>	<u>526,131,961</u>	<u>531,872,685</u>	<u>532,506,669</u>	<u>539,232,766</u>	<u>537,145,084</u>
16,509,387	15,108,573	15,808,814	27,636,147	27,290,448	25,298,564
<u>(1,538,656)</u>	<u>(670,992)</u>	<u>(318,397)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>14,970,731</u>	<u>14,437,581</u>	<u>15,490,417</u>	<u>27,636,147</u>	<u>27,290,448</u>	<u>25,298,564</u>
<u>484,581,991</u>	<u>511,694,380</u>	<u>516,382,268</u>	<u>504,870,522</u>	<u>511,942,318</u>	<u>511,846,520</u>

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>
2006	\$ 15,042,070	9,025,324	6,016,746	1,625,741	3.70
2007	14,126,104	9,512,745	4,613,359	1,271,608	3.63
2008	14,472,792	10,321,585	4,151,207	1,250,470	3.32
2009	15,412,539	11,522,666	3,889,873	1,246,946	3.12
2010	15,983,461	11,459,098	4,524,363	697,624	6.49
2011	16,204,481	11,025,853	5,178,628	698,252	7.42
2012	16,311,709	11,314,900	4,996,809	1,457,656	3.43
2013	15,847,484	11,418,138	4,429,346	492,840	8.99
2014	15,269,056	11,064,894	4,204,162	559,088	7.52
2015	15,767,506	11,261,328	4,506,178	562,188	8.02

Notes:

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

Unaudited -see accompanying auditors' report

CITY OF TEXARKANA, TEXAS

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

<i>Fiscal Year</i>	<i>Population</i>	<i>Median Age</i>	<i>Per Capita Income</i>	<i>Unemployment Rate</i>	<i>Personal Income (6)</i>
2006	35,750 (1)	36.1 (5)	18,286 (5)	5.8 (3)	\$ 653,724,500
2007	36,250 (1)	36.4 (5)	21,220 (5)	5.3 (3)	769,225,000
2008	36,350 (1)	35.7 (5)	22,291 (2)	5.1 (5)	810,277,850
2009	35,682 (1)	37.1 (1)	22,326 (5)	7.2 (7)	796,636,332
2010	36,411 (8)	36.4 (7)	25,336 (7)	7.2 (7)	922,509,096
2011	36,411 (4)	38 (7)	23,007 (7)	7.9 (7)	837,707,877
2012	36,411 (7)	36.5 (7)	23,297 (7)	5.7 (7)	848,267,067
2013	36,998 (7)	36.5 (7)	23,297 (7)	6.8 (7)	861,942,406
2014	37,332 (7)	37 (7)	24,118 (7)	5.8 (7)	900,373,176
2015	37,857 (7)	37 (7)	24,095 (7)	4.8 (7)	912,164,415

Notes:

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

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CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

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

and Texarkana, Arkansas

Current Year and Nine Years Ago

Schedule 21

<i>Employer</i>	<u>2015</u>			<u>2006 (2)</u>		
	<i>Employees</i>	<i>Rank</i>	<i>Percentage of Total MSA Employment (1)</i>	<i>Employees</i>	<i>Rank</i>	<i>Percentage of Total MSA Employment</i>
Red River Army Depot & Tenants	5,500	1	9.34%	3,500	1	6.21%
Christus St. Michael Health Care	2,300	2	3.90%	1,680	3	2.98%
Cooper Tire & Rubber	1,860	3	3.16%	2,000	2	3.55%
Wal-Mart/Sam's	1,100	4	1.87%	1,100	5	1.95%
Domtar (fr. Georgia Pacific)	975	5	1.66%	1,201	4	2.13%
Wadley Regional Medical Ctr	850	6	1.44%	1,000	6	1.77%
Southern Refrigerated Transport	850	7	1.44%	670	10	1.19%
International Paper	825	8	1.40%	865	7	1.53%
Texarkana Texas ISD	800	9	1.36%	787	8	1.40%
Texarkana AR ISD	785	10	1.33%	785	9	1.39%
Total	<u>15,845</u>		<u>26.90%</u>	<u>13,588</u>		<u>24.10%</u>

Source:

Chamber of Commerce, Texas Workforce Commission LMI Tracer

Notes:

