

City of Texarkana, Arkansas

Comprehensive Annual Financial Report

For the Year Ended December 31, 2018



Finance Department

TyRhonda Henderson
Finance Director

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City of Texarkana, Arkansas
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2018

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Introductory Section

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CITY OF TEXARKANA, ARKANSAS
DEPARTMENT OF FINANCE
P.O. Box 2711 - Texarkana, Arkansas 75504
Phone (870) 779-4989 - Fax (870) 772-8182

Honorable Mayor and Members
of the Board of Directors
City of Texarkana, Arkansas

The Comprehensive Annual Financial Report (CAFR) of the City of Texarkana, Arkansas (the City) for the year ended December 31, 2018, is submitted in accordance with State statutes. These statutes require that every general-purpose local government publish at the close of each fiscal year a complete set of audited financial statements.

The report is published to provide the Board of Directors, 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.

BKD, LLP has issued unmodified opinions on the City of Texarkana, Arkansas' financial statements for the year ended December 31, 2018. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

The City of Texarkana, Arkansas was founded in 1873 and incorporated in 1880 and is located on the Arkansas - Texas state line in the southwest corner of the State of Arkansas. The City is 28 miles south of Oklahoma and 25 miles north of the Louisiana boundary line. The City currently occupies a land area of 42 square miles and serves a population of 30,120. The City of Texarkana, Arkansas is empowered to levy a property tax on real properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the Board of Directors.

The City of Texarkana, Arkansas operates under the city manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The Board of Directors is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City's manager and attorney. The City Manager is responsible for carrying out the policies and ordinances of the Board of Directors, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The Board of Directors is elected on a non-partisan basis. Board directors serve four-year staggered terms with three directors elected every two years. The mayor is elected to serve a four-year term. The six directors are elected by ward. The mayor is elected at large.

The City of Texarkana, Arkansas provides a full range of services, including police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events; education; health and social services; planning and zoning; and general administrative services. Water and sewer distribution and collection activities are provided by Texarkana Water Utilities (TWU). The Arkansas activity of the Texarkana Water Utilities is accounted for as if it were part of the operations of the primary government. Texarkana, Arkansas Water Utilities is not a legally separate entity from the City. The Texarkana, Arkansas Water Utilities is included as an enterprise fund of the City with its fiscal year end of September 30, 2018.

The City of Texarkana, Arkansas is also financially accountable for a legally separate Advertising and Promotion Commission, which is reported separately within the City of Texarkana, Arkansas' financial statements.

Local Economy

Texarkana's economy relies on an industrial base that is strong and broadly diversified. Throughout the history of Texarkana, manufacturing employment has grown steadily with approximately 80% of the new jobs coming from expansions of existing industry and 20% from new plants. Employers such as Red River Army Depot, International Paper, and Domtar, Inc. have plants in the Texarkana area. These employers draw their workers from a population of more than 200,000 within a 30-mile radius of Texarkana. Once Interstate 49 connecting Shreveport, Louisiana, and Kansas City, Missouri, is complete, Texarkana will be a part of interstates connecting Canada, the United States, and Mexico (I-49 and I-69). In addition, Texarkana is served by the Union Pacific and Kansas City Southern railroads and the Texarkana Regional Airport, a full-service commercial facility.

Many new developments have taken place in 2018 and 2019 within the City. Twenty-three certificates of occupancy were issued in 2018 and seventeen have been issued so far in 2019. Major remodeling projects are ongoing at Flying J Truck Stop, Arkansas Middle School, and the Ridge Phase III. As economic development continues to occur within Texarkana, Arkansas, citizens can anticipate a brighter future.

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 Arkansas State Statutes and the City of Texarkana, Arkansas City Charter.

The City's accounting records for general government activities are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures are generally 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 an accrual basis.

The annual budget serves as the foundation for the City of Texarkana, Arkansas' financial planning and control. All agencies of the City of Texarkana, Arkansas are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Board of Directors for review prior to December 1. Prior to February 1, the budget is legally enacted through passage of a resolution. The appropriated budget is prepared by fund, function (*e.g.*, public safety), and department, (*e.g.*, police). The City Manager may make transfers of appropriations between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors. The City Charter prohibits budgeting total proposed expenditures in excess of total

anticipated revenues and any unencumbered funds from prior years. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and the Public Works Fund, this comparison is presented as part of the basic financial statements for the governmental funds. For other governmental funds with appropriated annual budgets, this comparison is presented in the supplementary information section of this report.

Long Term Financial Plans

On February 5, 2018, the City issued a \$2,260,000 Franchise Fee Secured Capital Improvement Revenue Bond, Series 2018. The Series 2018 bonds were issued to finance capital improvements consisting generally of fire trucks and police radios and to pay the cost of issuance. On August 1, 2019, the City issued a \$875,000 General Obligation note. The Series 2019 note was issued to finance capital improvements to the Animal Care and Adoption Center and to pay cost of issuance.

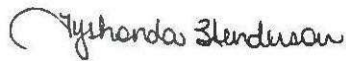
Awards and Acknowledgements

Awards: The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Texarkana, Arkansas for its comprehensive annual financial reports (CAFR) for the fiscal year ended December 31, 2017. In order to be awarded a Certificate of Achievement, the government has to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements: The preparation of this report would not have been made possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit must also be given to the Board of Directors for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectively submitted,



TyRhonda Henderson
Finance Director

August 29, 2019



Government Finance Officers Association

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

Presented to

**City of Texarkana
Arkansas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

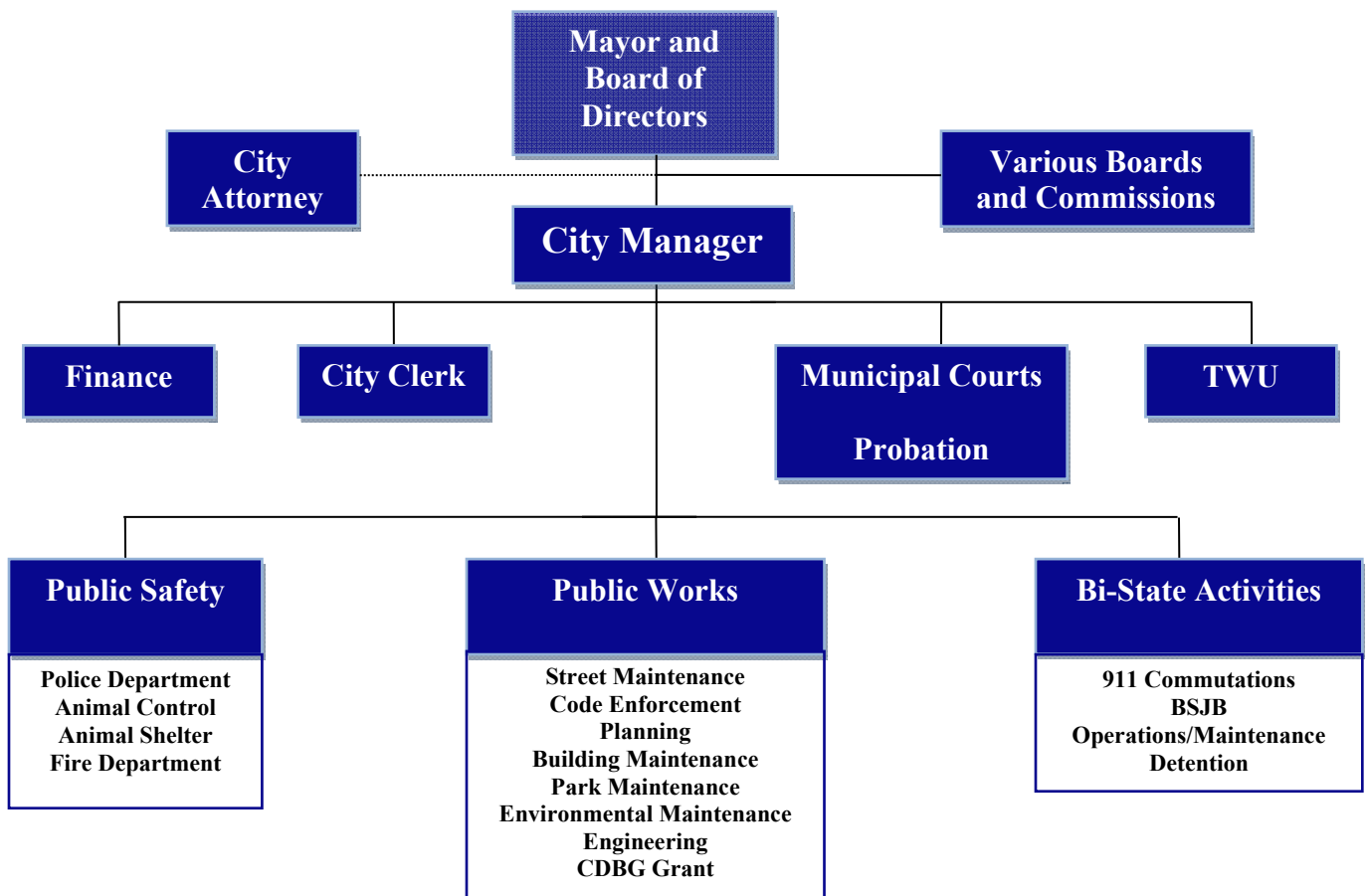
December 31, 2017

Christopher P. Morill

Executive Director/CEO



CITY OF TEXARKANA, ARKANSAS ORGANIZATIONAL CHART



City of Texarkana, Arkansas

Elected Officials:

Allen L. Brown	Mayor
Linda Teeters	Assistant Mayor, Director – Ward 1
Laney J. Harris	Director – Ward 2
Steven Hollibush	Director – Ward 3
Travis N. Odom	Director – Ward 4
Barbara S. Miner	Director – Ward 5
Terri Kenner Peavy	Director – Ward 6
Wren Autrey	District Court Judge

Appointed Officials:

Dr. Kenny Haskin	City Manager
George M. Matteson	City Attorney

Financial Section

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Independent Auditor's Report

Honorable Mayor, City Manager
and Members of the Board of Directors
City of Texarkana, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Texarkana, Arkansas as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Texarkana, Arkansas Water Utilities, enterprise funds of the City, which represent 100% of the assets, net position and revenues, respectively, of the business-type activities. We also did not audit the financial statements of Texarkana Airport Authority, a joint venture of the City included in the governmental activities opinion unit. The City's investment in Texarkana Airport Authority reported at December 31, 2018, is \$12,367,651, which includes a current year decrease of \$263,136. We also did not audit the financial statements of Texarkana Urban Transit District, a joint venture of the City included in the governmental activities opinion unit. The City's investment in Texarkana Urban Transit District reported at December 31, 2018, is \$1,087,539 which includes a current year decrease of \$51,159. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for Texarkana, Arkansas Water Utilities, Texarkana Airport Authority and Texarkana Urban Transit District, are based solely on the reports 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. 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 reports 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Texarkana, Arkansas as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general and public works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 18* to the financial statements, in 2018, the City adopted Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

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 and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 and the other auditors 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's basic financial statements. The combining and individual fund financial statements and schedules and introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The accompanying information in 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Rogers, Arkansas
August 29, 2019

City of Texarkana, Arkansas

Management's Discussion and Analysis

December 31, 2018

As management of the City of Texarkana, Arkansas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Texarkana, Arkansas exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$54,175,732 (net position).
- The City's total net position decreased by \$699,163 from operations during fiscal year 2018. Net position was restated (decrease of \$4,171,295) as of January 1, 2018, due to the adoption of GASB 75.
- As of the close of the current fiscal year, the City of Texarkana, Arkansas' governmental funds reported combined ending fund balances of \$10,873,011.
- At the end of the current fiscal year, unassigned fund balance was \$5,308,260.

OVERVIEW OF THE FINANCIAL STATEMENTS

This 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 required and 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 a private-sector business.

The Statement of Net Position presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition 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 the future fiscal periods (*e.g.*, uncollected taxes and earned but unused compensated absences).

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 administration, police department, fire department, protective inspection, public works, public service, health and welfare, and cultural and recreation. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City of Texarkana, Arkansas itself (known as the primary government), but also a legally separate Advertising and Promotion Commission for which the City of Texarkana, Arkansas is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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, governmental 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 fund 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 18 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Public Works Fund, both of which are considered to be major funds. Data from the other 16 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 its General Fund and Public Works Fund. Budgetary comparison statements have been provided for the General Fund and the Public Works Fund to demonstrate compliance with this budget.

Proprietary Funds - The City maintains three enterprise 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.

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, Arkansas Water Utilities and the Texarkana, Arkansas Union Water Utilities since they are considered to be major funds of the City. Individual fund data for the non-major proprietary fund is provided in the proprietary funds statements. These statements are as of September 30, 2018, which is the year-end for the proprietary funds.

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 statements because the resources of those funds are not available to support the City of Texarkana, Arkansas' own programs.

The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains three pension trust funds and three agency funds. Individual fund data for each of these funds is provided in the form of combining statements elsewhere in 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.

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 and other postemployment benefits (OPEB) to its employees.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Texarkana, Arkansas, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$54,175,732 as of December 31, 2018. The largest portion of the City's net position, 84.2% (\$45,607,190), reflects its investment in capital assets (*e.g.*, land, buildings, improvements other than buildings, machinery and equipment, infrastructure, water rights, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. An additional portion of the City's net position represents resources that are subject to restriction on how they may be used. 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, Arkansas

Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 30,952,940	\$ 29,497,700	\$ 13,541,062	\$ 14,281,490	\$ 44,494,002	\$ 43,779,190
Capital assets	34,594,721	33,328,216	56,102,617	56,855,649	90,697,338	90,183,865
Other assets	-	-	1,624,537	1,615,654	1,624,537	1,615,654
Total assets	65,547,661	62,825,916	71,268,216	72,752,793	136,815,877	135,578,709
Deferred outflows of resources	8,221,383	4,828,078	605,074	769,500	8,826,457	5,597,578
Long-term liabilities	57,837,936	49,842,298	25,660,392	27,261,564	83,498,328	77,103,862
Other liabilities	2,179,476	2,160,463	2,593,509	2,320,546	4,772,985	4,481,009
Total liabilities	60,017,412	52,002,761	28,253,901	29,582,110	88,271,313	81,584,871
Deferred inflows of resources	2,212,191	256,580	983,098	288,646	3,195,289	545,226
Net position:*						
Net investment in capital assets	12,149,281	12,173,375	33,457,909	32,849,130	45,607,190	45,022,505
Restricted	3,575,927	3,085,466	5,027,526	5,259,198	8,603,453	8,344,664
Unrestricted	(4,185,767)	135,812	4,150,856	5,543,209	(34,911)	5,679,021
Total net position	\$ 11,539,441	\$ 15,394,653	\$ 42,636,291	\$ 43,651,537	\$ 54,175,732	\$ 59,046,190

* The cumulative effect of applying GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* resulted in the beginning net position for 2018 being restated and was primary driver in the increase in long-term liabilities. Fiscal year 2017 was not restated.

Analysis of the City's Operations - The following table provides a summary of the City's operations for the year ended December 31, 2018. Governmental activities decreased the City's net position by \$397,343. From 2017 to the 2018 revenues decreased by \$2,960,927 and expenses increased by \$627,266. The decrease in revenues can be attributed to the City's joint ventures having a decrease of \$337,318 in 2018 but an increase in 2017. The increase in expenses can be attributed to an increase in Police and Fire expenses of \$989,235 due primarily to the changes in the associated pension balances (see *Note 11* for details regarding these pensions). Business-type activities decreased the City's net position by \$301,820. For the business type activities, the revenues from 2017 to 2018 increased by \$55,868. Expenses (excluding transfers out) from 2017 to 2018 increased by \$205,194 due to an overall increase in operating expenses.

In addition, deferred outflows and inflows for the governmental-type activities increased by \$3,393,304 and \$1,955,611, respectively, due to the annual activity within the various pension and other postemployment benefit plans of the City, which are shown in detail within *Note 11* and *13*. Long term liabilities for the governmental activities increased \$1,305,037 due to issuance of new bonds less annual payments and for the business-type activities decreased by \$1,210,190 due to annual payments. Additional information on the City of Texarkana, Arkansas' capital assets can be found in *Note 3* of this report.

City of Texarkana, Arkansas
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 5,154,080	\$ 8,458,140	\$ 9,598,816	\$ 9,560,808	\$14,752,896	\$18,018,948
Operating grants and contributions	3,625,951	3,673,664	-	-	3,625,951	3,673,664
Capital grants and contributions	750,793	851,360	-	-	750,793	851,360
General revenues:						
Property taxes	3,752,005	4,161,676	-	-	3,752,005	4,161,676
Other taxes	13,399,430	12,437,320	-	-	13,399,430	12,437,320
Other revenue	490,963	551,989	174,072	156,212	665,035	708,201
Total revenues	<u>27,173,222</u>	<u>30,134,149</u>	<u>9,772,888</u>	<u>9,717,020</u>	<u>36,946,110</u>	<u>39,851,169</u>
Expenses:						
General administration	\$2,128,025	\$2,272,254	-	-	2,128,025	2,272,254
Police department	9,082,042	8,535,330	-	-	9,082,042	8,535,330
Fire department	6,369,763	5,930,240	-	-	6,369,763	5,930,240
Other public safety	1,909,304	2,106,118	-	-	1,909,304	2,106,118
Protective inspection	433,700	473,860	-	-	433,700	473,860
Public works	6,284,490	6,145,067	-	-	6,284,490	6,145,067
Public services	32,746	31,950	-	-	32,746	31,950
Health and welfare	386,403	573,179	-	-	386,403	573,179
Cultural and recreation	1,119,164	1,138,931	-	-	1,119,164	1,138,931
Interest on long-term debt	861,792	773,234	-	-	861,792	773,234
Water and sewer	-	-	9,221,277	9,016,083	9,221,277	9,016,083
Total expenses	<u>28,607,429</u>	<u>27,980,163</u>	<u>9,221,277</u>	<u>9,016,083</u>	<u>37,828,706</u>	<u>36,996,246</u>
Increase (decrease) in net position before transfers	(1,434,207)	2,153,986	551,611	700,937	(882,596)	2,854,923
Transfers	<u>1,036,864</u>	<u>238,504</u>	<u>(853,431)</u>	<u>(255,377)</u>	<u>183,433</u>	<u>(16,873)</u>
Increase (decrease) in net position	(397,343)	2,392,490	(301,820)	445,560	(699,163)	2,838,050
Net position - beginning of year as previously reported	<u>15,394,653</u>	<u>13,002,163</u>	<u>43,651,537</u>	<u>43,205,977</u>	<u>59,046,190</u>	<u>56,208,140</u>
Adoption of GASB 75 (Note 18)	<u>(3,457,869)</u>	<u>-</u>	<u>(713,426)</u>	<u>-</u>	<u>(4,171,295)</u>	<u>-</u>
Net position - beginning of year as restated	<u>11,936,784</u>	<u>13,002,163</u>	<u>42,938,111</u>	<u>43,205,977</u>	<u>54,874,895</u>	<u>56,208,140</u>
Net position - end of year	<u>\$11,539,441</u>	<u>\$15,394,653</u>	<u>\$42,636,291</u>	<u>\$43,651,537</u>	<u>\$54,175,732</u>	<u>\$59,046,190</u>

*The cumulative effect of applying GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* resulted in the beginning net position for 2018 being restated. Fiscal year 2017 was not restated.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds - The focus of the City of Texarkana, Arkansas' 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, unassigned 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 of Texarkana, Arkansas' governmental funds reported combined ending fund balances of \$10,873,011.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the General Fund was \$5,309,483. Unassigned fund balance represents approximately 30.55% of the total General Fund expenditures. There are 112 days of expenditures in unassigned fund balance, representing an increase of 35 days from 2017.

For the City's General Fund, from 2017 to 2018, total revenue increased by 3.78% due to an increase in sales tax revenues and total expenditures decreased by 1.35%. The City's General Fund balance increased by \$1,650,778 and resulted in an ending fund balance of \$5,403,084.

For the City's Public Works Fund, from 2017 to 2018, total revenue increased by 12.86% primarily due to an increase in building permits and state grants, total expenditures increased by 14.42% due to an overall increase in Park's capital projects. The Public Works Fund reported a net decrease and change in fund balance of \$52,127, which resulted in an ending fund balance of \$1,877,546.

Proprietary funds - The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of Texarkana, Arkansas Water Utilities at the end of the year amounted to \$3,945,347. Unrestricted net position of Texarkana, Arkansas Union Water Utilities at the end of the year amounted to \$174,801. The total decrease in net position for Texarkana, Arkansas Water Utilities was \$516,210. The increase in net position for Texarkana, Arkansas Union Water Utilities was \$188,609. The decrease for the Texarkana, Arkansas Water Utilities was primarily attributable to the transfer to the General Fund. The increase in net position is primarily attributable to operating revenues exceeding operating expenses for Texarkana, Arkansas Union Water Utilities.

General Fund Budgetary Highlights

The City made revisions to the original appropriations approved by the Board of Directors. Overall, actual results reflected a net increase and positive change in fund balance of \$1,650,778 or ending fund balance of \$5,403,084. Significant variances between the final amended budget and actuals occurred as a result of various factors and reflected a net increase in fund balance of \$1,405,001. This is mostly a result of expenditures being under budget by \$1,139,025. Other Public Safety expenditures were under budget by \$809,757. This is primarily due to contributions to the Bi-State Justice Center being under budget by \$809,359.

Capital Assets

The City of Texarkana, Arkansas' investment in capital assets for its governmental and business-type activities as of December 31, 2018, amounts to \$90,697,338 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, water rights, and construction in progress.

Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,563,907	\$ 2,563,907	\$ 860,389	\$ 857,819	\$ 3,424,296	\$ 3,421,726
Buildings	6,246,395	6,714,120	1,675,837	1,756,604	7,922,232	8,470,724
Improvements other than buildings	4,500,276	4,948,022	32,836,335	33,911,739	37,336,611	38,859,761
Machinery and equipment	3,542,048	1,373,029	2,096,037	2,037,112	5,638,085	3,410,141
Infrastructure	17,364,041	17,324,304	-	-	17,364,041	17,324,304
Water rights	-	-	17,784,128	17,784,128	17,784,128	17,784,128
Construction in progress	378,054	404,834	849,891	508,247	1,227,945	913,081
Total	\$ 34,594,721	\$ 33,328,216	\$ 56,102,617	\$ 56,855,649	\$ 90,697,338	\$ 90,183,865

Major capital asset additions for the governmental activities during 2018 included approximately \$2.5 million for various equipment, including vehicles and radios. Additional information on the City of Texarkana, Arkansas' capital assets can be found in *Note 3* of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the governmental activities of the City of Texarkana, Arkansas had total bonded debt of \$22,400,861. Of this amount, \$8,118,136 comprises bonded debt backed by the full faith and credit of the government and \$14,282,725 represents bonds secured solely by franchise fees charged to public utilities for the privilege of using the City's streets and right-of-ways. Business-type activities long-term debt of \$7,982,470 represents bonds secured solely by water and sewer revenues.

General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 8,118,136	\$ 8,661,600	\$ -	\$ -	\$ 8,118,136	\$ 8,661,600
Revenue bonds	14,282,725	12,434,224	7,982,470	9,192,660	22,265,195	21,626,884
Total	\$ 22,400,861	\$ 21,095,824	\$ 7,982,470	\$ 9,192,660	\$ 30,383,331	\$ 30,288,484

The City has a rating Aa3 from Moody's Investors Service for general obligation and revenue bonds.

Additional information of the City of Texarkana, Arkansas' long term obligations can be found in *Note 5* of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In an effort to preserve the City's resources, the Board of Directors adopted a fiscal policy per Ordinance M-123. Since 1996, the City has maintained civil service "pay parity" with the Texas-side of Texarkana through the collection of a special .25% sales tax for both the Police and Fire departments. However, depending upon the definition of "pay parity" (maintaining salaries equal to counterparts across the state line in order to retain qualified officers), the cost of awarding annual COLAs at rates predetermined by the other city has exceeded the tax revenue collected for that purpose. Because the cost of public service personnel is by far the largest component of the General Fund budget, this matter will continue to be a significant budget issue for 2018 and beyond. In addition, the costs of jointly operating the Bi-State Justice Center with other agencies continue to rise.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: TyRhonda Henderson, Finance Director, at P.O. Box 2711, Texarkana, Arkansas 75504, call 870.779.4954, or email tyrhonda.henderson@txkusa.org.