(1) MSA employment for 2015 is 58,900

(2) MSA employment for 2006 is 56,400

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General government				
Purchasing- General Services	4	4	4	3
Finance / Accounting	7	7	6	5
Building Maintenance	3	3	3	3
City Manager	3	3	1	1
City Secretary	3	3	1	1
Research and Vital Statistics			2	2
Human Resources	3	3	5	4
City Attorney	3.5	3.5	2.0	0
Municipal Court	7	7	7.5	8.5
Quality Assurance	0	0	0	0
Marketing	0	0	0	0
Public safety				
Police Administration	7	3	3	7
Uniform Services- Patrol	67	66	74	65
Support Services	6	12	11	9
Criminal Investigation	20.5	18.5	17.5	18.5
CMV Enforcement Unit	0	0	0	0
Narcotics	6	4	2	3
Fire Administration	3	3	3	3
Fire Operations	72	72	72	72
Fire Prevention	4	4	4	4
Fire Training	2	2	2	2
Emergency Management	2	2	2	2
Public works				
Public Works Administration	3	3	2	0
Engineering	6	7	7	7
Engineering & Infrastructure Administration			2	2
Street Maintenance	38	38	38	38
Building Inspection	6	7	7	7
Sign and Signal	6	6	6	6
P&Z/Comm & PW Administration	2	2	0	2
Code Enforcement	0	0	0	3
Stormwater Management	0	0	0	0
Health and welfare				
Community Development	4	4	3	3
Environmental Services			3	2
Environmental Health Services	2	2	2	1
Demolition	4	4	4	1
Animal Control	2	2	2	2

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
3	3	3	0	0	0
6	6	6	8	8	8
3	3	3	3	2	0
1	1	1	1	2	9
2	2	2	2	3	0
2	2	2	2	3	0
5	4	4	4	4	4
0	0	0	0	0	0
8	9	8	8.5	7.5	9.5
1	1	1	1	0	0
1	2	2	1.5	1	0
7	5	11	9	8	6
69	72	66	63	62	61
10	31.5	31.5	32	31	31
18.5	0	0	0	0	0
2	2	2	0	0	0
4	3	0	0	0	0
3	3	2	3	4	81
72	72	73	72	70	0
4	4	0	5	6	0
2	2	0	0	0	0
2	2	2	0	0	0
0	0	0	0	0	0
7	7	7	4	4	3
2	2	2	2	2	2
38	38	38	32	30	36
7	7	7	7	6	13
6	6	6	6	5	6
2	2	2	1.5	0	0
3	3	3	3	3	0
0	0	2	2	2	2
3	3	3.5	5	5	5.5
2	2	2	2	2	0
1	1	1	1	1	0
1	1	0	0	0	0
2	2	2	2	2	0

CITY OF TEXARKANA, TEXAS

STATISTICAL SECTION

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Parks and recreation				
Parks Administration	3	3	2	2
Parks Maintenance	23	23	24	24
Recreational Programs	8	5.5	5.5	5.5
Senior Citizen Programs	2	2.5	2.5	2.5
Community Center / Weed & Seed	2	3	3	3
Library	12.5	12.5	12.5	12.5
Teen Court	1.5	1.5	1	1
Veterans Affairs	0.5	0.5	0.5	0.5
Family Health Center				
Administration	4	3	5	4
Community	6	4	6	5
WIC	7	7	7	5
Reproductive	7	7	7	6
TB	1	1	0	0
Public Health Response	5	5	2	0
Tobacco	0	0	0	0
Diabetes	0	0	0	0
Central Records - Dispatch	53	53	54	54
MPO	2.5	2.5	2.5	2.5
Fleet	10	10	11	9
Total	<u>444.0</u>	<u>439.0</u>	<u>443.5</u>	<u>423.5</u>

Source: Various City Departments

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

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
2	2	2	2	2	2
19	19	19	20	21	17
3.5	3.5	3.5	3	3	4
1	1	1	1	1	0
1	1	1	1	1	0
16	16	16	12.5	13.5	11
1	0	0	0	0	0
1	1	1	0.5	0.5	0.5
4	3.15	3	4	4	3
6	1.5	2	1	1	1
7	7	7	6	7	7
7	10.95	8	5	4	5
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	1	2	1	0
53	53	54	41	38	41
3	3	3	1.5	3	3
8	6	6	6	4	6
<u>432.0</u>	<u>431.6</u>	<u>422.5</u>	<u>389.0</u>	<u>377.5</u>	<u>377.5</u>