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Basic Financial Statements

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City of Texarkana, Arkansas
Statement of Net Position
December 31, 2018

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Texarkana Advertising & Promotion
Assets				
Cash	\$ 2,177,883	\$ 2,081,523	\$ 4,259,406	\$ 323,459
Investments	1,542,803	1,735,149	3,277,952	-
Accounts receivable, net of allowance				
Property taxes	4,798,399	-	4,798,399	-
Accounts	298,829	1,635,088	1,933,917	-
Other government agencies	3,832,032	114,603	3,946,635	-
Accrued interest	-	630	630	-
Other	15,095	-	15,095	113,528
Due from fiduciary funds	6,860	-	6,860	-
Due from primary government	-	-	-	88,751
Due from component units	3,741	-	3,741	-
Inventories	-	339,970	339,970	-
Prepaid items	21,299	31,101	52,400	-
Restricted assets				
Cash	4,307,267	2,870,611	7,177,878	-
Investments	-	848,909	848,909	-
Accounts receivable	-	2,053	2,053	-
Prepaid capital improvement deposits	-	573,796	573,796	-
Net investment in direct financing lease:				
Due within one year	-	427,342	427,342	-
Due in more than one year	-	2,880,287	2,880,287	-
Investment in joint ventures	13,948,732	-	13,948,732	-
Capital assets - non-depreciable	2,941,961	1,710,282	4,652,243	-
Capital assets - depreciable, net	31,652,760	54,392,335	86,045,095	-
Net pension asset	-	1,624,537	1,624,537	-
Total assets	65,547,661	71,268,216	136,815,877	525,738
Deferred Outflows of Resources				
Deferred outflows - pension	5,233,085	328,558	5,561,643	-
Deferred outflows - pension contributions	1,680,997	276,516	1,957,513	-
Deferred outflows - other postemployment benefits	9,326	-	9,326	-
Total deferred outflows of resources	6,923,408	605,074	7,528,482	-

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Texarkana Advertising & Promotion
Liabilities				
Accounts payable	\$ 574,281	\$ 510,281	\$ 1,084,562	\$ 103,296
Construction contracts payable	-	227,425	227,425	-
Accrued liabilities	917,249	498,312	1,415,561	-
Due to other governments	141,575	-	141,575	-
Due to fiduciary funds	444,964	-	444,964	-
Due to component units	92,492	-	92,492	-
Customer deposits	-	548,839	548,839	-
Capital improvement deposits	-	777,349	777,349	-
Other liabilities	8,915	31,303	40,218	-
Long-term liabilities				
Due within one year:				
Bonds payable	785,000	1,253,384	2,038,384	-
Obligations under capital leases	18,453	-	18,453	-
Accrued compensated absences	147,040	30,716	177,756	-
Other postemployment benefits liability	151,796	-	151,796	-
Due in more than one year				
Bonds payable	21,615,861	6,729,086	28,344,947	-
Obligations under capital leases	26,126	-	26,126	-
Accrued compensated absences	2,095,322	191,878	2,287,200	-
Net pension and other				
postemployment benefits liability	32,998,338	2,948,703	35,947,041	-
Other long-term liabilities	-	14,506,625	14,506,625	-
Total liabilities	60,017,412	28,253,901	88,271,313	103,296
Deferred Inflows of Resources				
Deferred inflows - pension	798,668	932,852	1,731,520	-
Deferred inflows - other postemployment benefits	115,548	50,246	165,794	-
Total deferred inflows of resources	914,216	983,098	1,897,314	-
Net Position				
Net investment in capital assets	12,149,281	33,457,909	45,607,190	-
Restricted				
General administration	64,032	-	64,032	-
Police department	43,379	-	43,379	-
Fire department	24,514	-	24,514	-
Public works	608,286	-	608,286	-
Pension	-	1,624,537	1,624,537	-
Construction	-	475,532	475,532	-
Capital maintenance	-	1,680,520	1,680,520	-
Cultural and recreation	65,944	-	65,944	422,442
Debt service	2,769,772	1,246,937	4,016,709	-
Unrestricted (deficit)	(4,185,767)	4,150,856	(34,911)	-
Total net position	\$ 11,539,441	\$ 42,636,291	\$ 54,175,732	\$ 422,442

City of Texarkana, Arkansas

Statement of Activities

Year Ended December 31, 2018

					Net (Expense) Revenue and Changes in Net Assets			
		Program Revenues			Primary Government			Component Unit
Functions/Programs		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Texarkana Advertising & Promotion
Primary Government	Expenses							
Governmental Activities								
General administration	\$ 2,128,025	\$ 253,909	\$ 1,276,489	\$ 567,248	\$ (30,379)	\$ -	\$ (30,379)	
Police department	9,082,042	538,857	353,455	-	(8,189,730)	-	(8,189,730)	
Fire department	6,369,763	-	-	-	(6,369,763)	-	(6,369,763)	
Other public safety	1,909,304	-	-	-	(1,909,304)	-	(1,909,304)	
Protective inspection	433,700	-	-	-	(433,700)	-	(433,700)	
Public works	6,284,490	4,658,937	1,830,220	-	204,667	-	204,667	
Public services	32,746	(297,623)	81,578	183,545	(65,246)	-	(65,246)	
Health and welfare	386,403	-	-	-	(386,403)	-	(386,403)	
Cultural and recreation	1,119,164	-	84,209	-	(1,034,955)	-	(1,034,955)	
Interest on long-term debt	861,792	-	-	-	(861,792)	-	(861,792)	
Total governmental activities	28,607,429	5,154,080	3,625,951	750,793	(19,076,605)	-	(19,076,605)	
Business-Type Activities								
Water and sewer	9,221,277	9,598,816	-	-	-	377,539	377,539	
Total business-type activities	9,221,277	9,598,816	-	-	-	377,539	377,539	
Total primary government	\$ 37,828,706	\$ 14,752,896	\$ 3,625,951	\$ 750,793	(19,076,605)	377,539	(18,699,066)	

					Net (Expense) Revenue and Changes in Net Assets			
		Program Revenues			Primary Government			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Texarkana Advertising & Promotion
<hr/>								
Primary Government								
Component Unit								
Arkansas Advertising & Promotion	\$ 1,293,720	\$ -	\$ -	\$ -				\$ (1,293,720)
<hr/>								
General revenues								
Property taxes					\$ 3,752,005	\$ -	\$ 3,752,005	-
Sales taxes					10,681,031	-	10,681,031	-
Franchise taxes					2,637,048	-	2,637,048	-
Other taxes					81,351	-	81,351	1,171,545
Unrestricted investment earnings					19,591	174,072	193,663	416
Miscellaneous					471,372	-	471,372	465
Transfers					1,036,864	(853,431)	183,433	-
Total general revenues and transfers					18,679,262	(679,359)	17,999,903	1,172,426
Change in Net Position					(397,343)	(301,820)	(699,163)	(121,294)
Net Position, Beginning of Year, as previously reported					15,394,653	43,651,537	59,046,190	543,736
Adoption of GASB 75 - Note 18					(3,457,869)	(713,426)	(4,171,295)	-
Net Position, Beginning of Year, as restated					11,936,784	42,938,111	54,874,895	543,736
Net Position, End of Year					\$ 11,539,441	\$ 42,636,291	\$ 54,175,732	\$ 422,442

City of Texarkana, Arkansas

Balance Sheet

Governmental Funds

December 31, 2018

	General	Public Works	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 2,177,883	\$ 1,881,733	\$ 2,425,534	\$ 6,485,150
Investments	594,449	-	948,354	1,542,803
Receivables				
Property taxes, net of allowance for uncollectible accounts of \$115,010	3,102,247	25,895	1,670,257	4,798,399
Accounts	298,829	-	-	298,829
Other government agencies	3,271,952	521,304	38,776	3,832,032
Other	47	1,289	13,759	15,095
Due from other funds	46,704	1,110	-	47,814
Due from component units	-	3,741	-	3,741
Prepaid items	10,961	2,960	7,378	21,299
Total assets	<u>\$ 9,503,072</u>	<u>\$ 2,438,032</u>	<u>\$ 5,104,058</u>	<u>\$ 17,045,162</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 128,523	\$ 428,443	\$ 17,315	\$ 574,281
Accrued liabilities	546,043	73,261	1,767	621,071
Due to other governments	141,348	227	-	141,575
Due to other funds	446,004	38,609	1,305	485,918
Due to component units	92,138	354	-	92,492
Other liabilities	-	8,915	-	8,915
Total liabilities	<u>1,354,056</u>	<u>549,809</u>	<u>20,387</u>	<u>1,924,252</u>
Deferred Inflows of Resources				
Unavailable revenue-property taxes	2,696,353	8,682	1,464,754	4,169,789
Unavailable revenue-grants	49,579	1,995	26,536	78,110
Total deferred inflows of resources	<u>2,745,932</u>	<u>10,677</u>	<u>1,491,290</u>	<u>4,247,899</u>
Fund Balances				
Nonspendable				
Prepaid items	10,961	2,960	7,378	21,299
Restricted				
General administration	-	-	55,803	55,803
Police department	-	-	44,602	44,602
Fire department	-	-	24,514	24,514
Public works	-	-	608,286	608,286
Debt service	-	-	2,085,820	2,085,820
Cultural and recreation	-	-	65,944	65,944
Committed				
Public works	-	302,820	-	302,820
Cultural and recreation	13,175	-	-	13,175
Assigned				
Police department	39,173	-	371,024	410,197
Public works	30,292	1,571,766	330,233	1,932,291
Unassigned (deficit)	5,309,483	-	(1,223)	5,308,260
Total fund balances	<u>5,403,084</u>	<u>1,877,546</u>	<u>3,592,381</u>	<u>10,873,011</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,503,072</u>	<u>\$ 2,438,032</u>	<u>\$ 5,104,058</u>	<u>\$ 17,045,162</u>

See Notes to Financial Statements

City of Texarkana, Arkansas
Balance Sheet (Continued)
Governmental Funds
December 31, 2018

Total fund balances - total governmental funds \$ 10,873,011

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 34,594,721

Deferred inflows and outflows of resources related to pensions and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds. 6,009,192

The City's equity investment in joint ventures is not a financial resource and is, therefore, not reported in the funds. 13,948,732

Other long-term assets, such as property tax and grant receivables, are not available to pay for current-period expenditures and, therefore, are presented as deferred inflows in the funds. 4,247,899

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities are as follows:

Accrued interest payable (296,178)

Accrued compensated absences (2,242,362)

Net pension and other postemployment benefits liability (33,150,134)

Bonds payable, net of unamortized premiums (22,400,861)

Obligations under capital lease (44,579)

Total net position - governmental activities \$ 11,539,441

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2018

	General	Public Works	Other Governmental Funds	Total
Revenues				
Property taxes	\$ 2,492,534	\$ 105,678	\$ 1,357,839	\$ 3,956,051
Sales taxes	9,991,711	689,320	-	10,681,031
Other taxes	81,351	-	-	81,351
Utility franchise	2,603,390	-	-	2,603,390
Licenses and permits	46,009	282,384	-	328,393
Fines, forfeitures and penalties	537,234	-	24,646	561,880
Charges for services	224,572	4,376,553	-	4,601,125
Grants and entitlements	340,860	414,922	746,065	1,501,847
Intergovernmental	1,369,939	1,415,298	89,660	2,874,897
Investment income	2,741	2,043	14,807	19,591
Miscellaneous	223,538	213,698	34,136	471,372
Total revenues	17,913,879	7,499,896	2,267,153	27,680,928
Expenditures				
Current:				
General government	1,826,015	-	134,890	1,960,905
Police department	8,071,706	-	-	8,071,706
Fire department	4,948,694	-	-	4,948,694
Other public safety	1,890,072	-	16,684	1,906,756
Protective inspection	-	428,638	-	428,638
Public works	-	5,216,630	24,873	5,241,503
Public services	-	-	32,752	32,752
Health and welfare	372,137	-	-	372,137
Cultural and recreation	6,739	293,553	468,436	768,728
Capital outlay	190,969	1,030,996	2,248,882	3,470,847
Debt service:				
Principal retirement	71,044	-	950,000	1,021,044
Interest and fiscal charges	1,973	-	796,042	798,015
Bond issuance costs	-	-	61,778	61,778
Total expenditures	17,379,349	6,969,817	4,734,337	29,083,503
Excess (Deficiency) of Revenues Over (Under) Expenditures	534,530	530,079	(2,467,184)	(1,402,575)
Other Financing Sources (Uses)				
Transfers in	2,071,287	87,784	3,113,974	5,273,045
Transfers out	(1,011,645)	(669,990)	(2,554,546)	(4,236,181)
Issuance of debt	56,606	-	2,260,000	2,316,606
Original issue premium	-	-	3,855	3,855
Total other financing sources (uses)	1,116,248	(582,206)	2,823,283	3,357,325
Net Change in Fund Balances	1,650,778	(52,127)	356,099	1,954,750
Fund Balances, Beginning of Year	3,752,306	1,929,673	3,236,282	8,918,261
Fund Balances, End of Year	\$ 5,403,084	\$ 1,877,546	\$ 3,592,381	\$ 10,873,011

See Notes to Financial Statements

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
Year Ended December 31, 2018

Net change in fund balances - total governmental funds \$ 1,954,750

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

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.

Capital asset purchases	3,470,847
Capital outlay items not capitalized	(43,767)
Loss on disposal of capital assets	(4,508)
Depreciation expense	(2,156,067)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(170,388)
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Losses from the change in the equity investment in joint ventures do not provide current financial resources are not reported in the funds.	(337,318)
---	-----------

The issuance of long-term debt (<i>e.g.</i> , bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,290,599)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the net change in these items this year.

Accrued interest	(10,817)
Accrued compensated absences	16,049
Net pension liability	(3,386,007)
Other postemployment benefits liability	122,788
Net change in deferred inflows/outflows of resources related to pensions and other postemployment benefits liability	1,437,694

Change in net position of governmental activities	\$ (397,343)
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City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes
In Fund Balances – Budget and Actual – General Fund
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 2,562,000	\$ 2,574,500	\$ 2,492,534	\$ (81,966)
Sales taxes	9,028,500	9,821,903	9,991,711	169,808
Other taxes	-	-	81,351	81,351
Utility franchise	2,591,390	2,748,034	2,603,390	(144,644)
Licenses and permits	47,695	44,870	46,009	1,139
Fines, forfeitures and penalties	834,114	774,764	537,234	(237,530)
Charges for services	-	-	224,572	224,572
Grants and entitlements	243,231	363,140	340,860	(22,280)
Intergovernmental	1,228,000	1,261,315	1,369,939	108,624
Investment income	-	-	2,741	2,741
Miscellaneous	284,236	283,776	223,538	(60,238)
Total revenues	16,819,166	17,872,302	17,913,879	41,577
Expenditures				
Current:				
General government	1,839,794	1,829,678	1,826,015	3,663
Police department	8,133,364	8,254,919	8,071,706	183,213
Fire department	5,046,149	4,961,757	4,948,694	13,063
Other public safety	2,699,829	2,699,829	1,890,072	809,757
Health and welfare	417,586	404,957	372,137	32,820
Cultural and recreation	500	500	6,739	(6,239)
Capital outlay	95,831	202,369	190,969	11,400
Debt service:				
Principal retirement	956,023	164,365	71,044	93,321
Interest and fiscal charges	-	-	1,973	(1,973)
Total expenditures	19,189,076	18,518,374	17,379,349	1,139,025
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,369,910)	(646,072)	534,530	1,180,602
Other Financing Sources (Uses)				
Issuance of debt	-	-	56,606	56,606
Transfers in	1,955,710	1,844,810	2,071,287	226,477
Transfers out	(55,000)	(952,961)	(1,011,645)	(58,684)
Total other financing sources (uses)	1,900,710	891,849	1,116,248	224,399
Net Change in Fund Balances	(469,200)	245,777	1,650,778	1,405,001
Fund Balances, Beginning of Year	3,752,306	3,752,306	3,752,306	-
Fund Balances, End of Year	\$ 3,283,106	\$ 3,998,083	\$ 5,403,084	\$ 1,405,001

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund
Balances – Budget and Actual - Public Works Fund
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 103,000	\$ 113,200	\$ 105,678	\$ (7,522)
Sales taxes	675,000	680,000	689,320	9,320
Licenses and permits	140,250	280,873	282,384	1,511
Charges for services	4,168,000	4,479,000	4,376,553	(102,447)
Grants and entitlements	-	-	414,922	414,922
Intergovernmental	1,437,000	1,405,000	1,415,298	10,298
Investment income	-	-	2,043	2,043
Miscellaneous	963,184	727,632	213,698	(513,934)
Total revenues	<u>7,486,434</u>	<u>7,685,705</u>	<u>7,499,896</u>	<u>(185,809)</u>
Expenditures				
Current:				
Protective inspection	550,864	464,845	428,638	36,207
Public works	6,261,762	6,292,691	5,216,630	1,076,061
Cultural and recreation	1,097,920	1,061,350	293,553	767,797
Capital outlay	844,101	656,190	1,030,996	(374,806)
Total expenditures	<u>8,754,647</u>	<u>8,475,076</u>	<u>6,969,817</u>	<u>1,505,259</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	<u>(1,268,213)</u>	<u>(789,371)</u>	<u>530,079</u>	<u>1,319,450</u>
Other Financing Sources (Uses)				
Transfers in	-	-	87,784	87,784
Transfers out	-	-	(669,990)	(669,990)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(582,206)</u>	<u>(582,206)</u>
Net Change in Fund Balances	<u>(1,268,213)</u>	<u>(789,371)</u>	<u>(52,127)</u>	<u>737,244</u>
Fund Balances, Beginning of Year	<u>1,929,673</u>	<u>1,929,673</u>	<u>1,929,673</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 661,460</u>	<u>\$ 1,140,302</u>	<u>\$ 1,877,546</u>	<u>\$ 737,244</u>

City of Texarkana, Arkansas
Statement of Net Position
Proprietary Funds
December 31, 2018

	Texarkana Water Utilities			Total
	Water Utilities	Union Utilities	Mandeville Utilities (Nonmajor)	Enterprise Funds
Assets				
Current assets				
Cash	\$ 1,927,449	\$ 124,703	\$ 29,371	\$ 2,081,523
Investments	1,692,760	42,389	-	1,735,149
Receivables:				
Accounts (net of allowance for uncollectible)	1,546,496	72,156	16,436	1,635,088
Accrued interest	625	5	-	630
Due from other funds	4,944	44	-	4,988
Due from other governments	114,603	-	-	114,603
Inventories	339,970	-	-	339,970
Prepaid items	30,710	312	79	31,101
Net investment in direct financing leases - current	427,342	-	-	427,342
Total current assets	6,084,899	239,609	45,886	6,370,394
Noncurrent assets				
Restricted assets				
Cash	2,473,891	237,846	158,874	2,870,611
Investments	750,000	98,909	-	848,909
Receivables				
Interest	2,042	11	-	2,053
Total restricted assets	3,225,933	336,766	158,874	3,721,573
Capital assets (net of accumulated depreciation)				
Land	812,877	13,749	1,697	828,323
Buildings	1,223,156	813	257	1,224,226
Improvements other than buildings	22,124,695	1,962,568	188,037	24,275,300
Machinery and equipment	2,078,215	14,758	4,813	2,097,786
Property under capital leases	9,042,963	-	-	9,042,963
Water rights	17,784,128	-	-	17,784,128
Construction in progress	841,673	2,235	5,983	849,891
Net capital assets	53,907,707	1,994,123	200,787	56,102,617
Other assets				
Prepaid capital improvement deposits	565,186	4,691	3,919	573,796
Net pension asset	1,624,537	-	-	1,624,537
Net investment in direct financing leases	2,880,287	-	-	2,880,287
Total other assets	5,070,010	4,691	3,919	5,078,620
Total noncurrent assets	62,203,650	2,335,580	363,580	64,902,810
Total assets	68,288,549	2,575,189	409,466	71,273,204
Deferred Outflows of Resources				
Deferred outflows - pension	594,594	8,423	2,057	605,074
Deferred outflows - pension contributions	-	-	-	-
Total deferred outflows of resources	594,594	8,423	2,057	605,074

See Notes to Financial Statements

	Texarkana Water Utilities			Total Enterprise Funds
	Water Utilities	Union Utilities	Mandeville Utilities (Nonmajor)	
Liabilities				
Current liabilities				
Accounts payable	\$ 507,019	\$ 2,886	\$ 376	\$ 510,281
Construction contracts payable	227,425	-	-	227,425
Accrued liabilities	148,994	5,088	306	154,388
Accrued interest payable	318,316	22,467	3,141	343,924
Due to other funds	44	3,889	1,055	4,988
Other payables	22,078	6,756	2,469	31,303
Compensated absences - current portion	30,716	-	-	30,716
Bonds payable - current portion	1,020,355	205,917	27,112	1,253,384
Total current liabilities	2,274,947	247,003	34,459	2,556,409
Noncurrent liabilities				
Customer deposits	511,379	28,510	8,950	548,839
Capital improvement deposits	777,349	-	-	777,349
Contracts payable	14,506,625	-	-	14,506,625
Compensated absences	191,878	-	-	191,878
Net pension and OPEB liability	2,927,879	16,061	4,763	2,948,703
Revenue bonds	5,242,971	1,302,352	183,763	6,729,086
Total noncurrent liabilities	24,158,081	1,346,923	197,476	25,702,480
Total liabilities	26,433,028	1,593,926	231,935	28,258,889
Deferred Inflows of Resources				
Deferred inflows - pension	914,882	14,733	3,237	932,852
Deferred inflows - other postemployment benefits	50,246	-	-	50,246
Total deferred inflows of resources	965,128	14,733	3,237	983,098
Net Position				
Net investment in capital assets	32,982,145	485,853	(10,089)	33,457,909
Restricted for construction	475,532	-	-	475,532
Restricted for capital acquisitions	1,428,232	110,256	142,032	1,680,520
Restricted for debt service	1,029,194	204,043	13,700	1,246,937
Restricted for pensions	1,624,537	-	-	1,624,537
Unrestricted	3,945,347	174,801	30,708	4,150,856
Total net position	\$ 41,484,987	\$ 974,953	\$ 176,351	\$ 42,636,291

City of Texarkana, Arkansas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2018

	Texarkana Water Utilities			Total Enterprise Funds
	Water Utilities	Union Utilities	Mandeville Utilities (Nonmajor)	
Operating Revenues				
Water sales	\$ 3,862,234	\$ 466,570	\$ 82,475	\$ 4,411,279
Wholesale water sales	55,555	-	-	55,555
Water connection fees	3,300	950	50	4,300
Sewer charges	3,878,381	-	-	3,878,381
Penalties and service charges	430,516	19,606	5,079	455,201
Other income	772,565	15,924	5,611	794,100
Total operating revenues	9,002,551	503,050	93,215	9,598,816
Operating Expenses				
Administrative	202,103	-	-	202,103
Finance	475,924	6,827	1,737	484,488
Customer service	317,185	35,776	8,953	361,914
Water production	1,321,750	80,024	21,231	1,423,005
Waster distribution	408,040	10,547	8,398	426,985
Sewer collection	443,912	-	-	443,912
Wastewater treatment	1,476,072	-	-	1,476,072
Environmental service	127,234	-	-	127,234
Engineer design	217,358	66	-	217,424
Geographical information systems	111,531	-	-	111,531
Composting	121,824	-	-	121,824
Operations administration	95,813	-	-	95,813
Service center	374,492	-	-	374,492
Field service	186,556	22,089	5,530	214,175
Construction oversight	313,703	5,939	355	319,997
Depreciation	1,968,199	103,461	13,937	2,085,597
Other expenses	22,173	-	351	22,524
Total operating expenses	8,183,869	264,729	60,492	8,509,090
Operating Income	818,682	238,321	32,723	1,089,726
Nonoperating Revenues (Expenses)				
Interest income - investments	55,669	1,089	162	56,920
Interest income - capital leases	117,152	-	-	117,152
Interest expense and paying agent fees	(656,181)	(50,801)	(7,104)	(714,086)
Gain on disposal of capital assets	1,899	-	-	1,899
Total nonoperating revenues (expenses)	(481,461)	(49,712)	(6,942)	(538,115)
Income Before Transfers	337,221	188,609	25,781	551,611
Transfers Out	(853,431)	-	-	(853,431)
Changes in Net Position	(516,210)	188,609	25,781	(301,820)
Net Position, Beginning of Year, as previously reported	42,714,623	786,344	150,570	43,651,537
Adoption of GASB 75 - Note 18	(713,426)	-	-	(713,426)
Net Position, Beginning of Year, as Restated	42,001,197	786,344	150,570	42,938,111
Net Position, End of Year	\$ 41,484,987	\$ 974,953	\$ 176,351	\$ 42,636,291

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City of Texarkana, Arkansas
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2018

	Texarkana Water Utilities			Total
	Water Utilities	Union Utilities	Mandeville Utilities (Nonmajor)	Enterprise Funds
Cash Flows From Operating Activities				
Cash received from customers	\$ 8,872,951	\$ 488,253	\$ 88,668	\$ 9,449,872
Cash paid to suppliers	(4,022,798)	(116,706)	(36,179)	(4,175,683)
Cash paid to employees	(2,337,254)	(45,288)	(10,181)	(2,392,723)
Net cash provided by operating activities	2,512,899	326,259	42,308	2,881,466
Cash Flows From Noncapital Financing Activities				
Transfers to City general fund	(853,431)	-	-	(853,431)
Net cash used for noncapital financing activities	(853,431)	-	-	(853,431)
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(900,493)	(52,672)	(5,233)	(958,398)
Principal paid on bonds	(983,760)	(199,384)	(26,252)	(1,209,396)
Interest paid on bonds	(668,966)	(53,771)	(7,495)	(730,232)
Principal received on direct financing leases	423,589	-	-	423,589
Interest received on direct financing leases	117,152	-	-	117,152
Capital improvement deposits paid	(457,057)	-	-	(457,057)
Capital improvement deposits received	342,347	(16,887)	(6,218)	319,242
Proceeds from sale of capital assets	3,205	-	-	3,205
Net cash used for capital and related financing activities	(2,123,983)	(322,714)	(45,198)	(2,491,895)
Cash Flows From Investing Activities				
Purchase of investments	(655,208)	(141,304)	-	(796,512)
Proceeds from sale and maturities of investments	654,680	141,245	-	795,925
Interest received on investments	46,687	986	124	47,797
Net cash provided by investing activities	46,159	927	124	47,210
Increase (Decrease) in Cash	(418,356)	4,472	(2,766)	(416,650)
Cash, Beginning of Year	4,819,696	358,077	191,011	5,368,784
Cash, End of Year	\$ 4,401,340	\$ 362,549	\$ 188,245	\$ 4,952,134
Cash of Proprietary Funds, as Presented, on the "Statement of Fund Net Position - Proprietary Funds" is as follows:				
Cash	\$ 1,927,449	\$ 124,703	\$ 29,371	\$ 2,081,523
Restricted cash	2,473,891	237,846	158,874	2,870,611
	\$ 4,401,340	\$ 362,549	\$ 188,245	\$ 4,952,134

See Notes to Financial Statements

	Texarkana Water Utilities			Total Enterprise Funds
	Water Utilities	Union Utilities	Mandeville Utilities (Nonmajor)	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 818,682	\$ 238,321	\$ 32,723	\$ 1,089,726
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	1,968,199	103,461	13,937	2,085,597
(Increase) decrease in assets:				
Accounts receivable	(117,188)	(10,923)	(3,966)	(132,077)
Due from other governments	53,280	-	-	53,280
Allowance for doubtful accounts	(2,852)	(652)	(28)	(3,532)
Due from other funds	(58,993)	(44)	-	(59,037)
Inventories	(30,509)	-	-	(30,509)
Prepaid expenses	379	(207)	(53)	119
Net pension asset	(8,883)	-	-	(8,883)
Decrease in deferred outflows	162,402	1,580	444	164,426
Increase (decrease) in liabilities:				
Accounts payable	46,395	1,645	(6)	48,034
Accrued liabilities	8,329	(210)	(47)	8,072
Due to other funds	(85,296)	1,532	799	(82,965)
Accrued compensated absences	(17,790)	-	-	(17,790)
Customer deposits	(3,847)	(3,178)	(553)	(7,578)
Net pension and postemployment benefits liabilities	(911,587)	(15,770)	(3,379)	(930,736)
Other payables	11,166	(420)	122	10,868
Increase in deferred inflows	681,012	11,124	2,315	694,451
Net cash provided by operating activities	<u>\$ 2,512,899</u>	<u>\$ 326,259</u>	<u>\$ 42,308</u>	<u>\$ 2,881,466</u>

City of Texarkana, Arkansas
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2018

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 404,798	\$ 179,872
Investments		
U. S. government obligations	209,563	-
Mortgage backed securities	46,033	-
Corporate bonds and notes	1,077,940	-
Mutual funds and other investments	8,864,999	-
Interest receivable	95,609	3,556
Due from other funds	444,964	-
	<hr/>	<hr/>
Total assets	11,143,906	183,428
	<hr/>	<hr/>
Liabilities		
Accounts payable	4,387	10,899
Escrow deposits	-	172,529
Due to other funds	6,860	-
	<hr/>	<hr/>
Total liabilities	11,247	183,428
	<hr/>	<hr/>
Net Position		
Net position restricted for pensions	<u>\$ 11,132,659</u>	<u>\$ -</u>

City of Texarkana, Arkansas
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2018

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 588,780
Employee	15,132
Intergovernmental	362,665
Other	29,442
	<hr/>
Total contributions	996,019
	<hr/>
Investment income	
Net decrease in fair value of investments	(48,577)
Interest and dividends	299,798
	<hr/>
	251,221
Less investment expense	23,117
	<hr/>
Net investment income	228,104
	<hr/>
Total additions	1,224,123
	<hr/>
Deductions	
Benefits paid directly to participants	1,634,647
Administrative expenses	84,731
	<hr/>
Total deductions	1,719,378
	<hr/>
Net Decrease in Net Position	(495,255)
	<hr/>
Net Position Restricted for Pensions, Beginning of Year	11,627,914
	<hr/>
Net Position Restricted for Pensions, End of Year	\$ 11,132,659
	<hr/> <hr/>

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

The City of Texarkana, Arkansas (the City), is a municipal corporation operating under the authority of Arkansas state statute. The City operates under a city manager form of government. Six elected directors and the Mayor set policy and employ the City Manager. The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for state and local governments as defined by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting and reporting policies of the City.

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the City of Texarkana and its component unit. The component unit is a legally separate entity for which the City is considered to be financially accountable. Accountability is defined as the City's substantive appointment of the majority of the component unit's governing board. Furthermore, to be financially accountable, the City must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to or impose specific financial burdens on the City. Component units can be further distinguished between *Blended Component Units*, presented as part of the primary government, and *Discretely Presented Component Units*, presented separately.

The City's defined benefit and other employee benefit plans, being fiduciary in nature, were not evaluated as potential component units but instead are reported as fiduciary funds.

The City's primary government consists of those funds or organizations that make up the legal entity for which it is financially responsible. Under these criteria, the following are included in the primary government reporting entity:

Discretely Presented Component Unit

Texarkana Advertising and Promotion Commission (Commission) – The Commission is governed by a seven member board appointed by the City Board of Directors. The Commission is comprised of four owners or managers of businesses in the tourism industry, two members of the City Board of Directors, and one member not associated with the tourism industry or the City Board of Directors. The Commission is primarily funded by a City tax imposed on gross receipts from hotel/motel and restaurant sales. Arkansas state statutes require this to be collected by the City. The proceeds of the tax are used for advertising and promoting the City. The City performs all accounting functions for the Commission. The City tax provided to the Commission during the year ended December 31, 2018, totaled \$1,171,545. The Commission does not have separately issued financial statements.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Joint Ventures

Texarkana Airport Authority

The City is a participant with Texarkana, Texas 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, Arkansas and four of whom are residents of Texarkana, Texas. Arkansas members are appointed by the City of Texarkana, Arkansas Board of Directors. Texas members are appointed by the mayor of the City of Texarkana, Texas. 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.

Assets contributed to the Airport Authority as of December 31, 2017, consisted of \$1,906,907 by Texarkana, Arkansas and \$1,909,999 by Texarkana, Texas. The City of Texarkana, Arkansas' net investment and its share of operating results of the Airport Authority are reported in the City's financial statements within governmental activities as a joint venture. The City's equity interest in the Airport Authority was \$12,367,651 at December 31, 2017, which is the latest information available. 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, Texas and Bowie County. The Bi-State Justice Center is jointly occupied by the law enforcement and criminal justice agencies of the City of Texarkana, Arkansas, the City of Texarkana, Texas, and Bowie County, Texas. The facility is located on the state line, half in Texarkana, Arkansas and half in Texarkana, Texas. The Intergovernmental Advisory Committee is responsible for the operations of the Center. This seven member committee is comprised 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 original contract only names the two City Managers and the Judge. The annual budget is underwritten by the participating entities based on a formula which uses floor space occupied, one third each for Central Records and Communications and the number of prisoners in the detention facility for each entity.

The City of Texarkana, Arkansas' net investment in the Bi-State Justice Center is reported in the City's governmental activities as a joint venture. The City's equity interest at December 31, 2018, was \$493,542. Complete financial statements for the Bi-State Justice Center can be obtained from the City of Texarkana, Arkansas Finance Department.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Texarkana Urban Transportation Study (TUTS)

The City of Texarkana, Arkansas is a participant with seven other entities in the 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, Arkansas; three of whom are representatives of the City of Texarkana, Texas; the Bowie County Judge; the Miller County Judge; the Mayor of Wake Village, Texas; the Mayor of Nash, Texas; two representatives for the Arkansas State Highway 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's equity interest at December 31, 2018, was \$0.

Texarkana Urban Transit District (TUTD)

The City of Texarkana, Arkansas is a participant with three other cities in the TUTD. The purpose of the TUTD is 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, Arkansas – three members, one of whom is an elected official; the City of Texarkana, Texas – 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 for the TUTD since the TUTD's continued existence depends on continued funding by the City.

The City of Texarkana, Arkansas' net investment in the TUTD is reported in the City's governmental activities as a joint venture. The City's interest at September 30, 2017, which is the latest information available, was \$1,087,539.

Jointly Governed Organizations

The City's officials are responsible for appointing a portion of the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City Board of Directors or specific committees of the City Board appoint board members to the following organizations: Historic District Commission, Housing Authority, Texarkana Public Library Board, Public Facilities Board, Council of Governments Board, City Beautiful Commission and Solid Waste Management Committee. Positions on these boards are appointed in certain instances in entirety, partially, or with City Board members.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements as follows:

Government-wide Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component unit. Fiduciary activities are excluded from the government-wide statements because they cannot be used to support the City's own programs. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Likewise, the primary government is reported separately from certain 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 identifiable activity are offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Expenses that cannot be specifically identified to a particular function are charged to funds based on time spent for that function and are included in the functional categories. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund type-governmental, proprietary and fiduciary-are presented. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services and interest income.

The *Public Works Fund* accounts for the receipts and disbursements of state turnback funds, property taxes, licenses and permits, refuse collections and other revenues legally designated for street and refuse projects.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

The City reports the following major enterprise funds:

The Cities of Texarkana, Arkansas and Texarkana, Texas both have an undivided interest in the Texarkana Water Utilities (TWU). The following funds are reported in the audited financial statements for TWU and have a September 30 fiscal year-end. Transfers between Texarkana, Arkansas Water Utilities Fund and the City's governmental activities do not balance because TWU has a different year end than the City.

The *Texarkana, Arkansas Water Utilities Fund* accounts for the water and sewer services provided to the general public, industry and other municipalities on the Arkansas side of the City of Texarkana.

The *Texarkana, Arkansas Union Water Utilities Fund* accounts for the water and sewer services provided by the Union Water Utilities.

Nonmajor funds of the City are comprised of the following:

Special Revenue Funds – The special revenue funds, which include federal grants, are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, which are legally restricted to expenditures for specified purposes.

Debt Service Funds – The debt service funds are used to account for financial resources that are restricted, committed or assigned to the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds – The capital projects funds are used to account for financial resources that are restricted, committed or assigned to be used for the acquisition or construction of major capital facilities, other than those financed by enterprise funds.

Enterprise Fund – The enterprise fund is used to account for activities for which a fee is charged to external user for goods or services. The Mandeville Utilities has a September 30 fiscal year-end.

Trust Funds – Accounts for assets held in trust for the Texarkana, Arkansas Public Employee Retirement System and the Texarkana, Arkansas Water Utilities Employee Retirement System (both June 30 year-ends) and the Police Relief and Pension Fund. Plan trustees must act in accordance with the specific purposes and terms of these retirement plans.

Agency Funds – Accounts for monies collected and held by the courts until they are disbursed to various governmental agencies.

Measurement Focus and Basis of Accounting

Government-wide, Proprietary and Fiduciary Funds

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing

City of Texarkana, Arkansas

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December 31, 2018

of related cash flows. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

In proprietary funds, operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the fund. All revenues and expenses not meeting this definition are reported as nonoperating items.

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include taxes; fines and forfeitures; grants, entitlements and similar items; and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period in which the taxes are levied. City and county sales taxes, franchise taxes, licenses and permits, and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Grants, entitlements and donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as unearned revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and deferred outflows and liabilities and deferred inflows are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in available spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The City considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, federal funds, local funds and investment earnings. Other revenues are considered to be measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences and obligations for worker's compensation and other post employment benefits, which are recognized as expenditures when payment is due. Pension expenditures are recognized when contributed to a plan or when expected to be liquidated with expendable available financial resources.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, cash on hand and short-term instruments with original maturities at purchase of 90 days or less. At December 31, 2018, cash equivalents consisted primarily of money market accounts with brokers.

Investments and Investment Income

All investments in the City's Pension Trust Funds are carried at fair value. For all other funds, investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices for all investments.

Investment income includes dividend and interest income and the net change for the year in the fair value of investments. Investment income is credited to the fund from which the investments were made, except where required otherwise by bond indentures or City policy.

Inventories

Inventories of the enterprise funds consist of repair materials and spare parts for water and wastewater treatment and distribution valued at the lower of average cost or market value. The costs of governmental fund type inventories are recorded as expenditures when purchased/constructed.

Prepaid Items

Prepaid items in governmental funds are accounted for under the consumption method.

Restricted Assets

Certain proceeds of governmental and enterprise fund bonds, as well as certain 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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Capital Assets

Capital assets, which include infrastructure, are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Governmental activities and component units:

Capital assets are defined as assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of greater than two years. Capital assets are depreciated using the straight-line method over their estimated useful lives ranging from 10 – 30 years for infrastructure, 40 years for buildings, 20 years for improvements other than buildings and 5 – 20 years for machinery and equipment.

Depreciation expense is charged directly to the department/function based on the department that utilizes the related asset.

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	\$ 300
Motor vehicles	1,000
Machinery and equipment	500
Communication equipment	500
Pumps and purification equipment	1,000
Buildings and facilities new improvements	1,000
Water and sewer systems	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Furniture and fixtures	5 years
Motor vehicles	5 years
Machinery and equipment	5 - 10 years
Communication equipment	5 years
Pumps and purification equipment	10 years
Buildings and facilities new improvements	10 - 50 years
Water and sewer systems	12 - 99 years

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Pensions

For the purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than Pensions (OPEB)

For the purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the City's OPEB Plan, information has been determined on the same basis as they are reported by the OPEB Plan. For this purpose, The City recognizes benefit payments when due and payable with the benefit terms.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and statement of fund net position includes a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure/reduction in liability) until that time. The City has three items that qualify for reporting in this category. Two items are related to pensions, with one being the amount of contributions made to the pension plans after the measurement date, and the other comprised of the difference in investment experience between actual earnings and projected earnings on pension plan investments, the difference in assumption changes, the difference between actual and expected experience, and changes in proportion for cost-sharing plans. Deferred outflows related to contributions made after the measurement date will be recognized as a reduction of net pension liability in the following year ended December 31. The remaining amounts will be amortized over future periods as shown within *Note 11*. The third item relates to total OPEB for the difference between expected and actual experience of the total OPEB liability, and will be amortized to OPEB expense over future periods as shown in *Note 13*.

In addition to liabilities, the statement of net position, statement of fund net position and the balance sheet will sometimes report a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items, unavailable revenue, deferred inflows-pensions and deferred inflows – other postemployment benefits. Unavailable revenue arises under the modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, this item is only reported in the governmental funds balance sheet. Governmental funds report unavailable revenue from property taxes and grant receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows - pensions, consists of changes in assumptions, the difference between the expected and actual experience related to the pension plans and the difference in investment experience between actual earnings and projected earnings

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

on pension plan investments as well as the changes in proportion for cost-sharing plans. These amounts are amortized over future periods as shown within *Note 11*. The third item, deferred inflows – OPEB, consists of changes of assumptions. Deferred inflows – OPEB are amortized to OPEB expense over future periods as shown in *Note 13*.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the columns for governmental activities and business-type activities. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. Debt premiums, discounts and deferred losses on refundings are generally deferred and amortized using the effective interest rate method. Long-term debt is reported net of unamortized premiums or discounts.

In the fund financial statements, governmental fund types recognize debt premiums, as well as debt issuance costs, during the current period. The face amount of the debt issued and premiums received are reported as other financing sources. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

Compensated Absences

City employees earn sick pay and vacation leave benefits on the basis of length of service time. Subject to certain restrictions, City employees are compensated (historically from the fund which the employee is assigned) for unused sick and vacation time upon leaving the City's employment. All vacation and sick leave is accrued when earned in the government-wide and proprietary fund financial statements. In governmental funds, a liability for these amounts is reported only as payments come due each period upon the occurrence of relevant events such as employee resignations and retirements. General revenues are used to liquidate the liability for compensated absences from the fund in which the employee retired. The liability for compensated absences has typically been liquidated by the General Fund, Public Works Fund and Water Utilities Fund.

Net Position

Net position of the City is classified in three components. Net investment in capital assets, consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the City, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is remaining assets and deferred outflows less remaining liabilities and deferred inflows that do not meet the definition of net investment in capital assets, restricted expendable, or restricted nonexpendable.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Fund Balance - Governmental Funds

The fund balances for the City's governmental funds are displayed in five components:

Nonspendable - Nonspendable fund balances are not in a spendable form or are required to be maintained intact.

Restricted - Restricted fund balances may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed - Committed fund balances may be used only for the specific purposes determined by resolution of the Board of Directors. Commitments may be changed or lifted only by issuance of a resolution by the City Board of Directors.

Assigned - Assigned fund balances are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the City Manager to assign fund balance. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The City applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are used first.

Restricted by Enabling Legislation

The government-wide Statement of Net Position reports \$422,442 of restricted net position for Texarkana Advertising and Promotion which is restricted by enabling legislation. This amount consists of unspent hotel/motel taxes.

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, Public Works Fund and the following nonmajor special revenue funds: Community Development Block Grant, Police Fund, Kline Park Monument, Domestic Violence, Front Street Project, Bail Bond, Court Automation, North Texarkana Redevelopment District, Library and Public Safety. All annual appropriations lapse at year end and are re-established in the succeeding year.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

The appropriated budget is prepared by fund, function and activity. 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 Board of Directors. The Board of Directors 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 Board of Directors. City policy prohibits budgeting total proposed expenditures in excess of total anticipated revenues and 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 Board of Directors made several supplemental budgetary appropriations throughout the year.

New Governmental Accounting Standards Board (GASB) Pronouncements

The GASB has issued the following statements which the City has not yet adopted and which require adoption subsequent to December 31, 2018:

GASB Statement No. 83 – *Certain Asset Retirement Obligations* (GASB 83): GASB 83 addresses issues in accounting and financial reporting for certain asset retirement obligations (AROs), including establishing criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement is effective for periods beginning after June 15, 2018.

GASB Statement No. 84 – *Fiduciary Activities* (GASB 84): GASB 84 provides for greater consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. This statement is effective for periods beginning after December 15, 2018.

GASB Statement No. 87 – *Leases* (GASB 87): GASB 87 addresses the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognizing inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activity. This statement is effective for periods beginning after December 15, 2019.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

GASB Statement No. 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (GASB 88): GASB 88 improves the information disclosed in notes to the governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liability governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date of the contraction obligation is established. This Statement requires additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. This statement is effective for periods beginning after June 15, 2018.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*: The primary objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. It also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No 90 – *Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61*: The primary objectives of this statement are to improve the consistency and comparability of reporting on a government's major equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements for this statement are effective for reporting periods beginning after December 15, 2018.

City of Texarkana, Arkansas

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December 31, 2018

GASB Statement No. 91 - *Conduit Debt Obligations*: The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020 with earlier application encouraged.

The effect of these statements on the City has not been determined, but could have a significant impact on the City's overall net position.

Note 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires that deposits in financial institutions be collateralized with federal depository insurance and other acceptable collateral in specific amounts. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

At December 31, 2018, none of the City's or Utilities' bank balances were exposed to custodial credit risk.

Investments

Arkansas statutes authorize the City to invest in direct obligations of the U.S. government; obligations on which the principal and interest are fully guaranteed, or are fully secured, insured, or covered by commitments or agreements to purchase by the U.S. government; obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposits.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Arkansas statutes also authorize the City to invest in no more than 20% of its capital base in corporate debt obligations; revenue bond issues of any state, municipality, or political subdivision; industrial development bonds for corporate obligors issued through any state or political subdivision; securities or interest in an open-end or close-end management type investment company or trust registered under the Investment Company Act of 1940 with certain limitations; securities or interest issued, assumed, or guaranteed by certain international banks; and uninsured demand, savings, or time deposits or accounts of any depository institution chartered by the United States, any U.S. state, or District of Columbia. The pension trust funds are authorized to also invest in common stocks, investment grade corporate bonds, and other appropriate securities.

At December 31, 2018, the City had the following investments and maturities:

Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. Treasury obligations	\$ 209,563	\$ -	\$ 79,080	\$ 32,437	\$ 98,046
Corporate bonds	1,077,940	78,311	424,568	311,476	263,585
Money market mutual funds	2,890,755	2,890,755	-	-	-
Mortgage backed securities	46,033	-	-	11,235	34,798
Bond mutual funds	2,922,793	129,738	1,881,318	217,125	694,612
		<u>\$ 3,098,804</u>	<u>\$ 2,384,966</u>	<u>\$ 572,273</u>	<u>\$ 1,091,041</u>
Equity mutual funds	<u>5,942,206</u>				
	<u>\$ 13,089,290</u>				

Interest Rate Risk – Statutes authorize the City along with its component unit, the Texarkana Advertising and Promotion Commission, to invest in certificates of deposits, obligations of the U.S. Treasury and U.S. agencies, and obligations of the State of Arkansas and any political subdivision of the state. The City’s policy seeks to minimize the risk that the market value of securities will fall due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter-term securities, money market mutual funds or similar investment pools. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s pension fund policies limit the percentages of each type of portfolio asset.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

The City has the following recurring fair value measurements as of December 31, 2018:

- U.S. Treasury obligations of \$209,563 are valued using a matrix pricing technique, which values the securities based on the securities' relationship to benchmark quoted prices (Level 2 inputs)
- Corporate bonds of \$1,077,940 are valued using a matrix pricing technique, which values the securities based on the securities' relationship to benchmark quoted prices (Level 2 inputs)
- Money market mutual funds of \$2,890,755 are valued at amortized cost and are not considered a fair value measurement
- Mortgage backed securities of \$46,033 are valued using a matrix pricing technique, which values the securities based on the securities' relationship to benchmark quoted prices (Level 2 inputs)
- Bond and equity mutual funds of \$2,922,793 and \$5,942,206, respectively, are valued using quoted market prices (Level 1 inputs)

Credit Risk – Credit risk is the risk that the issuer or other counterparty will not fulfill its obligations. It is the City's policy, excluding fiduciary funds, to limit investments to the safest types of securities and to pre-qualify the financial institutions, broker/dealers, intermediaries and advisers with which the City will do business. At December 31, 2018, the City's and its component units' investments not directly guaranteed by the U.S. government were rated as follows:

Investment Type	Rating Agency	Rating
Money Market Mutual Funds	S&P/Moody's	AAA/Aaa
U.S. Agency Obligations	S&P/Moody's	AAA/Aaa
Corporate Bonds	S&P/Moody's	BB to AAA/Ba2 to Aaa

Custodial Credit Risk – 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 investment or collateral securities that are in the possession of an outside party. While the City's investment policy does not directly address custodial credit risk, all investments held by the City or by an agent of the City in the City's name are insured or collateralized or limited to Treasury Fund Money Markets.