CITY OF TEXARKANA, TEXAS

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Function/Program</u>				
General government				
Birth certificate requests	5,333	5,740	5,695	5,278
Public safety				
Police				
Commissioned officers	93	94	94	94
Calls for service	43,814	44,456	43,554	45,673
Total citations issued	13,440	13,922	8,879	11,606
Custody arrests	3,106	3,739	4,032	5,085
Fire				
Firefighters	79	79	79	79
Responses- Fire	362	250	281	250
Responses- EMS/Rescue	999	1,295	1,357	1,494
Responses- Other	973	963	1,139	978
Inspections	4,083	4,217	3,983	3,988
Public works				
Street resurfacing (miles)	(1)	(1)	(1)	(1)
Building permits issued	938	663	484	1,188
Building permits (\$)	61,978,494	48,621,881	76,804,888	44,937,572
Water				
Average daily consumption (millions of gallons)	8.881	10.29	10.938	10.255
Raw water production (millions of gallons)	10.840	11.849	11.882	11.978
Wastewater				
Average daily sewage treatment (millions of gallons)				
South Regional Plant	8.065	10.348	10.762	10.524
Wagner Creek Plant	1.204	1.088	1.190	1.257
Airlines				
Scheduled airline arrivals and departures per day	18	10	10	(1)
Passengers enplaning and deplaning per year	70,000	70,000	70,000	

Source: Various City Departments

Notes:

(1) No information available

Unaudited -see accompanying auditors' report

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
6,138	5,937	5,832	5,758	6,056	6,257
100	99	99	96	95	90
43,518	42,407	42,625	38,712	41,556	38,622
10,536	11,003	12,993	10,558	12,507	11,012
4,010	4,105	4,125	3,243	2,383	3,488
78	78	78	77	78	78
256	306	258	259	220	264
1,479	1,478	1,770	1,753	1,871	1,761
1,098	1,062	1,088	1,109	1,022	1,005
2,837	2,867	3,910	3,950	3,950	4,032
(1)	1.5	(1)	(1)	(1)	(1)
768	591	559	577	443	481
49,115,042	63,049,176	43,348,566	40,844,204	37,317,875	58,075,585
11.207	9.518	11.201	12.368	11.467	10,677
13.949	10.61	11.74	12.997	12.062	11,545
10.778	8.328	7.514	6.642	8.062	8.890
1.253	0.747	1.116	1.3	1.678	1.673
(1)	(1)	4	10	6	6
		60,000	66,338	68,674	71,500

CITY OF TEXARKANA, TEXAS

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

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government				
Buildings	2	2	2	2
Public safety				
Police Stations	1	1	1	1
Number of vehicles	68	69	72	63
Fire Stations	5	5	5	5
Fire Apparatus	9	9	9	9
Other motorized vehicles	6	6	6	6
Public works				
Buildings	3	3	3	3
Streets (miles)	(1)	(1)	(1)	(1)
Paved alleys	(1)	(1)	(1)	(1)
Unpaved alleys	(1)	(1)	(1)	(1)
Storm sewers	(1)	(1)	(1)	(1)
Streetlights	(1)	(1)	(1)	(1)
Parks and recreation				
Parks	12	15	14	14
Park acreage developed	533	500	500	500
Park acreage partially developed	1,454	1,330	1,330	1,330
Playgrounds	20	19	20	20
Swimming pools	1	0	0	0
Tennis courts	6	6	6	6
Baseball diamonds	8	8	8	8
Softball diamonds	11	10	10	10
Recreation centers	1	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	5	4	4	4
Soccer fields	9	8	10	10
Restroom facilities	13	14	15	17
Boat ramp	1	1	1	1
Splash pad	0	0	0	0
Perot Theatre	1	1	1	1