Concentration of Credit Risk – The City's policy is to diversify the investment portfolio so that potential losses on individual securities will be minimized.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statements of net position as follows:

	Primary Government	Component Units
Carrying value		
Deposits	\$ 13,253,575	\$ 323,459
Cash on hand	4,485	-
Investments	13,089,290	-
	<u>\$ 26,347,350</u>	<u>\$ 323,459</u>
Included in the following statement of net position captions		
Cash	\$ 4,259,406	\$ 323,459
Investments	3,277,952	-
Restricted cash	7,177,878	-
Restricted investments	848,909	-
Included in the following fiduciary net position captions		
Cash and cash equivalents - Agency Funds	179,872	-
Cash and cash equivalents - Pension Trust Funds	404,798	-
Investments-Pension Trust Funds		
U.S. government obligations	209,563	-
Mortgage backed securities	46,033	-
Corporate bonds and notes	1,077,940	-
Mutual funds and other investments	8,864,999	-
	<u>\$ 26,347,350</u>	<u>\$ 323,459</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Note 3: Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2018, was as follows:

Governmental Activities	Balance, January 1, 2018	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2018
Capital assets, non-depreciable:				
Land	\$ 2,563,907	\$ -	\$ -	\$ 2,563,907
Construction in progress	404,834	807,100	(833,880)	378,054
Total capital assets, non-depreciable	<u>2,968,741</u>	<u>807,100</u>	<u>(833,880)</u>	<u>2,941,961</u>
Capital assets, depreciable				
Buildings	23,583,134	108,536	(6,300)	23,685,370
Improvements other than buildings	12,100,194	141,816	-	12,242,010
Machinery and equipment	8,179,155	2,533,796	(973,115)	9,739,836
Infrastructure	44,066,278	669,712	-	44,735,990
Total capital assets, depreciable	<u>87,928,761</u>	<u>3,453,860</u>	<u>(979,415)</u>	<u>90,403,206</u>
Less accumulated depreciation				
Buildings	16,869,014	576,261	(6,300)	17,438,975
Improvements other than buildings	7,152,172	589,566	-	7,741,738
Machinery and equipment	6,806,126	360,340	(968,607)	6,197,859
Infrastructure	26,741,974	629,900	-	27,371,874
Total accumulated depreciation	<u>57,569,286</u>	<u>2,156,067</u>	<u>(974,907)</u>	<u>58,750,446</u>
Total capital assets, depreciable	<u>30,359,475</u>	<u>1,297,793</u>	<u>(4,508)</u>	<u>31,652,760</u>
Total governmental activities, net	<u>\$ 33,328,216</u>	<u>\$ 2,104,893</u>	<u>\$ (838,388)</u>	<u>\$ 34,594,721</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Capital asset activity in the business-type activities for the year ended December 31, 2018, was as follows:

Business-Type Activities	Balance January 1, 2018	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2018
Capital Assets, non-depreciable				
Land	\$ 857,819	\$ 2,572	\$ -	\$ 860,391
Construction in progress	508,247	1,388,911	(1,047,267)	849,891
Total capital assets, non-depreciable	1,366,066	1,391,483	(1,047,267)	1,710,282
Capital assets, depreciable				
Buildings and improvements	4,357,411	-	-	4,357,411
Improvements other than buildings	64,028,813	519,868	-	64,548,681
Machinery and equipment	8,015,505	469,787	(102,821)	8,382,471
Water rights	17,784,128	-	-	17,784,128
Total capital assets, depreciable	94,185,857	989,655	(102,821)	95,072,691
Less accumulated depreciation				
Buildings and improvements	2,600,807	80,767	-	2,681,574
Improvements other than buildings	30,117,074	1,595,274	-	31,712,348
Machinery and equipment	5,978,393	409,557	(101,516)	6,286,434
Water rights	-	-	-	-
Total accumulated depreciation	38,696,274	2,085,598	(101,516)	40,680,356
Total capital assets, depreciable	55,489,583	(1,095,943)	(1,305)	54,392,335
Total business-type activities, net	\$ 56,855,649	\$ 295,540	\$ (1,048,572)	\$ 56,102,617

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

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

Governmental Activities

General government	
General government	\$ 133,604
Police department	481,443
Fire department	165,671
Public works	1,001,694
Health	11,029
Culture and recreation	362,626
	<hr/>
Total depreciation expense – governmental activities	\$ 2,156,067

Business-Type Activities

Water and sewer	\$ 2,085,598
	<hr/>
Total depreciation expense - business-type activities	\$ 2,085,598

Note 4: Construction Projects

At December 31, 2018, the City had the following commitments with respect to unfinished capital projects. These projects are being funded with grant funds, bond proceeds and franchise fees.

	Project Authorization	Expended Through December 31, 2018	Required Future Financing
Detention Pond - Crossroads Parkway	\$ 40,000	\$ 24,500	\$ 15,500
Ed Worrell Creek Washout	14,000	13,415	585
Highway 71 Bridge Lights	94,400	63,645	30,755
Traffic Signal Project	350,000	17,500	332,500
U of A Road Improvement	150,000	86,620	63,380
Nix Creek - Jackson St. Trail	92,140	10,974	81,166
	<hr/>	<hr/>	<hr/>
Total	\$ 740,540	\$ 216,654	\$ 523,886

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Note 5: Long-term Liabilities

Changes in long-term liabilities in the governmental activities for the year ended December 31, 2018, and for the business-type activities for the year ended September 30, 2018, were as follows:

Governmental Activities	Balance January 1, 2018 (as restated)	Increases	Decreases	Balance December 31, 2018	Amounts Due in One Year
Bonds payable					
Revenue bonds	\$ 12,435,000	\$ 2,260,000	\$ 415,000	\$ 14,280,000	\$ 555,000
Less issuance discounts	36,777	-	1,635	35,142	-
Add issuance premiums	36,001	3,855	1,989	37,867	-
	<u>12,434,224</u>	<u>2,263,855</u>	<u>415,354</u>	<u>14,282,725</u>	<u>555,000</u>
General obligation bonds	8,450,000	-	535,000	7,915,000	230,000
Add issuance premiums	211,600	-	8,464	203,136	-
	<u>8,661,600</u>	<u>-</u>	<u>543,464</u>	<u>8,118,136</u>	<u>230,000</u>
Bonds payable, net	21,095,824	2,263,855	958,818	22,400,861	785,000
Notes payable	55,509	-	55,509	-	-
Capital lease obligation	3,508	56,606	15,535	44,579	18,453
Compensated absences	2,258,411	998,431	1,014,480	2,242,362	147,040
Net pension liability	26,290,307	3,386,007	-	29,676,314	-
Other postemployment benefits GASB 75	<u>3,596,608</u>	<u>196,634</u>	<u>319,422</u>	<u>3,473,820</u>	<u>151,796</u>
Total governmental activities long-term liabilities	<u>\$ 53,300,167</u>	<u>\$ 6,901,533</u>	<u>\$ 2,363,764</u>	<u>\$ 57,837,936</u>	<u>\$ 1,102,289</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Business-Type Activities	Balance January 1, 2018 (as restated)	Increases	Decreases	Balance December 31, 2018	Amounts Due in One Year
Bonds payable	\$ 9,187,332	\$ -	\$ 1,209,517	\$ 7,977,815	\$ 1,253,384
Revenue bonds	5,328	-	673	4,655	-
Plus issuance premiums					
Bonds payable, net	9,192,660	-	1,210,190	7,982,470	1,253,384
Compensated absences	240,384	181,345	199,135	222,594	30,716
Net pension liability	2,568,841	-	959,543	1,609,298	-
Contracts payable	14,662,237	-	155,612	14,506,625	-
Other postemployment benefits					
GASB 75	1,310,599	110,670	81,864	1,339,405	-
Total business-type activities					
long-term liabilities	<u>\$ 27,974,721</u>	<u>\$ 292,015</u>	<u>\$ 2,606,344</u>	<u>\$ 25,660,392</u>	<u>\$ 1,284,100</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Governmental Activities

2012 Franchise Fee Secured Refunding Revenue Bonds – Bonds in the amount of \$10,300,000 were issued with varying interest rates from 1.00% to 3.55% to refund the outstanding Franchise Fee Secured Capital Improvement and Refunding Revenue Bonds, Series 2008 which had interest rates ranging from 2.50% to 5.00%. Principal payments are due annually on September 1. Interest payments are due semiannually on March 1 and September 1.

2012 Capital Improvement and Refunding Limited Tax General Obligation Bonds – Bonds in the amount of \$10,160,000 were issued with varying interest rates from 2.00% to 5.00% to finance capital improvements consisting generally of construction, reconstruction, or acquisition of, or improvements to, new or current streets, bridges, and viaducts and any necessary intersection improvements, traffic signalizations, speed calming measures, lighting, equipment, land and easement acquisition, and drainage improvements therefor and to refund the outstanding 2000 Refunding and Capital Improvement Bonds. Principal payments are due annually on October 1. Interest payments are due semiannually on February 1 and October 1.

2015 Franchise Fee Secured Refunding Revenue Bonds – Bonds in the amount of \$3,770,000 were issued with varying interest rates from 1.125% to 3.875% to refund the outstanding Franchise Fee Secured Capital Improvement and Refunding Revenue Bonds, Series 2010 which had interest rates ranging from 2.45% to 4.70%. Principal payments are due annually on April 1. Interest payments are due semiannually on April 1 and October 1.

2018 Franchise Fee Secured Capital Improvement Revenue Bonds – Bonds in the amount of \$2,260,000 were issued with varying interest rates from 2.000% to 3.625% to finance the purchase of public safety equipment, consisting of fire trucks and police communications equipment. Principal payments are due annually on April 1. Interest payments are due semiannually on April 1 and October 1.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Business-type Activities

Revenue Bonds - Revenue bonds are comprised of various issues for the purpose of acquiring, constructing, equipping, renovating, expanding, and refurbishing additions and improvements of City facilities.

1998 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds – Bonds in the amount of \$4,100,000 were issued with an interest rate of 3.75%.

1998B City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds – Bonds in the amount of \$750,000 were issued with an interest rate of 3.75%.

2001 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds – Bonds in the amount of \$1,000,000 were issued with an interest rate of 3.75%.

2004A City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Revenue Bonds – Bonds in the amount of \$2,170,000 were issued with an interest rate of 3.25%.

2004B City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Revenue Bonds – Bonds in the amount of \$3,830,000 were issued with an interest rate of 3.25%.

2007 City of Texarkana, Arkansas Public Facilities Board Waterworks and Sewer Facilities Revenue Refunding Bonds – Bonds in the amount of \$9,085,000 were issued with a variable interest rate from 4.00% to 4.15%.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds and notes payable, outstanding at December 31, 2018.

Year	Primary Government			
	Governmental Activities		Business-Type Activities	
	General Obligation Bonds and Revenue Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 785,000	\$ 841,966	\$ 1,253,384	\$ 292,713
2020	805,000	820,935	1,298,891	246,080
2021	825,000	797,929	1,176,199	197,771
2022	860,000	772,073	1,044,535	157,080
2023	885,000	743,748	1,083,567	118,120
2024-2028	4,915,000	3,208,063	2,125,894	118,992
2029-2033	5,730,000	2,211,778	-	-
2034-2038	5,985,000	1,140,314	-	-
2039-2043	1,405,000	183,809	-	-
	<u>\$ 22,195,000</u>	<u>\$ 10,720,615</u>	<u>\$ 7,982,470</u>	<u>\$ 1,130,756</u>

There are a number of limitation and restrictions contained in the various bond indentures. The City is in substantial compliance with all significant limitations and requirements. The City is also subject to a statutory limitation by the State of Arkansas for general bonded indebtedness. The limitation is 25 percent of the total assessed valuation of all real and personal property within the municipality subject to taxation. At December 31, 2018, the City met the statutory limitation for its general bonded indebtedness, leaving a sufficient legal debt margin. Also, for the governmental activities, the net pension liability and other postemployment benefit obligations have historically been the responsibility of the General Fund.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

The following is a summary of pledged revenues of the City for the year ended December 31, 2018.

Debt	Revenue Pledged	Total Pledged Revenue	Portion of Pledged Revenue Stream	Percentage Portion of Pledged Revenue Stream	Remaining Principal, Interest and Fees	Period Revenue Will Not Be Available for Other Purposes
Governmental Activities:						
2012 Franchise Fee Secured Refunding Revenue Bonds	Franchise Taxes	\$ 2,603,390	\$ 619,758	23.8%	\$ 12,335,848	Until 2038
2015 Franchise Fee Secured Refunding Revenue Bonds	Franchise Taxes	2,603,390	232,928	8.9%	5,102,278	Until 2040
2018 Franchise Fee Secured Capital Improvement Revenue Bonds	Franchise Taxes	2,603,390	36,747	1.4%	2,809,531	Until 2032
Business-Type Activities:						
1998 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	\$ 9,002,551	\$ 293,224	3.3%	\$ 733,075	Until 2021
1998B City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	9,002,551	53,638	0.6%	134,110	Until 2021
2001 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	9,002,551	68,390	0.8%	341,930	Until 2023
2004A City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Bonds	Revenues of the Enterprise Fund	596,265	148,406	24.9%	890,409	Until 2024
2004B City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Bonds	Revenues of the Enterprise Fund	596,265	261,932	43.9%	1,964,478	Until 2025
2007 City of Texarkana, Arkansas Public Facilities Board Waterworks and Sewer Facilities Revenue Refunding Bonds	Revenues of the Enterprise Fund	9,002,551	721,509	8.0%	5,049,224	Until 2025

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Note 6: Interfund Balances and Transfers

Interfund receivables and payables as of December 31, 2018, are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 46,704	\$ 446,004
Public Works	1,110	38,609
Non-major governmental funds	-	1,305
Total governmental funds	<u>47,814</u>	<u>485,918</u>
Texarkana, Arkansas Water Utilities	4,944	44
Texarkana, Arkansas Union Water Utilities	44	3,889
Non-major proprietary funds	-	1,055
Total proprietary funds	<u>4,988</u>	<u>4,988</u>
Fiduciary Funds:		
Policeman's Relief & Pension	<u>444,964</u>	<u>6,860</u>
Total fiduciary funds	<u>444,964</u>	<u>6,860</u>
Total	<u><u>\$ 497,766</u></u>	<u><u>\$ 497,766</u></u>

The outstanding balances between funds result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between the funds are made.

Transfers are used to move revenues from funds with collection authorization to debt service and pension funds and to move unrestricted revenues to various programs that the government must account for in other funds. Transfers recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds as of December 31, 2018, are as follows:

Fund	Transfer In	Transfer Out
General	\$ 2,071,287	\$ 1,011,645
Public Works	87,784	669,990
Other Nonmajor Governmental Funds	<u>3,113,974</u>	<u>2,554,546</u>
Total governmental funds	<u><u>\$ 5,273,045</u></u>	<u><u>\$ 4,236,181</u></u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Transfers recorded in the Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds are as follows:

Proprietary Funds		
Texarkana, Arkansas Water Utilities	\$ -	\$ 853,431
	<u> </u>	<u> </u>
Total proprietary funds	\$ -	\$ 853,431
	<u> </u>	<u> </u>
 Total primary government	 \$ 5,273,045	 \$ 5,089,612
	<u> </u>	<u> </u>

The difference in the transfer in/out of \$183,433 is due to the different year end of the Texarkana, Arkansas Water Utilities (September 30, 2018).

Note 7: Water Supply Contract Between Cities of Texarkana, Texas and Texarkana, Arkansas

Under a contract dated August 5, 1948 as subsequently amended, the Texarkana, Texas system 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 revised agreement was executed between the Cities of Texarkana, Texas and Texarkana, Arkansas on May 20, 1969.

This revised agreement relates to the matter of supplying treated water only and does not amend the prior agreement relating to sewerage service. The terms of the revised 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. The Arkansas Utilities made total transfers to the Texas Utilities for water purchases of \$712,391 and \$594,405 for 2018 and 2017, respectively. In addition the Union Utility made total transfers to the Texas Utilities for water purchases of \$53,813 and \$42,205 for 2018 and 2017, respectively. The Mandeville Utility made total transfers to the Texas Utilities for water purchases of \$14,285 and \$12,493 for 2018 and 2017, respectively.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

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 effective transfer of assets pursuant to this agreement has been recorded as a capital lease transaction between the Cities. The Arkansas Utilities has made no transfers to the Texas Utilities 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, between the two Cities provides for the sale of water taken from the Millwood Reservoir and processed in the Millwood Water Treatment Facilities. The agreement provides that the previous existing contract shall remain in full force as it relates to water taken from the Texarkana Reservoir. The agreement further provides that the City of Texarkana, Arkansas will sell treated water to the City of 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 Texas Utilities made total transfers to the Arkansas Utilities for water purchases of \$654,287 and \$646,282 for 2018 and 2017, respectively. In addition, the Union Utility made total transfers to the Arkansas Utilities for water purchases of \$26,211 and \$24,701 for 2018 and 2017, respectively. The Mandeville Utility made total transfers to the Arkansas Utilities for water purchases of \$6,946 and \$7,161 for 2018 and 2017, respectively.

Additionally, when the indebtedness the City of Texarkana, Arkansas incurred in connection with the acquisition and construction of the water treatment and transmission facilities has been discharged, the City of Texarkana, Arkansas will convey to the City of Texarkana, Texas an undivided interest in the facilities used to serve Texas. Texarkana, Texas' undivided interest in the facilities shall be a pro rata portion of the total capital payments made on the system by both Texarkana, Arkansas and Texarkana, Texas. Capital payments are defined as payments made or to be made on the principal for the bond obligations of Texarkana, Arkansas. During 2018 and 2017, the Texas Utilities made total transfers to the Arkansas Utilities for debt service of \$431,373 and \$417,816, respectively. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease transaction between the Cities.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Note 8: Wastewater Agreements Between Cities of Texarkana, Texas and Texarkana, Arkansas

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 computed to be the 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 contract wastewater treatment cost to the Cities 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 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 payments on bond obligations made on the system by both Texarkana, Texas and Texarkana, Arkansas. 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. During 2018 and 2017, the Texas Utilities made transfers to the Arkansas Utilities for debt service in the amounts of \$109,368 and \$101,839, respectively. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease between the Utilities.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Note 9: Water Supply

Texarkana Reservoir

In 1953, the Cities of Texarkana, Texas and Arkansas entered into a contract with the U. S. Government for the right to withdraw up to 13 million gallons of water per day from Texarkana Reservoir. The term of the agreement is for fifty years from the effective date. Annual payments of \$7,000 are required. The U. S. Government has extended the contract pending execution of a new agreement expected to be completed in the near future.

In 1968, the City of Texarkana, Texas entered into two agreements with the U. S. Government for water rights in the Texarkana Reservoir. The first agreement dated April 16, 1968, provides for the reallocation of an additional 120,000 acre-feet of water storage in Texarkana Reservoir to the City of Texarkana after the completion of Cooper Reservoir. This space will become available to Texarkana effective with the later of 1) the date Cooper Reservoir becomes operative for storage of water for flood control or 2) the date of completion of modification to Texarkana Reservoir which is required to affect the conversion of storage space therein from flood control use to municipal and industrial water supply use. The term of contract is for as long as the Government continues to operate Texarkana Reservoir. Payments of \$1,510,529 per year for 50 years are estimated beginning upon the effective date of water withdrawal.

The second contract is for the purpose of providing the City of Texarkana, Texas an additional water supply until Cooper Reservoir is completed and modifications are made to Texarkana Reservoir to convert additional storage to municipal and industrial use. This contract dated September 16, 1968, provides for 84 million gallons per day in addition to the 13 million gallons provided in the 1953 contract. The terms 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 (Water District) 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 year remaining life of the bonds issued to construct the reservoir facilities.

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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 take 5 MGD of the 50 MGD reserved in Millwood Reservoir. The contract specifies a monthly payment of \$793 representing principal and interest for the 5 MGD with the final payment being due in 2036. Since 1986, the monthly payments to the water district for water used have included principal and interest on the 5 MGD being taken and interest only on the remaining 45 MGD reserved along with the districts monthly operating costs. Payment was made to the water district for water used from the reservoir totaling \$135,351 and \$128,749 for fiscal year 2018 and 2017, respectively. These amounts are included in Water Production costs of the Arkansas Utilities and Texas Utilities 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 the Water District to take an additional 10 MGD. Texarkana, Texas was not a party to this contract, so Texarkana, Arkansas bears the cost of purchasing this capacity. The Corp of Engineers determined the cost of this additional water to be \$539,511, plus interest, payment in 43 monthly payments beginning July 2012. The final payment for these water rights was made on March 11, 2016. In the fiscal year 2012 budget a new restricted account, the Millwood Water Rights account, was set up to receive transfers from the Arkansas Revenue account to pay the monthly cost of the additional 10 MGD as well as to accumulate funds to pay the projected full principal cost for the remaining 35 MGD of the 50 MGD reserved in Millwood. During fiscal year 2016, Texarkana, Arkansas entered a new contract to purchase these additional 35MGD of water rights, and subsequently, on June 6, 2016, a lump sum payment of \$1,889,238 was made to SWAWD as payment in full for the final 35MGD of the 50MGD reserved. On June 7, 2016, Texarkana, Arkansas entered a contract with SWAWD to purchase the remaining balance of available water storage capacity in Millwood of 99.8 MGD, with 5 MGD being reserved by SWAD to satisfy easements for the raw water canal crossing the landowner properties. The cost of this additional 99.8 MGD of water rights is \$15,355,379, plus interest for 50 years with annual payments of \$541,522 beginning in January 2017. The balance at September 30, 2018, of this liability was \$14,506,625.

City of Texarkana, Arkansas

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Note 10: Mandeville and Union Acquisitions

Since 1994, the City of Texarkana, Arkansas through its water department, Texarkana Water Utilities, has operated the Mandeville and Union water corporations under terms of operating agreements with the corporations. The non-profit corporations were initially established to provide water to mostly rural customers located east of the city limits of Texarkana, Arkansas. The Mandeville system serves approximately 318 customers and Union serves about 1,800 customers. In the late 1990's, Texarkana, Arkansas annexed areas east of the City that encompassed large portions of both corporation's service areas. In part, because of this, the board of directors for each corporation expressed interest in selling their water systems to the City. During 2004, the City was able to obtain low interest loans from the Arkansas Soil and Water Conservation Commission to assist in the acquisition and rehabilitation costs of the two systems. The loans were structured in the form of revenue bonds issued by the City of Texarkana, Arkansas Public Facilities Board (PFB). On February 9, 2004, the PFB issued the City of Texarkana, Arkansas Public Facilities Board Water Facilities Acquisition Revenue Bond, Series 2004A, in the amount of \$2,170,000 to provide funds to pay off the existing balances of the corporations' USDA Rural Development loans and to pay related engineering and issuance costs. For this, the City obtained all the assets and liabilities of the corporations.

On November 10, 2004, the PFB issued the City of Texarkana, Arkansas Public Facilities Board Water Facilities Improvement Revenue Bond, Series 2004B, in the amount of \$3,830,000, to finance the costs of improvements to the recently acquired Mandeville and Union systems and to pay costs of issuance of the bond. The City will continue to utilize the existing water rates used in the respective corporation service areas and will maintain separate accounting funds for each system. The existing rates, which are slightly higher than the City's regular water rates, are necessary to adequately fund the operations and debt service of the respective improved systems.

Note 11: Pension Plans

Substantially all of the City's employees receive retirement benefits. The City sponsors three single employer defined benefit plans that are reported as pension trust funds. The plan year end for the Texarkana, Arkansas Public Employees Retirement System (TAPERS), and the Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS), is June 30, 2018. The other single employer defined benefit plans is the Police Relief and Pension Fund (PRPF). During 2016, the Firemen Relief and Pension Fund (FRPF) was transferred to the administration of LOPFI, and is now an agent multi-employer plan, which also has a December 31 year end. The City also contributes to the Local Police and Fire Retirement System (LOPFI), a statewide cost-sharing multiple-employer defined benefit pension plan and the District Judges' division of Arkansas Public Employees Retirement System (APERS), a statewide cost-sharing multiple-employer public retirement system. Employees of the Enterprise funds (Utilities) participate in the Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The assets of the plans are maintained in legally separate trusts and each plan's assets may be used only for the payment of benefits to the members of that plan or their beneficiaries in accordance with the terms of the plan.

City of Texarkana, Arkansas

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A. Summary of Significant Accounting Policies

Basis of Accounting

The City of Texarkana's financial statements for its single employer defined benefit plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. City contributions to each plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Determine Fair Value of Investments

The fair value of investments other than mutual funds is determined using quoted market prices. The fair value of investments in mutual funds is determined using the fund's current per share price.

B. Membership Information

Membership of each City administered plan consisted of the following at the plans most recent fiscal year-end:

	<u>June 30, 2018</u>		<u>December 31, 2018</u>
	<u>TAPERS</u>	<u>TWUPERS</u>	<u>PRPF</u>
Retirees and beneficiaries			
receiving benefits	32	10	40
Active plan members	15	19	-
Terminated members	36	22	-
Transitioned members	18	-	-
Total	<u>101</u>	<u>51</u>	<u>40</u>

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C. Financial Information

Separate financial reports are not issued on each plan. The following is the condensed financial information of the pension trust funds:

Statement of Fiduciary Net Position				
	June 30, 2018		December 31, 2018	
	TAPERS	TWUPERS	PRPF	Total
Assets				
Cash and cash equivalents	\$ 36,711	\$ 46,367	\$ 321,720	\$ 404,798
Investments	3,589,126	2,680,170	3,929,239	10,198,535
Receivables	61,923	10,336	23,350	95,609
Due from other funds	-	-	444,964	444,964
Total assets	3,687,760	2,736,873	4,719,273	11,143,906
Liabilities				
Accounts payable	2,610	-	1,777	4,387
Due to other funds	-	-	6,860	6,860
Total liabilities	2,610	-	8,637	11,247
Net Position				
Net position restricted for pensions	\$ 3,685,150	\$ 2,736,873	\$ 4,710,636	\$ 11,132,659
Statement of Changes in Fiduciary Net Position				
Additions				
Contributions	\$ 143,079	\$ -	\$ 852,940	\$ 996,019
Net investment income (loss)	283,688	144,309	(199,893)	228,104
Total additions	426,767	144,309	653,047	1,224,123
Deductions				
Benefits paid directly to participants	333,624	172,696	1,128,327	1,634,647
Administrative expenses and other	44,661	34,070	6,000	84,731
Total deductions	378,285	206,766	1,134,327	1,719,378
Net Increase (Decrease) in Net Position	48,482	(62,457)	(481,280)	(495,255)
Net Position Restricted For Pensions, Beginning of Year	3,636,668	2,799,330	5,191,916	11,627,914
Net Position Restricted For Pensions, End of Year	\$ 3,685,150	\$ 2,736,873	\$ 4,710,636	\$ 11,132,659

City of Texarkana, Arkansas

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D. Plan Descriptions and Funding Information

The City of Texarkana, Arkansas participates in seven defined benefit pension plans; which are comprised of three single-employer defined benefit pension plans, two cost-sharing defined benefit pension plans and two agent-multiple employer defined benefit pension plans, each of which are described and illustrated in detail below. Aggregate amounts for the seven pension plans are as follows:

	Net Pension Asset	Net Pension Liability	Deferred Outflows of Resources	Deferred Outflows of Resources - Contributions	Deferred Inflows of Resources	Pension Expense
TAPERS	\$ -	\$ 6,056,387	\$ 19,146	\$ 33,147	\$ -	\$ 142,680
TWUPERS	1,624,537	-	-	-	-	51,243
PRPF	-	8,241,735	292,791	-	-	582,312
LOPFI	-	14,998,214	4,911,520	1,647,850	441,764	3,292,339
APERS	-	65,681	9,628	-	7,129	10,879
FRPF	-	314,297	-	-	349,775	235,661
TMRS	-	1,609,298	328,558	276,516	932,852	222,365
Total	<u>\$ 1,624,537</u>	<u>\$ 31,285,612</u>	<u>\$ 5,561,643</u>	<u>\$ 1,957,513</u>	<u>\$ 1,731,520</u>	<u>\$ 4,537,479</u>

Single-Employer Defined Benefit Pension Plans

The *Texarkana, Arkansas Public Employees Retirement System (TAPERS)* is a single-employer defined benefit pension plan administered by the Retirement Board of the City. The Retirement Board consists of two or more members appointed by the employer. Members of the Board are not required to be a participant within the plan.

TAPERS provides retirement benefits as well as death and disability benefits. Benefits vest on a graded schedule of 0% after 5 years, 20% after 6 years with an additional 20% added each year after that. Benefits are 100% vested after 10 years. Employees who retire at age 65 are entitled to a benefit of 1.8% of average annual compensation for each year of service. Average compensation is the average at the 5 consecutive years which give the highest result. Employees may retire early at or after age 55 with ten years of service. The benefit is computed as for normal retirement, but for participants who retire prior to age 60 with less than 20 years of vesting service, the benefit is reduced by 1/360th for each month preceding normal retirement date. Participants who are 60 years of age and have completed 20 years of vesting service or who are 55 year of age and have completed 30 years of vesting service have no reduction of their accrued benefits. The benefit is paid as a monthly life annuity. Other options may be elected. Late retirement, pre-retirement death benefits and disability benefits are also available in an amount actuarially equivalent to the present value of accrued benefits. There are no automatic Cost of Living Adjustments (COLAs) in this plan. No ad hoc COLAs have been given in the past.

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The plan was closed to employees who are not participants as of July 1, 2012. Participants who were not 100% vested in their retirement benefit as of July 1, 2012 ("Transitioned Participants") will not receive any additional benefit accruals in the retirement system. These members will continue to earn service for the purposes of vesting and eligibility for early retirement. These Transition Participants will also not be eligible to receive a disability retirement benefit if they become disabled after the effective date of the plan change. Active participants who continue to earn benefit accruals in the retirement system will be required to contribute 2% of pay. The City of Texarkana also increased the employer contributions to the plan from 6% of pay to 10% of covered pay plus provided additional, annual appropriations to further strengthen the benefit security of the plan.

Contributions to the TAPERS are funded by the City of Texarkana, Arkansas. The annual contribution is guided by an annual cost valuation based on the frozen entry age cost method. However, since there is no longer any initial unfunded accrued liability, it is equivalent to the aggregate method. The Annual Required Contribution (ARC) is defined based on the aggregate cost method. Because this method does not identify or separately amortize unfunded actuarial accrued liabilities, information about funded status and funding progress is presented using the entry age actuarial cost method and the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan. Administrative costs are financed from the trust. Employer contributions for the year ended December 31, 2018, were \$125,659.

The asset concentrations of over 5% are as follows:

Goldman Sachs Strategic Income	\$ 233,480
Ishares Russell 1000 Growth	324,269

The ***Policemen's Relief and Pension Fund (PRPF)*** is a single-employer defined benefit pension plan administered by a Board of Trustees, established in accordance with legislation enacted by the Arkansas General Assembly. The Board of Trustees consists of two members of City Management and five members elected by the plan members. The elected members are required to be participants within the plan. Benefit provisions are established by State of Arkansas Act #16, as amended. Policemen's Fund assets are administered by a Board of Trustees.

The Policemen's Fund provides retirement benefits for policemen who have completed 20 years of service regardless of age. The benefit is equal to 50% of the member's final salary, but not less than \$11,040. If service exceeds 20 years, the annual benefit is increased by \$240 for each year over 20, not to exceed \$1,200 per year and if service exceeds 25 years, the member will receive an additional 1.25% for each year over 25 years, however, the total benefit cannot exceed 100% of the member's final salary. Disability benefits are available to policemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the police department. This benefit is the same as noted above, but for non-duty disability cannot be less than \$11,040 per year and for duty-related disability cannot be less than 65% of the member's final salary. The PRPF also provides benefits for surviving spouses and dependent children in which widow's receive the same amount the member is receiving or would be eligible to receive and children receive \$1,500 per year until age 18 (23, if still in school). No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue

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working and enter the Deferred Retirement Option Plan (DROP) for up to 10 years. All policemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981. Therefore, the PRPF is effectively closed to new members.

Contributions to the Policemen's Fund are set forth in Arkansas statute. The City's contribution to the Policemen's Fund consists of a one mill real and personal property tax collection, an insurance premium tax turnback collected by the State Insurance Commissioner, and a percentage of fines and forfeitures collected. Administrative costs are financed by the Policemen's Fund. Total 2018 contributions to the Policemen's Fund were \$852,940. The City's share of contributions was \$852,940 and included \$385,193 in property taxes, 27,154 in other taxes and \$289,092 in state insurance premium taxes and other supplements received from the state. On behalf payments (state insurance premium taxes and other supplements received from the state) are recognized as revenues and expenditures in the appropriate fund.

The asset concentrations of over 5% are as follows:

Eaton Vance Floating Rate	\$ 474,678
JP Morgan Inflation Managed BD FD	294,217
Metropolitan West Total Return Bond Fund	452,578
Harbor Capital Appreciation FD	570,413
The Hartford Equity Income FD	592,422

The plan has elected to participate in the Deferred Retirement Option Plan effective December 20, 1993. Members who elect to participate have a DROP account that is increased by the monthly amount of their retirement as if they had retired as of the date DROP was elected. As of December 31, 2018, the balances of these DROP accounts were \$1,433,852.

The *Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)* is a single-employer, defined benefit pension plan established under Arkansas state law. Plan assets are administered by a committee appointed by the Texarkana, Arkansas Board of Directors. The committee consists of two or more members appointed by the employer. Members of the committee are not required to be a participant within the plan. The plan funds are held by an independent trustee.

The TWUPERS Plan provides retirement benefits as well as death and disability benefits. A participant is eligible for normal retirement benefits upon attainment of age 65. The annual normal retirement benefit, payable monthly, is equal to 1.8% of average annual earnings for each year of service credited. Average annual earnings are the average of the earnings received by the participant during the five consecutive years of highest earnings. Reduced early retirement benefit is available to participants who are at least age 55 and have 10 years of participation. The reduction is 1/360th for each month or part thereof by which the payment commencement date precedes the normal retirement date. Participants who are 60 years of age and have completed 20 years of vesting service or who are 55 years of age and have completed 30 years of vesting service, have no reduction of their accrued benefit. The benefit is paid as a monthly life annuity. Other options may be elected. Late retirement, pre-retirement death benefits and disability benefits are also available in an amount actuarially equivalent to the present value of accrued benefits. There

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are no automatic Cost of Living Adjustments (COLA) in this plan. No ad hoc COLA's have been given in the past. An amendment froze the plan as of November 15, 2000, and made all active participants 100% vested. Due to the plan freeze, no employee will become a participant after November 15, 2000.

Since the Plan was frozen as of November 15, 2000. There have been no required contributions or contributions made to the plan since 2000.

The asset concentrations of over 5% are as follows:

Ishares S&P 500 Growth ETF	\$ 272,372
MFS Value Fund	237,379
Baron Emerging Markets	181,530

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The State of Arkansas Fire and Police Pension Review Board is responsible for the coordination of the actuarial valuations performed on the Police Relief and Pension Fund. Actuarial evaluations are performed biennially and the last evaluation was for the year ended December 31, 2018. Actuarial assumptions used in evaluating the fund and applicable to the PRPF include the following:

Valuation date	December 31, 2018
Cost method	Individual entry-age normal
Asset valuation method	Market value of assets
Amortization method	Open amortization period
Amortization period	5 years

Assumptions:

Inflation rate	2.50%
Investment rate of return	5.00%
Projected salary increases	N/A

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Information pertaining to the actuarial valuations used for the remaining two single-employer defined benefit pension plans follows:

	TAPERS	TWUPERS
Actuarial valuation date	6/30/2018	6/30/2018
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar open	Not applicable
Remaining amortization period	20 years	Not applicable
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return*	6%	3.5%
Projected salary increases*	3.0%	N/A
*Includes inflation at	2.75%	0.5%
Cost-of-living adjustments	None	None
Mortality table	RP-2000	2018 Funding Target
Experience Study	N/A	N/A

Net Pension Asset/Liability

The components of the net pension asset or liability of the City were as follows:

Plan	Measurement Date	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset (Liability)	Plan Net Position as a % of Total Pension Asset/Liability
Texarkana, Arkansas Public Employees					
Retirement System (TAPERS)	6/30/2018	\$ 9,741,537	\$ 3,685,150	\$ (6,056,387)	37.83%
Police Relief and Pension Fund (PRPF)	12/31/2018	12,952,371	4,710,636	(8,241,735)	36.37%
Texarkana, Arkansas Water Utilities					
Employee Retirement System (TWUPERS)	6/30/2018	1,112,336	2,736,873	1,624,537	246.05%

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Long-term Expected Return on Plan Assets

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. The rates were built on a target allocation for all pension funds, the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The long-term expected rates of return and the associated asset allocation are shown in the tables below:

Long-term Expected Real Rate of Return			
Asset Class	TAPERS	PRPF	TWUPERS
Domestic Fixed Income		2.25%	
Domestic Equity	6.10%	4.75%	2.09%
Foreign Equity	6.60%	6.25%	2.09%
Fixed Income	1.40%		1.52%
Real Estate (REIT)	4.30%		
Cash		0.25%	0.03%
Targeted Asset Allocation			
Asset Class	TAPERS	PRPF	TWUPERS
Domestic Fixed Income	0.00%	80.00%	
Domestic Equity	48.00%	10.00%	35.50%
Foreign Equity	6.00%		10.00%
Fixed Income	39.00%		49.10%
Real Estate (REIT)	2.00%		
Cash	5.00%	10.00%	5.40%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Discount Rate

Texarkana, Arkansas Public Employees Retirement System (TAPERS)

In the June 30, 2018 actuarial valuation, a blended discount rate of 3.86% (3.83% in the prior year) was used to measure the total pension liability. This blended discount rate was based on the expected rate of return on pension plan investments of 6.00% and a municipal bond rate of 3.62% (based on the Bond Buyer 20-year Municipal Bond Index as of June 30, 2018). Based on the stated assumptions and the projection of cash flows, the pension plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the 2027 fiscal year. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2027 fiscal year and the municipal bond rate was applied to all benefit payments after that date.

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Policemen's Relief and Pension Fund (PRPF)

In the December 31, 2018 actuarial valuation, a single discount rate of 5.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 5.0%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)

In the June 30, 2018 actuarial valuation, a single discount rate of 3.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 3.5%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

Texarkana, Arkansas Public Employees Retirement System (TAPERS)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2018	\$ 9,775,704	\$ 3,636,668	\$ 6,139,036
Changes for the year:			
Service cost	155,442	-	155,442
Interest	371,029	-	371,029
Differences between expected and actual experience	(189,311)	-	(189,311)
Assumption changes	(37,703)	-	(37,703)
Contributions - employer	-	125,659	(125,659)
Contributions - employee	-	15,132	(15,132)
Net investment income	-	269,494	(269,494)
Benefit payments, including refunds of employee contributions	(333,624)	(333,624)	-
Administrative expense	-	(28,179)	28,179
Net changes	(34,167)	48,482	(82,649)
Balances at December 31, 2018	\$ 9,741,537	\$ 3,685,150	\$ 6,056,387

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Policemen's Relief and Pension Fund (PRPF)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2018	\$ 13,289,223	\$ 5,191,916	\$ 8,097,307
Changes for the year:			
Service cost	-	-	-
Interest	628,849	-	628,849
Differences between expected and actual experience	57,548	-	57,548
Contributions - employer	-	734,533	(734,533)
Contributions - employee	-	-	-
Net investment income	-	(186,564)	186,564
Benefit payments, including refunds of employee contributions	(1,023,249)	(1,023,249)	-
Administrative expense	-	(6,000)	6,000
Benefit Change	-	-	-
Other changes	-	-	-
Net changes	(336,852)	(481,280)	144,428
Balances at December 31, 2018	\$ 12,952,371	\$ 4,710,636	\$ 8,241,735

Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) - (b)
Balances at January 1, 2018	\$ 1,195,336	\$ 2,799,330	\$ (1,603,994)
Changes for the year:			
Interest	38,053	-	38,053
Differences between expected and actual experience	10,643	-	10,643
Assumption changes	41,000	-	41,000
Net investment income	-	134,374	(134,374)
Benefit payments, including refunds of employee contributions	(172,696)	(172,696)	-
Administrative expense	-	(16,053)	16,053
Other changes	-	(8,082)	8,082
Net changes	(83,000)	(62,457)	(20,543)
Balances at December 31, 2018	\$ 1,112,336	\$ 2,736,873	\$ (1,624,537)

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

The following table presents the net pension asset or liability for each plan of the City using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the current rate:

		Sensitivity of the Net Position Liability to the Single Discount Rate Assumption		
		Current Blended Rate Assumption		
		1% Decrease 2.83%	3.83%	1% Increase 4.83%
TAPERS	Net Pension Liability	\$ 7,572,185	\$ 6,056,387	\$ 4,964,874
		Current Single Rate Assumption		
		1% Decrease 4.00%	5.00%	1% Increase 6.00%
PRPF	Net Pension Liability	\$ 9,033,532	\$ 8,241,735	\$ 6,919,790
		Current Single Rate Assumption		
		1% Decrease 2.50%	3.50%	1% Increase 4.50%
TWUPERS	Net Pension Asset	\$ (1,466,994)	\$ (1,624,197)	\$ (1,716,994)

Money-Weighted Rate of Return

The annual money-weighted rate of return on pension plan investments is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense, adjusted for the changing amounts actually invested. The money-weighted rates of returns are shown in the table below:

Plan	FY Ended	Annual Return
Texarkana, Arkansas Public Employees Retirement System (TAPERS)	6/30/2018	7.59%
Police Relief and Pension Fund (PRPF)	12/31/2018	-6.22%
Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)	6/30/2018	8.63%

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

For the year ended December 31, 2018, the City recognized pension expense of \$142,680 for TAPERS, \$51,243 for TWUPERS and \$582,312 for PRPF. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to these pensions from the following sources:

TAPERS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	19,146	-
Contributions subsequent to the measurement date	33,147	-
Total	<u>\$ 52,293</u>	<u>\$ -</u>

PRPF

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	292,791	-
Total	<u>\$ 292,791</u>	<u>\$ -</u>

City of Texarkana, Arkansas
Notes to Financial Statements
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The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$33,147 will be recognized as a reduction of the net pension liability for the year ending December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

TAPERS

Year Ending December 31	Net Deferred Outflows of Resources
2019	\$ 52,309
2020	15,267
2021	(36,897)
2022	(11,533)
Total	<u>\$ 19,146</u>

PRPF

Year Ending December 31	Net Deferred Outflows of Resources
2019	\$ 119,900
2020	20,076
2021	49,593
2022	103,222
Total	<u>\$ 292,791</u>

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Cost Sharing Multiple-Employer Defined Benefit Pension Plans

The *Arkansas District Judges Retirement System* (ADJRS) provides pension benefits for the City's municipal judges. In accordance with Act 1374 of 2003, the ADJRS was established effective January 1, 2005 and the City's local plan was abolished. A deferred benefit was established for all district judges and court clerks in the local plans that were active on December 31, 2004. These deferred annuities will be eligible for benefits when the eligibility requirements for their previous local plans are met. Act 177 of the 86th General Assembly abolished the ADJRS and transferred all powers, duties and plan liabilities to the Arkansas Public Retirement System (APERS) effective July 1, 2007. The APERS plan, which includes the District Judges' division, is a cost-sharing multiple-employer public retirement system. All current members in the former ADJRS system maintain the same benefit package.

APERS issues a publicly available financial report that includes financial statements and required supplementary information of the Plan, which may be obtained by writing to 124 West Capitol Avenue, Suite 400, Little Rock, AR 72201.

Benefits provided. Benefits under APERS are calculated depending on the member's hire date, with retirees separated into two separate categories; the non-contributory plan applies to all persons hired prior to July 1, 2005, while the new contributory plan applies to all employees hired on or after July 1, 2005. Under both plans, a member may retire with full benefits at either the age of 65 with five years of service, or at any age with 28 years of service. The member may retire with reduced benefits at either the age of 55 with five years of service or at any age with 25 years of service. The reduction is equal to one-half of one percent for each month retirement precedes normal retirement age or one-percent for each month below 28 years of actual service, whichever is less. Under the non-contributory plan, the benefit calculation is equal to a factor of 1.72% of the members final average salary multiplied by the years and months of credited service. Under the new contributory plan, the benefit calculation is equal to a factor of 2.00% of the members final average salary multiplied by the years of credited service. Under each plan, an additional .5% of the member's final average salary is awarded for each year of credited service exceeding 28 years. The minimum monthly benefit is \$150, excluding any age and beneficiary option reductions.

Under both the non-contributory and contributory plan, the member's final average salary is the highest 36 calendar months of covered compensation. In addition, a cost-of-living adjustment of 3% annually is included in the current benefits.

Contributions. Contributions to APERS are made by both the members (under the contributory plan) and employers. Member contribution rates are established by the APERS Board of Trustees. The employer contributions are actuarially determined on an annual basis. The current employee contribution rate is 5 percent of covered payroll for each employee under the new contributory plan. The City contributed 14.75% of covered employee's salaries to the plan for the period January 1, 2018 to June 30, 2018 and 14.50% of covered employees' salaries from July 1, 2018 to December 31, 2018. Contributions made to the plan the City for the year ended December 31, 2018, amounted to \$8,490. There were no contributions made by the Member.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the City reported a liability of \$65,681 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period. At December 31, 2018, the City's proportion was .00297747 percent, which was a decrease of .00004499 percent from the prior year.

For the year ended December 31, 2018, the City recognized pension expense of \$10,879. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,045	\$ 689
Change of assumptions	7,473	4,062
Changes in proportion	1,110	716
Net difference between projected and actual earnings on pension plan investments	-	1,662
Total	<u>\$ 9,628</u>	<u>\$ 7,129</u>

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

Year Ending December 31	
2019	\$ 4,755
2020	2,098
2021	(3,298)
2022	<u>(1,056)</u>
Total	<u>\$ 2,499</u>

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 6.96 percent, average, including inflation
Investment rate of return	7.15 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2012. As a result of the 2012 actuarial experience study, the expectation of life after disability was adjusted in the June 30, 2018 actuarial evaluation to more closely reflect actual experience.

Long-term Expected Return on Plan Assets

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 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 current asset allocation percentage and by adding expected price inflation. The long-term expected rates of return are shown in the table below:

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	5.97%
International Equity	24%	6.07%
Real Assets	16%	4.59%
Absolute Return	5%	3.15%
Domestic Fund	18%	0.83%
Total	100%	

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Discount Rate

In the June 30, 2018 actuarial valuation, a single discount rate of 7.15% (7.50% in prior year) was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.15%	Current Single Rate Assumption 7.15%	1% Increase 8.15%
City's proportionate share of the net pension liability	\$ 107,379	\$ 65,681	\$ 31,278

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued APERS financial report.