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
4	4	4	4	4	4
1	1	1	1	1	1
69	62	80	80	72	80
5	5	5	5	5	5
9	10	10	10	7	9
6	10	16	16	8	8
2	2	2	4	4	4
(1)	(1)	257	259	260	261
(1)	(1)	8	8	8	8
(1)	(1)	15	15	15	15
(1)	(1)	30	31	31	32
(1)	(1)	3,150	3,200	3,200	3,200
12	12	12	12	12	12
500	500	587	587	587	587
1,330	1,330	1,330	1,330	1,330	1,330
26	26	27	26	24	26
0	0	0	0	0	0
4	4	4	4	4	4
8	8	8	8	8	8
10	10	10	10	10	10
2	2	2	2	1	1
1	1	1	1	1	1
19	19	19	19	19	19
8	8	8	8	8	8
4	5	10	10	10	10
12	13	13	12	10	12
17	17	17	17	18	18
1	2	2	2	2	2
0	0	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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Library				
Number of libraries	1	1	1	1
Health and Welfare				
Buildings	1	1	1	1
Water				
Water mains (miles)	448	460	462	473
Water connections	12,813	12,893	13,032	12,951
Fire hydrants	1,846	1,906	1,963	2,013
Plant capacity (million gallons per day)	18	18	18	18
Wastewater				
Sanitary sewer mains (miles)	315	323	329	330
Sewer connections	12,166	12,364	12,512	12,418
Sewer plant capacity (millions gallons per day)	18	18	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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1	1	1	1	1	1
1	1	1	1	1	1
479	484	504	479	483	486
12,937	12,962	13,119	13,133	13,170	13,224
2,051	2,079	2,172	2,115	2,139	2,169
18	18	18	18	18	18
328	340	343	340	337	342
12,436	12,435	12,518	12,584	12,622	12,677
20	20	20	20	20	20
1	1	1	1	1	1
1,200	1,200	1,200	1,200	1,200	1,200
6,601	6,601	6,601	6,601	6,601	6,601

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**Supplemental Report on
Federal Awards**

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CITY OF TEXARKANA, TEXAS

SUMMARY OF AUDITORS' RESULTS For the Year Ended September 30, 2015

PROGRAM	DESCRIPTION
Type of Report of Financial Statements	Unmodified Opinion
Significant Deficiencies in Internal Control	Schedule of Findings Reference 2015-001, 2015-002, 2015-003
Material Weaknesses in Internal Control	None
Noncompliance Material to Financial Statements	None
Significant Deficiencies in Internal Controls over Major Programs	Schedule of Findings Reference 2015-004
Material Weaknesses Involving Significant Deficiencies over Major Programs	None
Type of Report on Compliance with Major Programs	Qualified Opinion
Findings for Federal Awards as Defined in OMB Circular A-133	Schedule of Findings Reference 2015-004, 2015-005
Major Federal Programs	20.205 U. S. Department of Transportation – Texarkana Downtown TE Enhancement 20.205 U. S. Department of Transportation – Federal Transit Capital and Operating Assistance Formula Grant 20.505 U. S. Department of Transportation – Federal Transit Capital and Operating Assistance Formula Grant 10.557 U. S. Department of Agriculture – Special Supplemental Nutrition Program for Women, Infants and Children
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Auditee Statements	The City of Texarkana, Texas was not classified as a low-risk auditee in the context of OMB Circular A-133

CITY OF TEXARKANA, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2015

Grant Title	CFDA Number	Grant Program/ Number	Grant Expenditures
U.S. Department of Housing and Urban Development			
Community Development Block Grant-Entitlement (CDBG) <i>Passed Through the Texas Dept of Housing & Comm Affairs</i>	14.218	B-13-MC-48-1000	\$ 148,109
HOME - Home Buyer Assistance	14.239	1001974	17,036
Supportive Housing Program - SNAP HPAC IHP	14.261	TX0298B6T071000	100,964
Continuum of Care Program	14.267	TX0387L6T071400	<u>106,008</u>
TOTAL U.S. DEPT OF HOUSING & URBAN DEVELOPMENT			<u>372,117</u>
U.S. Department of Transportation			
Federal Transit Capital & Operating Assistance Formula Grant <i>Passed Through Texas Department of Transportation</i>			
Metropolitan Planning Program	20.505	50-15XF0017	<u>83,571</u>
<i>Passed Through Arkansas Highway Transportation Department</i>			
Metropolitan Planning Program	20.205	50-15XF0017	40,300
<i>Passed Through Texas Department of Transportation</i>			
Metropolitan Planning Program	20.205	50-15XF0017	83,571
Texarkana Downtown TE Enhancement	20.205	STP2011(215)TE	421,865
<i>Passed Through Texas Department of Transportation - FY 2014</i>			
Texarkana Downtown TE Enhancement	20.205	STP2011(215)TE	<u>104,772</u>
		Total CFDA 20.205	<u>650,508</u>
TOTAL U.S. DEPT OF TRANSPORTATION			<u>734,079</u>
U. S. Department of Justice			
Bulletproof Vest Partnership Program	16.607	2014-DJ-BX-1006	<u>69,594</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>69,594</u>
U.S. Department of Health			
<i>Passed Through Texas Department of State Health Services</i>			
DIAB/CDP Community Diabetes Project	93.283	2015-001242-00	53,894
RLSS/LPHS	93.268	2015-001084-00	159,999
Preventive Health and Health Serv Blk Grant	93.991	2015-001076-00	<u>133,642</u>
TOTAL U.S. DEPARTMENT OF HEALTH			<u>347,535</u>