The **Local Police and Fire Retirement System (LOPFI)** is a statewide cost-sharing multiple-employer defined benefit retirement program that provides retirement, disability, and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly. The authority to establish and amend benefit provisions is set forth in Arkansas state statutes and is vested in the Arkansas Legislature with the concurrence of the Governor. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the Plan. LOPFI issues a publicly available financial report that includes financial statements and required supplementary information of the Plan, which may be obtained by contacting the following:

Arkansas Local Police and Fire Retirement System
P.O. Drawer 34164
Little Rock, Arkansas 72203
501.682.1745

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Benefits provided. LOPFI provides for a retirement benefit paid to the Member on a monthly basis. The monthly benefit is based on a formula provided by law for the Member's lifetime. The Member has several options in calculating the benefit, which is normally the result of these factors: age at retirement, retirement multiplier, amount of credit services (years and months), and final average pay (FAP). Each option available to the member provides for a different calculation based on these factors.

Contributions. Contributions to LOPFI are made by both the members and employers. Member contribution rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis. The current employee contribution rate is 8.5 percent of covered payroll for policemen and firemen. The City contributed 17.13% of covered employee's salaries to the plan for policeman and 24.76% of covered employees' salaries to the plan for firemen for the year ended December 31, 2018. Contributions made to the plan by employees and the City for the year ended December 31, 2018 amounted to \$718,838 and \$1,647,850, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the City reported a liability of \$14,998,214 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period. At December 31, 2017, the City's proportion was 2.11065 percent, which was an increase of .09015 percent from the prior year.

For the year ended December 31, 2018, the City recognized pension expense of \$3,292,339. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 750,871	\$ 1,298
Change of assumptions	3,834,437	-
Net difference between projected and actual earnings on pension plan investments	-	350,233
Changes in proportion	326,212	90,233
Contributions subsequent to the measurement date	1,647,850	-
Total	<u>\$ 6,559,370</u>	<u>\$ 441,764</u>

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,647,850 will be recognized as a reduction of the net pension liability for the year ending December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as:

Year Ending December 31	
2019	\$ 1,756,281
2020	1,681,458
2021	951,031
2022	80,986
Total	<u>\$ 4,469,756</u>

Actuarial Assumptions

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

Actuarial cost method	Entry age normal
Price inflation	2.75 percent
Wage inflation	3.75 percent
Salary increases	4.25 to 18.75 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on scale AA.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2008 to December 31, 2011. As a result of the 2011 actuarial experience study, the expectation of life after disability was adjusted in the December 31, 2017 actuarial evaluation to more closely reflect actual experience.

Long-term Expected Return on Plan Assets

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. The rates were built on a target allocation for all pension funds; the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The long-term expected rates of return are shown in the table below:

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Long-term Expected Real Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	27%	0.78%
Domestic Equity	42%	5.58%
Foreign Equity	18%	7.38%
Alternative Investments	10%	6.23%
Cash	3%	0.00%
Total	100%	

Discount Rate

In the December 31, 2017 actuarial valuation, a single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption			
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
City's proportionate share of the net pension liability	\$ 26,620,927	\$ 14,998,214	\$ 8,046,536

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LOPFI financial report.

Agent Multiple-Employer Defined Benefit Plans

The *Firefighter's Relief and Pension Fund (FRPF)* is an agent multiple-employer defined benefit pension plan for employees of the Fire Department who were hired prior to January 1, 1983. The Plan was established in accordance with Arkansas statutes and was closed, by state law, to new employees effective January 1, 1983. On September 6, 2016, the City entered into an agreement with the Arkansas local police and fire (LOPFI) retirement system whereby LOPFI assumed responsibility for administration and a portion of the obligation of the Old Plans pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of the State of Arkansas. Per the Agreement between the City and LOPFI, the City will contribute an actuarially determined rate sufficient to support the current plan benefit levels and fund the Plan's net pension obligation over a 15-year open amortization period. The Plan's benefit structure remains unchanged under the administration of LOPFI. The assets of the Plan are included in the pooled assets of the LOPFI System and a financial report that includes disclosures about the elements of the basic financial statements is available on the LOPFI's website at www.lopfi-prb.com.

The FRPF provides retirement benefits for firemen who have completed 20 years of service regardless of age. The benefit is equal to 50% of the member's final salary, but not less than \$11,040. If service exceeds 20 years, the annual benefit is increased by \$240 for each year over 20, not to exceed \$1,200 per year and if service exceeds 25 years, the member will receive an additional 1.25% for each year over 25 years, however, the total benefit cannot exceed 100% of the member's final salary. Disability benefits are available to firemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the fire department. This benefit is the same as noted above, but for non-duty disability cannot be less than \$11,040 per year and for duty-related disability cannot be less than 65% of the member's final salary. The FRPF also provides benefits for surviving spouses and dependent children in which widow's receive the same amount the member is receiving or would be eligible to receive and children receive \$1,500 per year until age 18 (23, if still in school). No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the Deferred Retirement Option Plan (DROP) for up to 10 years. All firemen hired after January 1, 1983, participate in the Arkansas Local Fire and Fire Retirement System created by Act 364 of 1981. Therefore, the FRPF is effectively closed to new members.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Contributions to the Firemen's Fund were previously set forth in Arkansas statute. The City's contribution to the Firemen's Fund previously consisted of a one mill real and personal property tax collection, an insurance premium tax turnback collected by the State Insurance Commissioner. Administrative costs were financed by the Firemen's Fund. As the administration of the Plan was transferred to LOPFI in 2016, contributions from that point forth will now be actuarially determined annually. Contributions made to the plan by the City for the year ended December 31, 2018 amounted to \$75,881.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	31
DROP members	-
Active members	-
	<hr/>
Total	<u>31</u>

As the plan is closed to new members and there are no active members included in the plan, there are no contributions made by members to the plan. The contribution rate for the City is actuarially determined on an annual basis.

Actuarial Assumptions

Valuation date	December 31, 2017
Cost method	Individual entry-age normal
Asset valuation method	Market value of assets
Amortization method	Closed amortization period
Amortization period	15 years
Assumptions:	
Inflation rate	2.75%
Investment rate of return	7.75%
Projected salary increases	N/A

Mortality rates for retirees, beneficiaries, and DROP members were based on the RP-2000 Combined Projected to 2017 Table, set forward two years for men.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in FRPF was for the period January 1, 2008 through December 31, 2011, first used in the December 31, 2012 valuation. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments is 7.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the LOPFI 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 the plan.

The long-term expected rate of return on pension plan investment 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:

Asset Allocation		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	27%	0.78%
Domestic Equity	42%	5.58%
Foreign Equity	18%	7.38%
Alternative Investments	10%	6.23%
Cash	3%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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 retired and DROP members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2018	\$ 6,136,130	\$ 5,688,083	\$ 448,047
Changes for the year:			
Service cost	-	-	-
Interest	452,267	-	452,267
Differences between expected and actual experience	(20)	-	(20)
Assumption changes	289,364	-	289,364
Contributions - employer	-	122,010	(122,010)
Contributions - employee	-	-	-
Net investment income	-	763,135	(763,135)
Benefit payments, including refunds of employee contributions	(600,862)	(600,862)	-
Administrative expense	-	(9,784)	9,784
Other changes	-	-	-
Net changes	<u>140,749</u>	<u>274,499</u>	<u>(133,750)</u>
Balances at December 31, 2018	<u>\$ 6,276,879</u>	<u>\$ 5,962,582</u>	<u>\$ 314,297</u>

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

The following table presents the net pension asset for the City using the current rate as compared to what the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
Net Pension Liability	\$ <u>854,509</u>	\$ <u>314,297</u>	\$ <u>(155,072)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LOPFI financial report.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources

For the year ended December 31, 2018, the City recognized pension expense of \$235,661 related to this plan.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

At December 31, 2018, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 349,775
Total	<u>\$ 349,775</u>

The amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Net Deferred Inflows of Resources
2019	\$ (93,842)
2020	(93,842)
2021	(93,844)
2022	<u>(68,247)</u>
Total	<u>\$ (349,775)</u>

The ***Texas Municipal Retirement System*** (TMRS) provides pension benefits for all of the Utilities' full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the Utilities are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS at P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the Utility-finance 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 the amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan's provisions are adopted by the Texarkana, Texas City Council, within the options available in the state statutes governing TMRS. Plan provisions for the Utility were as follows:

Employee deposit rate	7.00%
Matching ratio (City to employee)	2 to 1
Updated Service Credit:	
Rate	100T
Year effective	1992R
Increased benefits to retirees	
Rate	70%
Year effective	1992R
Military service credit effective date	October 1988
Years required for vesting	5 Years
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Restricted prior service credit effective date	June 1995
Statutory maximum (%)	Removed

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms for the plan as a whole:

Inactive employees or beneficiaries currently receiving benefits	108
Inactive employees entitled to but not yet receiving benefits	41
Active Employees	<u>153</u>
Total	<u><u>302</u></u>

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 Utility. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Employees for the Utility were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Utility were 16.20% and 16.67% in calendar years 2017 and 2018, respectively. The Utility's contributions to TMRS for the year ended September 30, 2018, were \$359,350, and were equal to the required contributions.

Actuarial Assumptions

Inflation	2.50% per year
Overall Payroll Growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2017 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2011 through December 31, 2014, first used in the December 31, 2015 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 2017 valuation.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments is 6.75%. 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.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

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:

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
Total	100.00%	

Discount Rate

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

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2018	\$ 13,599,267	\$ 11,030,426	\$ 2,568,841
Changes for the year:			
Service cost	363,212	-	363,212
Interest	891,945	-	891,945
Differences between expected and actual experience	(209,579)	-	(209,579)
Assumption changes	-	-	-
Contributions - employer	-	359,350	(359,350)
Contributions - employee	-	155,275	(155,275)
Net investment income	-	1,498,658	(1,498,658)
Benefit payments, including refunds of employee contributions	(600,972)	(600,972)	-
Administrative expense	-	(7,766)	7,766
Other changes	-	(396)	396
Net changes	<u>444,606</u>	<u>1,404,149</u>	<u>(959,543)</u>
Balances at December 31, 2018	<u>\$ 14,043,873</u>	<u>\$ 12,434,575</u>	<u>\$ 1,609,298</u>

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

The following table presents the net pension liability for the Utility using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Utility's Net Pension Liability	<u>\$ 3,559,322</u>	<u>\$ 1,609,298</u>	<u>\$ 6,811</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2018, the Utility recognized pension expense of \$222,365.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

At December 31, 2018, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 317,255
Change of assumptions	18,709	-
Net difference between projected and actual earnings on pension plan investments	309,849	-
Excess investment returns	-	615,597
Contributions subsequent to the measurement date	<u>276,516</u>	<u>-</u>
Total	<u><u>\$ 605,074</u></u>	<u><u>\$ 932,852</u></u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$276,516 will be recognized as a reduction of the net pension liability for the year ending December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	
2019	\$ (133,063)
2020	(92,118)
2021	(203,730)
2022	<u>(175,383)</u>
Total	<u><u>\$ (604,294)</u></u>

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Note 12: Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City's plan was amended effective July 15, 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 as of December 31, 2018.

Note 13: Other Postemployment Benefits

Governmental Activities

Plan Description: The City of Texarkana sponsors and administers an informal single-employer defined benefit healthcare plan. Arkansas statute provides that any municipal city official or employee vested in any of the City's retirement plans with 20 years of service and attains 55 years of age may continue to participate in the City's healthcare plan after retirement. The State of Arkansas has the authority to establish and amend the requirements of this statute. The City does not issue stand-alone financial statements of the plan but all required information is presented in this report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Funding Policy: The contribution requirements of plan members are established by the City and may be amended as needed. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plan. Currently, retired employees who retired under age 55 and employees retiring who are under age 55 are eligible to continue medical coverage only with a lifetime maximum benefit of \$250,000 provided they have participated in the Fund for at least five years. Such retired employees and their dependents shall not have benefit of the stop-loss provision or have dental and vision benefits. Retired employees who retired at age 55 and over are eligible to continue medical, dental and vision coverage only. All retired employees shall be entitled to \$5,000 annual reinstatement of benefits. Retired employees may remain covered provided the City remains in the Municipal Health Benefit Fund.

As of December 31, 2018, there are 29 retirees participating in the postemployment health benefit program. Participant contributions totaled \$195,361 in 2018.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Employees covered by benefit terms – at December 31, 2018, the following employees were covered by the benefit terms:

Inactive plan members entitled to but not receiving benefit payments	0
Active members	<u>223</u>
Total	<u><u>251</u></u>

Total OPEB Liability – The City’s total OPEB liability of \$3,473,820 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions – The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.64 percent based on the 20 year municipal bond rate from the S & P Municipal Bond index. Prior discount rate was 3.16 percent based on the 20 year municipal bond rate
Inflation rate	3.00 percent
Healthcare cost trend rates	8.00 percent for 2019 decreasing annually, to an ultimate rate of 5.00 percent for 2026
Cost method	Entry age normal
Mortality	RP 2014 Mortality Table

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Changes in Total OPEB Liability

Total OPEB obligation - January 1, 2018	<u>\$ 3,596,608</u>
Service Cost	72,807
Interest	113,653
Differences between expected and actual experience	10,174
Changes of assumptions or other inputs	(126,052)
Benefit payments	<u>(193,370)</u>
Net change in total OPEB liability	<u>(122,788)</u>
Total OPEB obligation - December 31, 2018	<u><u>\$ 3,473,820</u></u>

Sensitivity of the Total OPEB Liability to the Discount Rate – The following represents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current discount rate:

<u>Sensitivity of the Total OPEB Liability to Changes in the Discount Rate</u>			
	1% Decrease 2.64%	Discount Rate 3.64%	1% Increase 4.64%
Other Postemployment Benefits Liability	<u>\$ 3,741,829</u>	<u>\$ 3,473,820</u>	<u>\$ 3,226,644</u>

Sensitivity of the Total OPEB Liability to the Healthcare Cost Trend Rates – The following represents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it was calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates</u>			
	1% Decrease (7.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (8.00% decreasing to 5.00%)	1% Increase (9.00% decreasing to 6.00%)
Other Postemployment Benefits Liability	<u>\$ 3,143,174</u>	<u>\$ 3,473,820</u>	<u>\$ 3,857,432</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

OPEB Expense and Deferred Outflows/ Inflows of Resources Related to OPEB – For the year ended December 31, 2018, the City recognized OPEB expense of \$176,804. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,326	\$ -
Changes of assumptions	<u>-</u>	<u>115,548</u>
Total	<u><u>\$ 9,326</u></u>	<u><u>\$ 115,548</u></u>

The balances as of December 31, 2018 of the deferred outflows/inflows of resources will be recognized in OPEB expense in the future fiscal years as follows:

Fiscal Year Ended	
December 31,	Annual OPEB Cost
2019	\$ (9,656)
2020	(9,656)
2021	(9,656)
2022	(9,656)
2023	(9,656)
Thereafter	<u>(57,942)</u>
	<u><u>\$ (106,222)</u></u>

Required Supplementary Information – Required supplementary information for the schedule of changes in City’s total OPEB liability and related ratios is presented immediately following the Notes to the Financial Statements.

Proprietary Funds

In addition to the retirement benefits described in *Note 11*, 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 two can only be used for healthcare, it is included as a single-employer other postemployment defined benefit plan (OPEB).

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

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

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

<u>Coverage</u>	<u>Medical</u>	<u>Dental</u>
Retiree Only	\$ 502.50	\$ 19.64
Retiree Spouse	866.66	40.06
Retiree Child(ren)	722.52	45.18
Retiree Family	1,116.92	71.87

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

For the plan, no assets are accumulated in a trust that meet the criteria of GASB Statement No. 75.

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

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

Contributions

Benefit levels and contribution rates are approved annually by City management and the City Council as part of the budget process. The Utility does not make advance funding contributions, but instead operates under a pay-as-you-go method. An irrevocable trust has not been established that meets the criteria established under GASB Statement No. 75. Therefore, the plan is not accounted for as a trust fund and does not issue a separate financial report.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Total OPEB Liability

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

Actuarial methods and assumptions

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

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

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

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Valuation Date	October 1, 2017
Measurement Date	September 30, 2018
Discount Rate for Valuing Liabilities	4.18% per annum, based on the 20 year municipal bond rate from the Bond buyer index.

Mortality Rates

Pre-retirement: RP-2014 Total Dataset Mortality Table projected backward to 2006 with Mortality Improvement Scale MP-2014 and then forward with Mortality Improvement Scale-2017 on a generational basis with healthy annuitant rates after benefit commencement.

Post-retirement: RP-2014 Total Dataset Mortality Table projected backward to 2006 with Mortality Improvement Scale P-2014 and then forward with Mortality Improvement Scale-2017 on a generational basis with healthy annuitant rates after benefit commencement.

Disability retirement: RP-2014 Disabled Retiree Table projected backward to 2006 with Mortality Improvement Scale P-2014 and then forward with Mortality Improvement Scale-2017 on a generational basis with healthy annuitant rates after benefit commencement.

Retirement Rates

Sample rates are as follows:

Age	Male Participants	Female Participants
40-44	5.0%	5.0%
45-49	6.0%	6.0%
50-54	4.0%	4.0%
55-59	3.0%	3.0%
60	2.9%	2.9%
61	2.5%	2.5%
62	4.2%	4.2%
63	6.6%	69.6%
64	10.3%	10.3%
65	17.8%	17.8%
66-69	32.5%	32.5%
70+	48.6%	48.6%

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

Withdrawal Rates	Sample rates are as follows:
	Age Male Female
	20 17.9% 17.9%
	30 16.2% 16.2%
	40 13.1% 13.1%
	50 7.9% 7.9%
	60 1.2% 1.2%
Assumed Sick Leave Balance	Active participants assumed to have the maximum sick leave balance accrued at time of retirement. Retirees use actual sick leave balance.
Disability Rates	None
Payroll Increase	3.00%
Participation Assumption	100% of all employees who are eligible for retiree medical benefits are assumed to elect medical coverage in retirement.
Marriage Assumption	For actives it is assumed that husbands are two years older than their wives. 25% of active participants making it to retirement are assumed to be married and elect spouse medical coverage.

Healthcare trend rates – Trend was calculated assuming an implied inflation rate of 2.5% per year and actual premiums. Short term medical trend starts off a 4.3% for pre-65 retirees.

Changes in Total OPEB Liability

	Texarkana, Arkansas Water Utilities
Balance as of January 1, 2018	\$ 1,310,598
Changes for the year:	
Service cost	60,998
Interest on total OPEB liability	49,673
Effect of assumptions changes or inputs	(67,822)
Benefit payments	(14,042)
Balance as of December 31, 2018	<u>\$ 1,339,405</u>

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

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

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

Discount Rate Sensitivity			Healthcare Cost Trend Rates		
<i>1% Decrease</i>	<i>Discount Rate</i>	<i>1% Increase</i>	<i>1% Decrease</i>	<i>Current Rates</i>	<i>1% Increase</i>
<i>3.18%</i>	<i>4.18%</i>	<i>5.18%</i>			
\$ 1,468,679	\$ 1,339,405	\$ 1,217,932	\$ 1,180,318	\$ 1,339,405	\$ 1,517,527

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

For the year ended December 31, 2018, the Utility recognized the OPEB expense of \$92,571.

At December 31, 2018, the Utility had deferred inflows of resources related to OPEB from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Changes of assumptions	\$ -	\$ 50,246
Total	\$ -	\$ 50,246

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

<i>Year</i>	<i>Amounts to be expenses in future expense calculations</i>
<i>December 31</i>	
2019	\$ (16,749)
2020	(16,749)
2021	(16,748)
	\$ (50,246)

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

Note 14: Risk Management

Insurance Coverage

The City and its component units have various insurance policies to cover their potential liability risk areas (*i.e.*, automobile, personal property, contents and outside structures and workers' compensation). The type of coverage and the liability limits vary with each entity. Coverage is provided through the Arkansas Public Entities Risk Management Association (APERMA), which is an association of local governments. APERMA provides the City with property coverage. The City shall pay into the program each year a charge established annually by the Risk Management Fund Board for covered City property.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. 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.

The city provides statutory workmen's compensation benefits under an insured plan of the Arkansas Municipal League Workers Compensation Trust. Costs of the program are charged to the appropriate fund. Contributions are made by members and the funds are deposited in the Trust account managed by the Arkansas Municipal League and used to pay claims. Depending on the status of the fund at the end of the year, assessments are made or dividends are declared. Unpaid claims reserve represents Arkansas Municipal League's estimation of the amount to be paid for the claims submitted.

There have been no significant reductions in coverage from 2017 to 2018; nor have settlement amounts exceeded insurance coverage for each of the past three years.

Note 15: Property Taxes

City property taxes are levied each November on the assessed value listed as of January 1 for all real and personal property located in the City. The property tax is considered due the first Monday in January (the lien date) after the levy; however, the tax is not considered delinquent until October 16 of that year. As a result, the majority of the tax is not collected within the time frame necessary to finance the liabilities of the current period. Property taxes, which remain delinquent for a period of three years, are certified to the land commissioner where a lien is recorded and held on file. If property taxes remain delinquent for a period of seven years, the property will be subsequently sold by the land commissioner. If proceeds from the sale are sufficient to cover all claims, the City will collect on the past due property taxes. Miller County is the collecting agent and remits collections to the City, net of a collection fee, on a monthly basis.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

In the governmental funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2018, property taxes receivable and related deferred inflows of resources of \$4,169,789 have been recorded in the governmental funds. In the government-wide statement of net position, property taxes are considered earned at the time levied. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value of the property and applies the statutory rate of 20% to arrive at assessed value.

Note 16: Tax Abatements

The City enters into certain tax abatement agreements with local businesses in accordance with State Law for the purpose of attracting or retaining businesses within its jurisdiction. The abatements may be granted to any business located within or promising to relocate to the City.

The City currently has an agreement with a hotel company whereby the City will rebate all A&P taxes for a period of 15 years, to be concluded in 2025, to be used exclusively for the operation and maintenance of the convention center and Water Park constructed. Authority to enter into the agreements were afforded to the City Manager by the City's Board of Directors. In order to be eligible for the abatement, the company was required to construct a hotel/convention center and Water Park in the Crossroads Business Park in Texarkana, Arkansas.

For the fiscal year ended December 31, 2018, the City abated A&P taxes totaling approximately \$65,000, which account for approximately 5% of the A&P fund tax revenue. In addition to the annual rebate, the City has made other commitments in association with the agreement, which include an annual contribution of \$100,000 for 15 years (expiring in 2025) for maintenance and operation of the convention center and an annual contribution of \$250,000 for 20 years (expiring in 2030) for maintenance and operation of the Water Park. These annual contributions are contingent upon the continued operation of the facilities and the need for maintenance, and are evaluated annually. For the fiscal year ended December 31, 2018, the City made an annual contribution of \$250,000 to the company.

There were no amounts received or receivable from other governments in association with the forgone tax revenues.

Note 17: Contingencies

The City participates in several federal financial assistance programs. The City's grant programs are subject to multiple compliance requirements and are subject to resolution of questioned costs, if any. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

The City is a member of the Arkansas Public Entities Risk Management Association (APERMA). The program shall provide legal defense in civil rights suits against the City government of a participating City and pay judgments imposed on City officials and employees and the City government and city-formed boards and commissions. Coverage is limited to \$350,000 per case with an annual aggregate of \$350,000. The City shall pay into the program each year a charge established annually by the Risk Management Fund Board for this coverage. In the opinion of the City Attorney, the amount of financial exposure to the City as a result of litigation matters handled by the Program is not significant to the City.

In a federal court action, the City sought to compel the City of Texarkana, Texas to arbitrate various issues relating to the operation and management of Texarkana Water Utilities, a jointly-operated partnership between the two cities. The U.S. District Judge has recently rendered a decision in this action denying in part and granting in part the arbitration relief sought by the City. No provision has been made in the financial statements for any adverse outcome that might ultimately result from the potential arbitration, as the amount of loss, if any, is not reasonably estimable.

The City, its agencies, and its employees are defendants in various legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the City for property damage and personal injury, other alleged torts, and alleged violations of state and federal laws. It is not possible to predict with certainty or exactitude the ultimate outcome of all lawsuits pending or threatened against the City. Based on the current status of all of the legal proceedings, it is the opinion of the City Attorney and management that the ultimate outcome will not have a material adverse impact on the City's financial position. However, events could occur in the near term that would cause these estimates to change materially.

Note 18: Change of Accounting Principles

The GASB has issued the following statements, which became effective for fiscal year 2018:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75):

GASB No. 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB No. 75 requires governments to report a liability on the face of the financial statements, in accordance with the following:

- Employers that are responsible only for OPEB liabilities for their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability (the difference between the total OPEB liability and the assets accumulated in trust to make the benefit payments)

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2018

- Employers that participate in a cost-sharing OPEB plan that is administered through a trust that meets specified criteria will report a liability equal to the employer's proportionate share for the collective OPEB liability for all employers participating in the plan
- Employers that provide OPEB, but not through a trust that meets specified criteria will report the total OPEB liability for their own employees

GASB 75 requires more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities.

Adoption of GASB No. 75 resulted in the following adjustments to beginning net position at January 1, 2018:

	Governmental Activities	Business Type Activities	Total
Net Position at January 1, 2018 as previously reported	<u>\$ 15,394,653</u>	<u>\$ 43,651,537</u>	<u>\$ 59,046,190</u>
Elimination of OPEB obligation under GASB 45 at January 1, 2018, as previously reported	138,739	597,172	735,911
Recording of total OPEB liability under GASB 75 at January 1, 2018	<u>(3,596,608)</u>	<u>(1,310,598)</u>	<u>(4,907,206)</u>
Adjustment to beginning net position for GASB Statement No. 75 implementation	<u>(3,457,869)</u>	<u>(713,426)</u>	<u>(4,171,295)</u>
Net Position at January 1, 2018, as restated	<u><u>\$ 11,936,784</u></u>	<u><u>\$ 42,938,111</u></u>	<u><u>\$ 54,874,895</u></u>

GASB Statement No. 85 – Omnibus 2017 (GASB 85):

GASB 85 addresses practice issues that have been identified during implementation and application of certain GASB standards and addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and postemployment benefits. The implementation of this standard has no impact on the financial statements of the City other than disclosure of payroll-related measures in RSI for OPEB.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2018

GASB Statement No. 86 – *Certain Debt Extinguishment Issues* (GASB 86):

GASB 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The implementation of this standard has no impact on the financial statements of the City.

Note 19: Subsequent Events

The City of Texarkana, Texas and Texarkana, Arkansas each approved the application of different allocation rates than those used in the fiscal year 2018 audit for shared costs of the Texarkana Water Utilities (business-type activities and enterprise fund) in the fiscal year 2019. The new funding ratio adopted will be 62.81% Texas and 37.19% Arkansas. The rates used for fiscal year 2017 were 62.75% for Texas and 37.25% for Arkansas.

The Utility increased water and sewer rates by a 2.8% CPI adjustment effective January 1, 2019.

In July 2019, the Board of Directors authorized the issuance of a tax-exempt General Revenue Note, Series 2019 in the principal amount of \$875,000 financing capital improvements for the Texarkana, Arkansas, Animal Care and Adoption Center. The bonds are payable over five years under Amendment 78 and included an interest rate of 2.536%.

Required Supplementary Information

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City of Texarkana, Arkansas

Required Supplementary Information

Defined Benefit Pension Plan

Schedule of Changes in the City's Net Pension Liability and Related Ratios - PRPF

Fiscal year ended December 31,	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	628,849	659,269	751,303	878,014	888,913
Benefit Changes	-	-	-	(378,000)	-
Difference Between Actual & Expected Experience	57,548	195,575	(1,311,299)	(476,658)	14,625
Assumption Changes	-	-	-	-	-
Benefit Payments	(1,023,249)	(1,406,731)	(1,164,092)	(1,162,333)	(1,177,920)
Refunds	-	-	-	-	-
Net Change in Total Pension Liability	(336,852)	(551,887)	(1,724,088)	(1,138,977)	(274,382)
Total Pension Liability - Beginning	13,289,223	13,841,110	15,565,198	16,704,175	16,978,557
Total Pension Liability - Ending (a)	\$ 12,952,371	\$ 13,289,223	\$ 13,841,110	\$ 15,565,198	\$ 16,704,175
Plan Fiduciary Net Position					
Contributions - Employee	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Employer	734,533	893,926	895,983	854,698	827,917
Net Investment Income	(186,564)	469,539	365,678	(229,837)	201,657
Benefit Payments	(1,023,249)	(1,406,731)	(1,164,092)	(1,162,333)	(1,177,920)
Administrative Expense	(6,000)	(5,850)	(5,750)	(5,650)	(4,500)
Reconciliation Adjustment	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	(481,280)	(49,116)	91,819	(543,122)	(152,846)
Plan Fiduciary Net Position - Beginning	5,191,916	5,241,032	5,149,213	5,692,335	5,845,181
Plan Fiduciary Net Position - Ending (b)	\$ 4,710,636	\$ 5,191,916	\$ 5,241,032	\$ 5,149,213	\$ 5,692,335
Net Pension Liability (a) - (b)	\$ 8,241,735	\$ 8,097,307	\$ 8,600,078	\$ 10,415,985	\$ 11,011,840
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	36.37%	39.07%	37.87%	33.08%	34.08%
Covered-employee Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A

Note: A full 10 year schedule will be completed as information is available.

Note: This information is presented as of the measurement date, which is December 31.

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plan
Schedule of Contributions - PRPF

FY Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered- employee Payroll	Contribution as a % of Covered- employee Payroll
2012	\$ 2,823,487	\$ 913,700	\$ 1,909,787	N/A	N/A
2013	2,719,883	859,774	1,860,109	N/A	N/A
2014	2,596,511	827,917	1,768,594	N/A	N/A
2015	2,572,506	854,698	1,717,808	N/A	N/A
2016	2,443,461	895,983	1,547,478	N/A	N/A
2017	2,034,940	893,926	1,141,014	N/A	N/A
2018	1,880,817	852,940	1,027,877	N/A	N/A

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization	5 Years
Asset Valuation	Market Value
Investment Rate of Return	5.00%
Mortality	1983 Group Annuity Mortality

Note: A full 10 year schedule will be completed as information is available.

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plan
Schedule of Investment Returns - PRPF

Fiscal Year Ended December 31,	Annual Return
2014	3.79%
2015	-4.72%
2016	8.22%
2017	10.91%
2018	-6.22%

Note: A full 10 year schedule will be completed as information is available.

City of Texarkana, Arkansas

Required Supplementary Information

Defined Benefit Pension Plan

Schedule of Changes in the City's Net Pension Liability and Related Ratios - TAPERS

Fiscal year ended June 30,	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ 155,442	\$ 190,741	\$ 148,947	\$ 157,063	\$ 146,612
Interest	371,029	312,689	352,380	383,918	437,404
Difference Between Actual & Expected Experience	(189,311)	244,662	(12,438)	(303,978)	(680,274)
Assumption Changes	(37,703)	(567,285)	1,176,834	533,271	285,779
Benefit Payments	<u>(333,624)</u>	<u>(284,717)</u>	<u>(427,407)</u>	<u>(599,657)</u>	<u>(1,134,456)</u>
Net Change in Total Pension Liability	(34,167)	(103,910)	1,238,316	170,617	(944,935)
Total Pension Liability - Beginning	<u>9,775,704</u>	<u>9,879,614</u>	<u>8,641,298</u>	<u>8,470,681</u>	<u>9,415,616</u>
Total Pension Liability - Ending (a)	<u><u>\$ 9,741,537</u></u>	<u><u>\$ 9,775,704</u></u>	<u><u>\$ 9,879,614</u></u>	<u><u>\$ 8,641,298</u></u>	<u><u>\$ 8,470,681</u></u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 125,659	\$ 124,282	\$ 162,438	\$ 100,142	\$ 118,862
Contributions - Member	15,132	16,340	16,870	18,255	22,989
Net Investment Income	269,494	336,470	(23,036)	74,808	577,706
Benefit Payments	(333,624)	(284,717)	(427,407)	(599,657)	(1,134,456)
Administrative Expense	<u>(28,179)</u>	<u>(46,899)</u>	<u>(29,946)</u>	<u>(59,688)</u>	<u>(54,386)</u>
Net Change in Plan Fiduciary Net Position	48,482	145,476	(301,081)	(466,140)	(469,285)
Plan Fiduciary Net Position - Beginning	<u>3,636,668</u>	<u>3,491,192</u>	<u>3,792,273</u>	<u>4,258,413</u>	<u>4,727,698</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 3,685,150</u></u>	<u><u>\$ 3,636,668</u></u>	<u><u>\$ 3,491,192</u></u>	<u><u>\$ 3,792,273</u></u>	<u><u>\$ 4,258,413</u></u>
Net Pension Liability (a) - (b)	<u><u>\$ 6,056,387</u></u>	<u><u>\$ 6,139,036</u></u>	<u><u>\$ 6,388,422</u></u>	<u><u>\$ 4,849,025</u></u>	<u><u>\$ 4,212,268</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	37.83%	37.20%	35.34%	43.89%	50.27%
Covered-employee Payroll	\$ 625,483	\$ 807,499	\$ 817,749	\$ 823,930	\$ 943,584
Net Pension Liability as a Percentage of Covered-employee Payroll	968.27%	760.25%	781.22%	588.52%	446.41%

Note: Information in this schedule has been determined as of the measurement date which is June 30.

Note: A full 10 year schedule will be completed as information is available.

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plan
Schedule of Contributions - TAPERS

FY Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered- employee Payroll	Actual Contribution as a % of Covered- employee Payroll
2014	\$ 382,196	\$ 104,565	\$ 277,631	\$ 1,045,650	10.00%
2015	383,177	86,486	296,691	864,860	10.00%
2016	424,388	133,570	290,818	835,690	15.98%
2017	416,373	121,286	295,087	817,749	14.83%
2018	440,488	125,659	314,829	807,499	15.56%

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Amortization Period	20 Years
Asset Valuation	Market Value
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return	6.00%
Cost of Living Increases	None
Mortality	Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements

Note: Information in this schedule has been determined as of City's most recent year-end.

Note: A full 10 year schedule will be completed as information is available.

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plan
Schedule of Investment Returns - TAPERS

Fiscal Year Ended June 30,	Annual Return
2014	12.73%
2015	1.36%
2016	-1.12%
2017	9.70%
2018	7.59%

Note: A full 10 year schedule will be completed as information is available.

City of Texarkana, Arkansas

Required Supplementary Information

Defined Benefit Pension Plan

Schedule of Changes in the City's Net Pension Asset and Related Ratios - TWUPERS

Fiscal year ended June 30,	2018	2017	2016	2015	2014
Total Pension Liability					
Interest	\$ 38,053	\$ 42,459	\$ 48,445	\$ 48,440	59,393
Difference Between Actual & Expected Experience	10,643	(14,236)	(113,096)	(17,519)	(26,078)
Assumption Changes	41,000	3,000	3,000	3,000	166,000
Benefit Payments	(172,696)	(121,267)	(87,302)	(66,248)	(128,315)
Net Change in Total Pension Liability	(83,000)	(90,044)	(148,953)	(32,327)	71,000
Total Pension Liability - Beginning	1,195,336	1,273,720	1,422,673	1,455,000	1,384,000
Total Pension Liability - Ending (a)	<u>\$ 1,112,336</u>	<u>\$ 1,183,676</u>	<u>\$ 1,273,720</u>	<u>\$ 1,422,673</u>	<u>\$ 1,455,000</u>
Plan Fiduciary Net Position					
Net Investment Income	\$ 134,374	\$ 230,631	\$ 30,416	\$ 87,231	334,568
Benefit Payments	(172,696)	(121,267)	(87,302)	(66,248)	(128,315)
Administrative Expense	(16,053)	(21,467)	(44,277)	(19,991)	(26,642)
Reconciliation Adjustment	(8,082)	-	-	-	-
Net Change in Plan Fiduciary Net Position	(62,457)	87,897	(101,163)	992	179,611
Plan Fiduciary Net Position - Beginning	2,799,330	2,711,433	2,812,596	2,811,604	2,631,993
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,736,873</u>	<u>\$ 2,799,330</u>	<u>\$ 2,711,433</u>	<u>\$ 2,812,596</u>	<u>\$ 2,811,604</u>
Net Pension Asset (a) - (b)	<u>\$ (1,624,537)</u>	<u>\$ (1,615,654)</u>	<u>\$ (1,437,713)</u>	<u>\$ (1,389,923)</u>	<u>\$ (1,356,604)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	246.05%	236.49%	212.88%	197.70%	193.24%
Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A
Net Pension Asset as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A

Note: Information in this schedule has been determined as of the measurement date.

Note: A full 10 year schedule will be completed as information is available.

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plan
Schedule of Investment Returns - TWUPERS

Fiscal Year Ended June 30,	Annual Return
2014	13.10%
2015	3.15%
2016	1.11%
2017	8.63%
2018	4.98%

Note: A full 10 year schedule will be completed as information is available.

City of Texarkana, Arkansas

Required Supplementary Information

Defined Benefit Pension Plan

Schedule of the City's Proportionate Share of the Net Pension Liability - APERS

City Fiscal year ended December 31,	2018	2017	2016	2015
City's proportion of the net pension liability	0.00297747%	0.00302246%	0.00293398%	0.00292311%
City's proportionate share of the net pension liability	\$ 65,681	\$ 78,105	\$ 70,162	\$ 53,836
City's covered-employee payroll	56,472	54,473	53,158	51,863
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	116.31%	143.38%	131.99%	103.80%
Plan fiduciary net position as a percentage of the total pension liability	79.59%	75.65%	75.50%	80.39%

Note: Information in this schedule has been determined as of the measurement date (June 30 of the year of the most recent fiscal year-end) of the City's net pension liability.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plan
Schedule of City Contributions - APERS

City Fiscal year ended December 31,	2018	2017	2016	2015
Contractually required contribution	\$ 8,490	\$ 7,899	\$ 7,808	\$ 7,686
Contributions in relate to the contractually required contribution	<u>(8,490)</u>	<u>(7,899)</u>	<u>(7,808)</u>	<u>(7,686)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 56,472	\$ 55,168	\$ 53,849	\$ 52,545
Contributions as a percentage of covered-employee payroll	15.03%	14.32%	14.50%	14.63%

Note: Information in this schedule has been determined as of the City's most recent year-end.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Texarkana, Arkansas

Required Supplementary Information

Defined Benefit Pension Plan

Schedule of the City's Proportionate Share of the Net Pension Liability - LOPFI

City Fiscal year ended December 31,	2018	2017	2016	2015
City's proportion of the net pension liability	2.11065000%	2.02054000%	2.03802867%	(1) 2.00463000%
City's proportionate share of the net pension liability	\$ 14,998,214	\$ 11,527,812	\$ 10,695,056	\$ 7,256,932
City's covered-employee payroll	7,800,263	7,484,833	7,516,626	7,527,269
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	192.28%	154.02%	142.29%	96.41%
Plan fiduciary net position as a percentage of the total pension liability	71.50%	72.90%	72.90%	79.14%

Note: Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

(1): Assumption changes for 2015 valuation include a decrease in price inflation from 3.00 to 2.75 percent; a decrease in wage inflation from 4.00 to 3.75 percent; a decrease in salary increases from 4.50 to 19 percent to 4.25 to 18.75 percent; and a decrease in the investment rate of return from 8.00 to 7.75 percent.

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plan
Schedule of City Contributions - LOPFI

City Fiscal year ended December 31,	2018	2017	2016	2015
Contractually required contribution	\$ 1,647,850	\$ 1,585,751	\$ 1,334,945	(1) \$ 1,262,355
Contributions in relate to the contractually required contribution	<u>(1,647,850)</u>	<u>(1,585,751)</u>	<u>(1,334,945)</u>	<u>(1,262,355)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 8,465,248	\$ 7,800,263	\$ 7,484,833	\$ 7,516,626
Contributions as a percentage of covered-employee payroll	19.47%	20.33%	17.84%	16.79%

Note: Information in this schedule has been determined as of the City's most recent year-end.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

(1): Assumption changes for 2015 valuation include a decrease in price inflation from 3.00 to 2.75 percent; a decrease in wage inflation from 4.00 to 3.75 percent; a decrease in salary increases from 4.50 to 19 percent to 4.25 to 18.75 percent; and a decrease in the investment rate of return from 8.00 to 7.75 percent.

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plan
Schedule of Changes in the City's Net Pension Liability and Related Ratios -
FRPF

Fiscal year ended December 31,	2018	2017	2016**	2015**
Total Pension Liability				
Service Cost	\$ -	\$ -	\$ -	\$ -
Interest	452,267	575,430	426,648	425,030
Benefit Changes	-	-	-	-
Difference Between Actual & Expected Experience	(20)	(967,290)	(635,022)	123,866
Assumption Changes	289,364	-	-	-
Benefit Payments	(600,862)	(552,369)	(594,250)	(611,404)
Net Change in Total Pension Liability	140,749	(944,229)	(802,624)	(62,508)
Total Pension Liability - Beginning	6,136,130	7,080,359	7,882,983	7,945,491
Total Pension Liability - Ending (a)	\$ 6,276,879	\$ 6,136,130	\$ 7,080,359	\$ 7,882,983
Plan Fiduciary Net Position				
Contributions - Employer	\$ 122,010	\$ -	\$ 431,342	\$ 435,704
Contributions - Member	-	-	7,732	7,134
Net Investment Income	763,135	(340,441)	(258,063)	269,654
Benefit Payments	(600,862)	(552,369)	(594,250)	(611,404)
Administrative Expense	(9,784)	(5,753)	(5,650)	(4,500)
Reconciliation Adjustment	-	-	-	-
Net Change in Plan Fiduciary Net Position	274,499	(898,563)	(418,889)	96,588
Plan Fiduciary Net Position - Beginning	5,688,083	6,586,646	7,005,535	6,908,947
Plan Fiduciary Net Position - Ending (b)	\$ 5,962,582	\$ 5,688,083	\$ 6,586,646	\$ 7,005,535
Net Pension Liability (a) - (b)	\$ 314,297	\$ 448,047	\$ 493,713	\$ 877,448
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.99%	92.70%	93.03%	88.87%
Covered-employee Payroll	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A

Note: A full 10 year schedule will be completed as information is available.

**As noted within *Note 11*, this plan was transferred to the administration of LOPFI in 2016. Therefore, all data shown above for 2016 and prior were previously reported for the plan as a Single-Employer plan. All data from 2017 onward will be reported as an Agent Multiple-Employer Plan.

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plan
Schedule of Contributions - FRPF

FY Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered- employee Payroll	Actual Contribution as a % of Covered- employee Payroll
2013**	\$ 572,814	\$ 424,585	\$ 148,229	N/A	N/A
2014**	481,734	435,704	46,030	N/A	N/A
2015**	306,867	431,342	112,591	N/A	N/A
2016**	287,464	339,581	(82,641)	N/A	N/A
2017	75,881	75,881	-	N/A	N/A
2018	12,480	12,480	-	N/A	N/A

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Closed
Remaining Amortization	15 Years
Asset Valuation	Market Value
Investment Rate of Return	7.75%
Mortality	RP-2000 Combined Mortality Table, Projected to 2017

Note: A full 10 year schedule will be completed as information is available.

**As noted within *Note 11* , this plan was transferred to the administration of LOPFI in 2016. Therefore, all data shown above for 2016 and prior were previously reported for the plan as a Single-Employer plan. All data from 2017 onward will be reported as an Agent Multiple-Employer Plan.

City of Texarkana, Arkansas

Required Supplementary Information

Defined Benefit Pension Plan

Schedule of Changes in the Utility's Net Pension Liability and Related Ratios - TMRS

Fiscal year ended December 31,	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 363,212	\$ 358,959	\$ 351,625	\$ 341,893
Interest	891,945	869,957	871,573	849,350
Difference between actual & expected experience	(209,579)	(22,844)	(267,852)	(338,578)
Assumption Changes	-	-	55,137	-
Benefit payments	(600,972)	(655,406)	(503,086)	(548,171)
Net Change in Total Pension Liability	444,606	550,666	507,397	304,494
Total Pension Liability - Beginning	13,599,267	13,048,601	12,541,204	12,236,710
Total Pension Liability - Ending (a)	<u>\$ 14,043,873</u>	<u>\$ 13,599,267</u>	<u>\$ 13,048,601</u>	<u>\$ 12,541,204</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 359,350	\$ 347,118	\$ 378,344	\$ 408,640
Contributions - employee	155,275	153,495	158,492	161,609
Net investment income	1,498,658	707,849	15,397	564,425
Benefit payments	(600,972)	(655,406)	(503,086)	(548,171)
Administrative expense	(7,766)	(7,994)	(9,378)	(5,893)
Other	(396)	(431)	(463)	(484)
Net Change in Plan Fiduciary Net Position	1,404,149	544,631	39,306	580,126
Plan Fiduciary Net Position - Beginning	11,030,426	10,485,795	10,446,489	9,866,363
Plan Fiduciary Net Position - Ending (b)	<u>\$ 12,434,575</u>	<u>\$ 11,030,426</u>	<u>\$ 10,485,795</u>	<u>\$ 10,446,489</u>
Net Pension Liability (a) - (b)	<u>\$ 1,609,298</u>	<u>\$ 2,568,841</u>	<u>\$ 2,562,806</u>	<u>\$ 2,094,715</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.54%	81.11%	80.36%	83.30%
Covered-employee Payroll	\$ 2,234,955	\$ 2,192,788	\$ 2,194,045	\$ 2,308,702
Net Pension Liability as a Percentage of Covered-employee Payroll	72.01%	117.15%	116.81%	90.73%

Note: Information in this schedule has been determined as of the measurement date.

Note: A full 10 year schedule will be completed as information is available.

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plan
Schedule of Contributions - TMRS

FY Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered- employee Payroll	Actual Contribution as a % of Covered- employee Payroll
2016	\$ 378,344	\$ 378,344	\$ -	\$ 2,194,045	17.24%
2017	386,487	386,487	-	2,192,788	17.63%
2018	359,350	359,350	-	2,560,845	14.03%

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization	28 Years
Asset Valuation	10 Year Smoothed Market, 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Utility's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Note: Information in this schedule has been determined as of the Utility's most recent year-end.

Note: A full 10 year schedule will be completed as information is available.

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Other Postemployment Benefit Plan
Schedule of the City's Changes In Total OPEB Liability and Related Ratios
Retired Healthcare Plan
Year Ended December 31, 2018

Total OPEB Liability	<u>2018</u>
Total OPEB obligation - January 1, 2018	<u>\$ 3,596,608</u>
Service Cost	72,807
Interest	113,653
Differences between expected and actual experience	10,174
Changes of assumptions or other inputs	(126,052)
Benefit payments	<u>(193,370)</u>
Net change in total OPEB liability	<u>(122,788)</u>
Total OPEB obligation - December 31, 2018	<u><u>\$ 3,473,820</u></u>
Covered-employee payroll	\$10,549,097
Total OPEB liability as a percentage of covered-employee payroll	32.93%

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB No. 75.

Changes of Assumptions: The discount rate increased from 3.16% to 3.64%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 75, the City will only present available information.

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Other Postemployment Benefit Plan
Schedule of the TWU's Changes In Total OPEB Liability and Related Ratios
Sick Leave
Year Ended December 31, 2018

Total OPEB Liability	<u>2018</u>
Service Cost	\$ 60,997
Interest	49,673
Differences between expected and experience	-
Changes of assumptions or other inputs	(67,822)
Benefit payments	<u>(14,042)</u>
Net change in total OPEB liability	28,806
Total OPEB obligation - beginning of year	<u>1,310,599</u>
Total OPEB obligation - end of year	<u><u>\$1,339,405</u></u>
 Covered-employee payroll	 \$2,560,845
Total OPEB liability as a percentage of covered-employee payroll	52.30%

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB No. 75.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 75, the City will only present available information.

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Nonmajor Governmental Funds

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NONMAJOR GOVERNMENTAL FUNDS

The **Special Revenue Funds** account for resources which are designated by law or contractual agreement for particular functions or activities and are legally required to be accounted for in separate funds. Such resources are derived from specific taxes, federal grant and entitlement monies, and multi-year appropriations.