CITY OF TEXARKANA, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2015

Grant Title	CFDA Number	Grant Program/ Number	Grant Expenditures
U.S. Department of Agriculture			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	2015-047344	410,241
Farmer's Market	10.168	14-FMPPX-TX-0157	<u>20,942</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>431,183</u>
Corporation for National Security and Community Service			
Retired Senior Volunteer Program Greater Texarkana RSVP - Action	94.002	U-05SRWTX010	<u>22,405</u>
TOTAL CORPORATION FOR NATIONAL SECURITY AND COMMUNITY SERVICE			<u>22,405</u>
Environmental Protection Agency			
Brownfield Hazard & Petroleum	66.818	BF-00F19501 - Hazardous	29,900
Brownfield Hazard & Petroleum	66.818	BF-00F20201 - Petroleum	45,071
EPA Revolving Loan Fund	66.818	BF-00F62501	14,492
EPA Multipurpose Grant	66.818	BF-00F62801	<u>9,460</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>98,923</u>
U.S. Department of Homeland Security			
<i>Passed Through Texas Department of Public Safety</i> Homeland Security Program	97.067	14-SR 72368-01	14,147
<i>Passed Through Texas Department of Public Safety</i> Emergency Management Performance Grant	97.042	15TX-EMPG-0208	<u>36,901</u>
TOTAL U.S. DEPT OF HOMELAND SECURITY			<u>51,048</u>
TOTAL FEDERAL ASSISTANCE			<u><u>\$ 2,126,884</u></u>

(concluded)

CITY OF TEXARKANA, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2015

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, 2015. The grant programs are administered by the various departments of the City. The activities of these departments are monitored by City staff to ensure compliance with the requirements of the underlying grants.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The grant accounts in the various funds where grants are recorded are maintained on the modified accrual basis. Grant revenues are recognized when eligible grant expenditures are incurred.

NOTE 3 - RELATIONSHIP TO GRANT FINANCIAL REPORTS

The amounts reported in the accompanying schedule may not agree with the amounts reported in the related grant financial reports filed with grantor agencies due to the fact that the accompanying schedule represents the activity for the twelve months ended September 30, 2015, while some grant reports are prepared monthly, quarterly, or annually on a grant fiscal year end that is different.

NOTE 4 - STATUS OF PRIOR YEAR FINDINGS

The current status of findings related to federal grant awards that were reported with the September 30, 2014 audit of the City of Texarkana, Texas financial statements is provided in the Summary Schedule of Prior Audit Findings.



HOLLIDAY, LEMONS & COX, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and
Members of the City Council
Texarkana, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Texarkana, Texas as of and for the year ended September 30, 2015, 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 February 26, 2015. 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.

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

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TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings that we consider to be significant deficiencies. Reference 2015-001, 2015-002 and 2015-003.

Compliance and Other Matters

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

City of Texarkana, Texas' Response to Findings

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

Purpose of this Report

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

Holliday, Lemons, & Cox P.C.

February 26, 2016

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HOLLIDAY, LEMONS & COX, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor and
Members of the City Council
Texarkana, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Texarkana, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Texarkana, Texas' major federal programs for the year ended September 30, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Texarkana, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Texarkana, Texas' compliance.

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Basis for Qualified Opinion on Texarkana Downtown TE Enhancement Program

As described in the accompanying schedule of findings and questioned costs, the City of Texarkana, Texas did not comply with requirements regarding CFDA 20.205 Texarkana Downtown TE Enhancement Program as described in finding number 2015-004 for Reporting. Compliance with such requirements is necessary, in our opinion, for the City of Texarkana, Texas to comply with the requirements applicable to that program.

Qualified Opinion on Texarkana Downtown TE Enhancement Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Texarkana, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Texarkana Downtown TE Enhancement Program for the year ended September 30, 2015.

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

As described in the accompanying schedule of findings and questioned costs, the City of Texarkana, Texas did not comply with requirements regarding CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants and Children as described in finding number 2015-005 for Reporting. Compliance with such requirements is necessary, in our opinion, for the City of Texarkana, Texas to comply with the requirements applicable to that program.

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Texarkana, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Special Supplemental Nutrition Program for Women, Infants and Children for the year ended September 30, 2015.

Unmodified Opinion on Each of the Other Major Federal 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questions costs for the year ended September 30, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Texarkana, Texas' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-004 that we consider to be significant deficiencies.

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

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

Holliday, Lemons, & Cox P.C.

February 26, 2016

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CITY OF TEXARKANA, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended September 30, 2015

Reference 2014-01 Financial Policies, Procedures, and Application of Accounting Principles

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

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CITY OF TEXARKANA, TEXAS

SCHEDULE OF FINDINGS - *FINANCIAL STATEMENT AUDIT* For the Year Ended September 30, 2015

Financial Policies, Procedures, and Application of Accounting Principles

Reference 2015-001

Condition

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

1. TIRZ taxes assessed and collected were not allocated according to the City's budgeted tax allocations between the General Fund, Debt Service Fund and the TIRZ Fund. The General Fund's revenue was increased by \$13,008. The Debt Service Fund's revenue was increased by \$15,364, and the TIRZ Fund's revenue was decreased by \$28,372.
2. A payment of \$160,844 to Motorola for equipment was recorded as a capital lease instead of capital outlay.

Criteria

All financial statement accounts should be properly stated prior to close of the year end books and issuance of interim financial statements by the City Finance Department staff. City management is responsible for establishing and maintaining effective internal controls over financial policies.

Cause

Some ending balances may not have been assessed for completeness and accuracy by the City's Finance department.

Effect

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

Recommendation

Finance Department should review all balance sheet accounts of the financial statements to determine if any adjusting entries are necessary as part of the year end closing process. Generally accepted accounting principles should be applied in order to produce fairly stated financial statements.

Views of Responsible Officials and Planned Corrective Actions

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

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CITY OF TEXARKANA, TEXAS

SCHEDULE OF FINDINGS - FINANCIAL STATEMENT AUDIT **For the Year Ended September 30, 2015**

Financial Policies, Procedures, and Application of Accounting Principles

Reference 2015-001 (Continued)

2. The blanket purchase order related to this contract has been changed to reflect the correct general ledger account number for Computer Hard & Software. Future charges against this purchase order will be posted correctly on the general ledger. Review of capital lease general ledger accounts will be done prior to completion of year-end capital asset work.

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CITY OF TEXARKANA, TEXAS

SCHEDULE OF FINDINGS - FINANCIAL STATEMENT AUDIT For the Year Ended September 30, 2015

Credit Card Policies and Procedures

Reference 2015-002

Condition

An employee used the City's credit card for a personal purchase that totaled \$300. The City did not receive reimbursement for the purchase until the transaction was questioned during the audit, three months later. The employee did not include the receipt with the credit card statement for the purchase. The statement was reviewed by the employee's department head, and the Purchasing Department; however, the transaction was not questioned and a receipt was not requested.

Criteria

The City's purchasing manual states that the cardholder is responsible for providing receipts for all purchases made using the City credit card. If a receipt is not available, the cardholder is required to provide a signed memo containing the purchase transaction information. The statement and related receipts are reviewed by the cardholder's department head and then by the Purchasing Department.

Cause

All internal controls over credit card purchases failed to detect the missing receipt and the personal purchase.

Effect

Employees may use the City credit card for personal or unauthorized purchases which are undetected by the City's internal controls. The personal or unauthorized purchases may materially overstate the City's expenses and liabilities.

Recommendation

Employees should ensure receipts or other authorized documentation are present for all purchases. Any personal purchases should be reported and reimbursed immediately. Department heads should review all credit card statements to ensure all receipts are present and purchases were authorized. The purchasing department should review all credit card statements to ensure receipts or other authorized documentation are present for all purchases and department heads have thoroughly reviewed and approved all transactions.

Views of Responsible Officials and Planned Corrective Actions

The finance department believes that the proper internal controls are in place to prevent this type of transaction from occurring. Unfortunately, in this case, controls were not applied properly. Since the discovery of this transaction, the purchasing manager and the finance department have met with this employee and all department heads to emphasize the importance of these controls.

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CITY OF TEXARKANA, TEXAS

SCHEDULE OF FINDINGS - FINANCIAL STATEMENT AUDIT

For the Year Ended September 30, 2015

Compensation Reporting for Fire Pension Actuarial Valuation

Reference 2015-003

Condition

Inaccurate compensation information, including incorrect wages and termination pay, was provided to the actuary of the Fire Pension plan for the December 31, 2014 actuarial valuation. The information was provided to the actuary by the Fire Chief and was not reviewed by the Finance Department to ensure the accuracy and completeness of the information, as well as compliance with plan provisions.

Criteria

The plan defines service pay as gross wages including sick leave, vacation, and training/certification pay. The City reports compensation information to the plan's actuary on an annual basis. Amounts reported to the actuary should agree to wages per the City's payroll records and to the plan's definition of eligible service pay. Amounts, such as termination pay, should not be reported to the actuary if they do not meet the definition of service pay.

Cause

The information reported to the actuary for the Fire Pension plan was not reviewed for accuracy or for compliance with plan provisions. Financial information of the City was released by another department of the City.

Effect

Benefit and liability calculations could be materially misstated if items such as termination pay are included in payroll information used to calculate benefits and liabilities for the Fire Pension plan. There are no differences in the employees' eligible benefits due to the current year discrepancies, however, such discrepancies could have caused misstatements which would require correction.

Recommendation

The Finance Department should review any financial information that is provided to outside parties prior to its release.

Views of Responsible Officials and Planned Corrective Action

The finance department will meet with department heads and insure that any financial information provided to outside parties is properly passed through the finance department for approval before submission.

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CITY OF TEXARKANA, TEXAS

SCHEDULE OF FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT For the Year Ended September 30, 2015

Texarkana Downtown TE Enhancement Program CFDA 20.205 – Reporting Reference 2015-004

Condition

1. Billing statements for reimbursement of grant costs were not submitted within ninety (90) days after costs were incurred as required by the Advance Funding Agreement.
2. Prior year costs incurred in the amount of \$104,772 were not reported on the prior year Schedule of Expenditures of Federal Awards (SEFA).

Criteria

The Advance Funding Agreement requires the City “to submit requests for reimbursement no later than ninety (90) days after costs are incurred. If the Local Government submits invoices more than ninety (90) days after the costs are incurred, and if federal funding is reduced as a result, the State shall have no responsibility to reimburse the Local Government for those costs.”

Additionally, the SEFA should report all grant expenditures made during the fiscal year. The City Finance Department is responsible for the preparation of the SEFA.

Cause

City personnel responsible for filing the billing statements were unaware of the filing requirements. Additionally, finance department personnel preparing the SEFA did not identify the prior year expenditures as grant related.

Effect

The City risked not being reimbursed for incurred costs and the FY2014 SEFA was inaccurate.

Recommendation

The City should provide oversight to non-accounting personnel in grant compliance and monitor the grant related activities in order to be informed on how to properly recognize accounting activity. Further, the respective department should be aware of grant reporting deadlines and monitor report submission.

Views of Responsible Officials and Planned Corrective Action

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

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CITY OF TEXARKANA, TEXAS

SCHEDULE OF FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

For the Year Ended September 30, 2015

Special Supplemental Nutrition Program for Women, Infants and Children CFDA 10.557 - Reporting Reference 2015-005

Condition

Two monthly reports (B-13's), one Financial Status Report and the WISE (annual report) were not filed timely. Also, Financial Status Reports were filed inaccurately for the first two quarters of FY2015.

Criteria

The monthly reports (B-13's) are due on the last business day of the month following the reporting month. The Financial Status Reports are due the last day of the month following the last day of the quarter. The WISE is due April 30th of each year.

Cause

New program personnel were not familiar with filing requirements.

Effect

Reporting on the Financial Status Reports was inaccurate and required correction when the errors were detected by the Department of State Health Services. The City was not in compliance with grant requirements.

Recommendation

The City should oversee grant reports filed by new personnel to insure that they are in compliance with reporting requirements before submission. Further, the respective department should be aware of grant reporting deadlines and monitor report submission.

Views of Responsible Officials and Planned Corrective Action

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

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