Community Development Fund (CDBG) – Accounts for CDBG and other funds received from the U.S. Department of Housing and Urban Development. These monies are expended to provide housing or housing assistance to qualifying citizens, to improve neighborhood streets and drainage and to operate community health and recreation facilities.

Police Fund – This fund is established to account for private donations to the City’s Police Department and is used to purchase materials and supplies.

Kline Park Monument – This fund is established to account for private donations to the Kline Park Monument Project and is used to maintain the monument.

Front Street Project – This fund is established to account for private donations to the Front Street Project and is used to improve the Front Street area.

Domestic Violence - This fund is established to account for the revenues and expenditures of the fines and forfeitures dedicated to domestic violence prevention.

Bail Bond – This fund is established to account for the revenues and expenditures related to bail bond fees.

Library – This fund is established to account for the revenues and expenditures related to the Texarkana Public Library. Funding is primarily from property taxes and grants.

Court Automation – This fund is established to set aside a portion of a service fee charged on installment payment of fines and is to be used to fund future court related technology as part of a statewide project with a goal of connecting all Circuit courts and District courts to an automated court system.

North Texarkana Redevelopment District – This fund is established to set aside property tax from the North Texarkana Redevelopment Tax Increment Financing District solely for the purpose of development within that district.

Public Safety – This fund is established to set aside a portion of fines and forfeitures to be used solely for the promotion of public safety.

NONMAJOR GOVERNMENTAL FUNDS

The **Debt Service Funds** are used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

2012 Franchise Fee Refunding Revenue – This fund is used to account for the accumulation of revenues and payment of principal and interest on the 2012 Franchise Fee Refunding Revenue Bonds. Funding is primarily from franchise fees charged to public utilities for the privilege of using the City's streets and rights-of-way.

2012 Capital Improvement and Refunding Limited Tax General Obligation Bonds – This fund is used to account for the accumulation of revenues and payment of principal and interest on the 2012 Capital Improvement and Refunding Limited Tax General Obligation Bonds. Funding is primarily from property taxes and interest earned from investments.

2015 Franchise Fee Refunding Revenue – This fund is used to account for the accumulation of revenues and payment of principal and interest on the 2015 Franchise Fee Refunding Revenue Bonds. Funding is primarily from franchise fees charged to public utilities for the privilege of using the City's streets and rights-of-way.

2018 Franchise Fee Revenue Bonds - This fund is used to account for the accumulation of revenues and payment of principal and interest on the 2018 Franchise Fee Secured Capital Improvement Revenue Bonds. Funding is primarily from franchise fees charged to public utilities for the privilege of using the City's streets and rights-of-way.

The **Capital Projects Funds** account for the acquisition or construction of major capital assets from the proceeds from general obligation bond issues and other financing sources.

Capital Improvement Fund – This fund is used to account for the purchase of capital assets, including infrastructure acquisitions and construction from general government resources and intergovernmental grants.

Project Fund 2018 Franchise Fee Bonds - This fund is used to account for the purchase of public safety equipment, consisting generally of fire trucks and police communications equipment.

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City of Texarkana, Arkansas
Combining Balance Sheet
Governmental Funds – Nonmajor
December 31, 2018

	Special Revenue				
	Community Development Block Grant	Police Fund	Kline Park Monument	Front Street Project	Domestic Violence
Assets					
Cash	\$ 13,380	\$ 5	\$ -	\$ 12,974	\$ 438
Investments	-	-	-	-	-
Receivables (net of allowance)					
Property taxes	-	-	-	-	-
Other government agencies	-	-	-	-	-
Other	1,535	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 14,915</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 12,974</u>	<u>\$ 438</u>
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)					
Liabilities					
Accounts payable	\$ 9,270	\$ -	\$ -	\$ 51	\$ -
Accrued liabilities	1,767	-	-	-	-
Due to other funds	77	1,228	-	-	-
Total liabilities	<u>11,114</u>	<u>1,228</u>	<u>-</u>	<u>51</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue-property taxes	-	-	-	-	-
Unavailable revenue-grants	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficit)					
Nonspendable					
Prepaid items	-	-	-	-	-
Restricted					
General administration	-	-	-	-	-
Police department	-	-	-	-	438
Fire department	-	-	-	-	-
Public works	3,801	-	-	-	-
Debt service	-	-	-	-	-
Cultural and recreation	-	-	-	12,923	-
Assigned					
Police department	-	-	-	-	-
Public works	-	-	-	-	-
Unassigned	-	(1,223)	-	-	-
Total fund balances (deficit)	<u>3,801</u>	<u>(1,223)</u>	<u>-</u>	<u>12,923</u>	<u>438</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 14,915</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 12,974</u>	<u>\$ 438</u>

Special Revenue					
Bail Bond	Library	Court Automation	North Texarkana Redevelopment District	Public Safety	Total
\$ 116	\$ 1,958	\$ 56,654	\$ 604,459	\$ 4,136	\$ 694,120
-	-	-	-	-	-
-	443,178	-	119,134	-	562,312
-	-	-	-	-	-
460	-	-	-	-	1,995
-	-	7,378	-	-	7,378
<u>\$ 576</u>	<u>\$ 445,136</u>	<u>\$ 64,032</u>	<u>\$ 723,593</u>	<u>\$ 4,136</u>	<u>\$ 1,265,805</u>
\$ -	\$ 63	\$ 851	\$ -	\$ -	\$ 10,235
-	-	-	-	-	1,767
-	-	-	-	-	1,305
-	63	851	-	-	13,307
-	385,193	-	116,578	-	501,771
-	6,859	-	2,530	-	9,389
-	392,052	-	119,108	-	511,160
-	-	7,378	-	-	7,378
-	-	55,803	-	-	55,803
576	-	-	-	4,136	5,150
-	-	-	-	-	-
-	-	-	604,485	-	608,286
-	-	-	-	-	-
-	53,021	-	-	-	65,944
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(1,223)
<u>576</u>	<u>53,021</u>	<u>63,181</u>	<u>604,485</u>	<u>4,136</u>	<u>741,338</u>
<u>\$ 576</u>	<u>\$ 445,136</u>	<u>\$ 64,032</u>	<u>\$ 723,593</u>	<u>\$ 4,136</u>	<u>\$ 1,265,805</u>

City of Texarkana, Arkansas
Combining Balance Sheet
Governmental Funds – Nonmajor (Continued)
December 31, 2018

	Debt Service				
	2012 Franchise Fee Refunding Revenue	2012 Cap Imp & Refunding Limited Tax GO Bonds	2015 Franchise Fee Refunding Revenue	2018 Franchise Fee Revenue Bonds	Total
Assets					
Cash	\$ 527,961	\$ -	\$ 263,342	\$ 218,348	\$ 1,009,651
Investments	-	948,354	-	-	948,354
Receivables (net of allowance)					
Property taxes	-	1,107,945	-	-	1,107,945
Other government agencies	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 527,961</u>	<u>\$ 2,056,299</u>	<u>\$ 263,342</u>	<u>\$ 218,348</u>	<u>\$ 3,065,950</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue-property taxes	-	962,983	-	-	962,983
Unavailable revenues-grants	-	17,147	-	-	17,147
Total deferred inflows of resources	<u>-</u>	<u>980,130</u>	<u>-</u>	<u>-</u>	<u>980,130</u>
Fund Balances					
Nonspendable					
Prepaid items	-	-	-	-	-
Restricted					
General administration	-	-	-	-	-
Police department	-	-	-	-	-
Fire department	-	-	-	-	-
Public works	-	-	-	-	-
Debt service	527,961	1,076,169	263,342	218,348	2,085,820
Culture and recreation	-	-	-	-	-
Assigned					
Police department	-	-	-	-	-
Public works	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>527,961</u>	<u>1,076,169</u>	<u>263,342</u>	<u>218,348</u>	<u>2,085,820</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 527,961</u>	<u>\$ 2,056,299</u>	<u>\$ 263,342</u>	<u>\$ 218,348</u>	<u>\$ 3,065,950</u>

Capital Projects Funds			
Capital Improvement Fund	Project Fund 2018 Franchise Fee Bonds	Total	Total Nonmajor Governmental Funds
\$ 682,311	\$ 39,452	\$ 721,763	\$ 2,425,534
-	-	-	948,354
-	-	-	-
-	-	-	1,670,257
38,776	-	38,776	38,776
11,764	-	11,764	13,759
-	-	-	-
-	-	-	7,378
<u>\$ 732,851</u>	<u>\$ 39,452</u>	<u>\$ 772,303</u>	<u>\$ 5,104,058</u>
\$ 7,080	\$ -	\$ 7,080	\$ 17,315
-	-	-	1,767
-	-	-	1,305
<u>7,080</u>	<u>-</u>	<u>7,080</u>	<u>20,387</u>
-	-	-	1,464,754
-	-	-	26,536
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,491,290</u>
-	-	-	7,378
-	-	-	55,803
-	39,452	39,452	44,602
24,514	-	24,514	24,514
-	-	-	608,286
-	-	-	2,085,820
-	-	-	65,944
371,024	-	371,024	371,024
330,233	-	330,233	330,233
-	-	-	(1,223)
<u>725,771</u>	<u>39,452</u>	<u>765,223</u>	<u>3,592,381</u>
<u>\$ 732,851</u>	<u>\$ 39,452</u>	<u>\$ 772,303</u>	<u>\$ 5,104,058</u>

City of Texarkana, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds – Nonmajor
Year Ended December 31, 2018

	Special Revenue				
	Community Development Block Grant	Police Fund	Kline Park Monument	Front Street Project	Domestic Violence
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Fines, forfeitures and penalties	-	-	-	-	1,586
Grants and entitlements	183,545	5,829	-	-	-
Intergovernmental	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	5,829	6,764	-	-	-
Total revenues	189,374	12,593	-	-	1,586
Expenditures					
Current					
General government	49,003	-	-	-	-
Other public safety	-	9,947	-	-	1,351
Public works	24,873	-	-	-	-
Public services	32,752	-	-	-	-
Cultural and recreation	2,244	-	16	1,065	-
Capital outlay	88,898	-	-	-	-
Total expenditures	197,770	9,947	16	1,065	1,351
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,396)	2,646	(16)	(1,065)	235
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(3,100)	-	-	-
Total other financing sources (uses)	-	(3,100)	-	-	-
Net Change in Fund Balances	(8,396)	(454)	(16)	(1,065)	235
Fund Balances, Beginning of Year	12,197	(769)	16	13,988	203
Fund Balances (Deficit), End of Year	\$ 3,801	\$ (1,223)	\$ -	\$ 12,923	\$ 438

Special Revenue					
Bail Bond	Library	Court Automation	North Texarkana Redevelopment District	Public Safety	Total
\$ -	\$ 355,275	\$ -	\$ 114,376	\$ -	\$ 469,651
5,476	-	17,386	-	198	24,646
-	79,103	-	-	-	268,477
-	-	-	-	-	-
-	63	50	17	-	130
-	-	-	-	-	12,593
5,476	434,441	17,436	114,393	198	775,497
-	-	30,485	-	-	79,488
5,181	-	-	-	-	16,479
-	-	-	-	-	24,873
-	-	-	-	-	32,752
-	465,111	-	-	-	468,436
-	-	-	-	-	88,898
5,181	465,111	30,485	-	-	710,926
295	(30,670)	(13,049)	114,393	198	64,571
-	5,000	-	-	-	5,000
-	-	-	-	-	(3,100)
-	5,000	-	-	-	1,900
295	(25,670)	(13,049)	114,393	198	66,471
281	78,691	76,230	490,092	3,938	674,867
\$ 576	\$ 53,021	\$ 63,181	\$ 604,485	\$ 4,136	\$ 741,338

City of Texarkana, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds – Nonmajor (Continued)
Year Ended December 31, 2018

	Debt Service				
	2012 Franchise Fee Refunding Revenue	2012 Cap Imp & Refunding Limited Tax GO Bonds	2015 Franchise Fee Refunding Revenue	2018 Franchise Fee Revenue Bonds	Total
Revenues					
Property taxes	\$ -	\$ 888,188	\$ -	\$ -	\$ 888,188
Fines, forfeitures and penalties	-	-	-	-	-
Grants and entitlements	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment income	7,246	1,628	3,478	1,683	14,035
Miscellaneous	-	-	-	-	-
Total revenues	7,246	889,816	3,478	1,683	902,223
Expenditures					
Current					
General government	-	-	-	-	-
Other public safety	-	-	-	-	-
Public works	-	-	-	-	-
Public services	-	-	-	-	-
Cultural and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal retirement	300,000	535,000	115,000	-	950,000
Interest and fiscal charges	320,803	318,012	120,480	36,747	796,042
Bond issuance costs	-	-	-	61,778	61,778
Total expenditures	620,803	853,012	235,480	98,525	1,807,820
Excess (Deficiency) of Revenues Over (Under) Expenditures	(613,557)	36,804	(232,002)	(96,842)	(905,597)
Other Financing Sources (Uses)					
Transfers in	620,802	-	238,047	150,730	1,009,579
Transfers out	-	-	(2,934)	(2,099,395)	(2,102,329)
Issuance of debt	-	-	-	2,260,000	2,260,000
Original issue premium	-	-	-	3,855	3,855
Total other financing sources (uses)	620,802	-	235,113	315,190	1,171,105
Net Change in Fund Balances	7,245	36,804	3,111	218,348	265,508
Fund Balances, Beginning of Year	520,716	1,039,365	260,231	-	1,820,312
Fund Balances, End of Year	\$ 527,961	\$ 1,076,169	\$ 263,342	\$ 218,348	\$ 2,085,820

Capital Projects Funds			
Capital Improvement Fund	Project Fund 2018 Franchise Fee Bonds	Total	Total Nonmajor Governmental Fund
\$ -	\$ -	\$ -	\$ 1,357,839
-	-	-	24,646
477,588	-	477,588	746,065
89,660	-	89,660	89,660
642	-	642	14,807
20,175	1,368	21,543	34,136
588,065	1,368	589,433	2,267,153
55,402	-	55,402	134,890
-	205	205	16,684
-	-	-	24,873
-	-	-	32,752
-	-	-	468,436
98,878	2,061,106	2,159,984	2,248,882
-	-	-	950,000
-	-	-	796,042
-	-	-	61,778
154,280	2,061,311	2,215,591	4,734,337
433,785	(2,059,943)	(1,626,158)	(2,467,184)
-	2,099,395	2,099,395	3,113,974
(449,117)	-	(449,117)	(2,554,546)
-	-	-	2,260,000
-	-	-	3,855
(449,117)	2,099,395	1,650,278	2,823,283
(15,332)	39,452	24,120	356,099
741,103	-	741,103	3,236,282
\$ 725,771	\$ 39,452	\$ 765,223	\$ 3,592,381

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Community Development Block Grant Fund
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants and entitlements	\$ 370,635	\$ 172,491	\$ 183,545	\$ 11,054
Miscellaneous	-	4,194	5,829	1,635
Total revenues	<u>370,635</u>	<u>176,685</u>	<u>189,374</u>	<u>12,689</u>
Expenditures				
Current:				
General government	47,000	47,113	49,003	(1,890)
Public works	263,635	97,610	24,873	72,737
Public services	60,000	31,962	32,752	(790)
Cultural and recreation	-	-	2,244	(2,244)
Capital outlay	-	-	88,898	(88,898)
Total expenditures	<u>370,635</u>	<u>176,685</u>	<u>197,770</u>	<u>(21,085)</u>
Net Change in Fund Balances	-	-	(8,396)	(8,396)
Fund Balances, Beginning of Year	<u>12,197</u>	<u>12,197</u>	<u>12,197</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 12,197</u>	<u>\$ 12,197</u>	<u>\$ 3,801</u>	<u>\$ (8,396)</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Police Fund
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants and entitlements	\$ 8,136	\$ 5,829	\$ 5,829	\$ -
Miscellaneous	8,450	6,660	6,764	104
Total revenues	16,586	12,489	12,593	104
Expenditures				
Current:				
Other public safety	9,736	8,621	9,947	(1,326)
Total expenditures	9,736	8,621	9,947	(1,326)
Excess of Revenues Over Expenditures	6,850	3,868	2,646	(1,222)
Other Financing Uses				
Transfers out	(7,402)	(3,100)	(3,100)	-
Total other financing uses	(7,402)	(3,100)	(3,100)	-
Net Change in Fund Balances (Deficit)	(552)	768	(454)	(1,222)
Fund Balances, Beginning of Year	(769)	(769)	(769)	-
Fund Balances (Deficit), End of Year	<u>\$ (1,321)</u>	<u>\$ (1)</u>	<u>\$ (1,223)</u>	<u>\$ (1,222)</u>

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Kline Park Monument Fund

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Investment income	\$ 1	\$ -	\$ -	\$ -
Total revenues	1	-	-	-
Expenditures				
Current:				
Cultural and recreation	8	15	16	(1)
Total expenditures	8	15	16	(1)
Net Change in Fund Balances	(7)	(15)	(16)	(1)
Fund Balances, Beginning of Year	16	16	16	-
Fund Balances, End of Year	<u>\$ 9</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ (1)</u>

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Domestic Violence Fund

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 1,250	\$ 1,640	\$ 1,586	\$ (54)
Total revenues	1,250	1,640	1,586	(54)
Expenditures				
Current:				
Other public safety	1,351	1,351	1,351	-
Total expenditures	1,351	1,351	1,351	-
Net Change in Fund Balances	(101)	289	235	(54)
Fund Balances, Beginning of Year	203	203	203	-
Fund Balances, End of Year	\$ 102	\$ 492	\$ 438	\$ (54)

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Front Street Project Fund
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current:				
Cultural and recreation	10,433	10,433	1,065	9,368
Total expenditures	10,433	10,433	1,065	9,368
Net Change in Fund Balances	(10,433)	(10,433)	(1,065)	9,368
Fund Balances, Beginning of Year	13,988	13,988	13,988	-
Fund Balances, End of Year	<u>\$ 3,555</u>	<u>\$ 3,555</u>	<u>\$ 12,923</u>	<u>\$ 9,368</u>

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Bail Bond Fund

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 5,730	\$ 4,900	\$ 5,476	\$ 576
Total revenues	5,730	4,900	5,476	576
Expenditures				
Current:				
Other public safety	5,836	5,181	5,181	-
Total expenditures	5,836	5,181	5,181	-
Net Change in Fund Balances	(106)	(281)	295	576
Fund Balances, Beginning of Year	281	281	281	-
Fund Balances, End of Year	\$ 175	\$ -	\$ 576	\$ 576

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Court Automation Fund

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 23,000	\$ 18,000	\$ 17,386	\$ (614)
Investment income	30	25	50	25
Total revenues	23,030	18,025	17,436	(589)
Expenditures				
Current:				
General government	33,230	37,379	30,485	6,894
Total expenditures	33,230	37,379	30,485	6,894
Net Change in Fund Balances	(10,200)	(19,354)	(13,049)	6,305
Fund Balances, Beginning of Year	76,230	76,230	76,230	-
Fund Balances, End of Year	\$ 66,030	\$ 56,876	\$ 63,181	\$ 6,305

City of Texarkana, Arkansas
Budgetary Comparison Schedule
North Texarkana Redevelopment District
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 115,000	\$ 110,000	\$ 114,376	\$ 4,376
Investment income	-	10	17	7
Total revenues	<u>115,000</u>	<u>110,010</u>	<u>114,393</u>	<u>4,383</u>
Expenditures				
Current:				
Capital outlay	<u>182,916</u>	<u>182,916</u>	<u>-</u>	<u>182,916</u>
Total expenditures	<u>182,916</u>	<u>182,916</u>	<u>-</u>	<u>182,916</u>
Net Change in Fund Balances	(67,916)	(72,906)	114,393	187,299
Fund Balances, Beginning of Year	<u>490,092</u>	<u>490,092</u>	<u>490,092</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 422,176</u></u>	<u><u>\$ 417,186</u></u>	<u><u>\$ 604,485</u></u>	<u><u>\$ 187,299</u></u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Library Fund
Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 339,000	\$ 334,000	\$ 355,275	\$ 21,275
Grants and entitlements	73,000	73,000	79,103	6,103
Investment income	50	60	63	3
Total revenues	412,050	407,060	434,441	27,381
Expenditures				
Current:				
Cultural and recreation	417,050	432,585	465,111	(32,526)
Total expenditures	417,050	432,585	465,111	(32,526)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,000)	(25,525)	(30,670)	(5,145)
Other Financing Sources				
Transfers in	5,000	5,000	5,000	-
Total other financing sources	5,000	5,000	5,000	-
Net Change in Fund Balances	-	(20,525)	(25,670)	(5,145)
Fund Balances, Beginning of Year	78,691	78,691	78,691	-
Fund Balances, End of Year	\$ 78,691	\$ 58,166	\$ 53,021	\$ (5,145)

City of Texarkana, Arkansas

Budgetary Comparison Schedule

Public Safety Fund

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 275	\$ 175	\$ 198	\$ 23
Total revenues	275	175	198	23
Expenditures				
Current:				
Other public safety	2,842	2,842	-	2,842
Total expenditures	2,842	2,842	-	2,842
Net Change in Fund Balances	(2,567)	(2,667)	198	2,865
Fund Balances, Beginning of Year	3,938	3,938	3,938	-
Fund Balances, End of Year	\$ 1,371	\$ 1,271	\$ 4,136	\$ 2,865

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Fiduciary Funds

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FIDUCIARY FUNDS

TRUST FUNDS

Trust Funds account for assets held in the City Employee Retirement System, Water Utilities Employee Retirement System, and the Policemen's Relief and Pension Fund. Fund trustees must act in accordance with the specific purposes and terms of these retirement plans.

AGENCY FUNDS

The **Agency Funds** account for monies collected and held by the courts until they are disbursed to various governmental agencies and include the police bond, drug seizure and operations cash out funds.

City of Texarkana, Arkansas
Combining Statement of Fiduciary Net Position
Pension Trust Funds
December 31, 2018

	City Employee Retirement System	Water Utilities Employee Retirement System	Policemen's Relief and Pension	Total
Assets				
Cash and cash equivalents	\$ 36,711	\$ 46,367	\$ 321,720	\$ 404,798
Investments				
U. S. government obligations	56,031	153,532	-	209,563
Mortgage backed securities	-	46,033	-	46,033
Corporate bonds and notes	43,171	935,006	99,763	1,077,940
Mutual funds and other investments	3,489,924	1,545,599	3,829,476	8,864,999
Interest receivable	61,923	10,336	23,350	95,609
Due from other funds	-	-	444,964	444,964
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	3,687,760	2,736,873	4,719,273	11,143,906
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities				
Accounts payable	2,610	-	1,777	4,387
Due to other funds	-	-	6,860	6,860
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	2,610	-	8,637	11,247
	<hr/>	<hr/>	<hr/>	<hr/>
Net Position				
Net position restricted for pensions	<u>\$ 3,685,150</u>	<u>\$ 2,736,873</u>	<u>\$ 4,710,636</u>	<u>\$ 11,132,659</u>

City of Texarkana, Arkansas
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended December 31, 2018

	City Employee Retirement System	Water Utilities Employee Retirement System	Policemen's Relief and Pension	Total
Additions				
Contributions				
Employer	\$ 125,659	\$ -	\$ 463,121	\$ 588,780
Employee	15,132	-	-	15,132
Intergovernmental	-	-	362,665	362,665
Other	2,288	-	27,154	29,442
Total contributions	143,079	-	852,940	996,019
Investment income (loss)				
Net increase (decrease) in fair value of investments	164,108	79,339	(292,024)	(48,577)
Interest and dividends	119,580	64,970	115,248	299,798
	283,688	144,309	(176,776)	251,221
Less investment expense	-	-	23,117	23,117
Net investment income (loss)	283,688	144,309	(199,893)	228,104
Total additions	426,767	144,309	653,047	1,224,123
Deductions				
Benefits paid directly to participants	333,624	172,696	1,128,327	1,634,647
Administrative expenses	44,661	34,070	6,000	84,731
Total deductions	378,285	206,766	1,134,327	1,719,378
Net Increase (Decrease) in Net Position	48,482	(62,457)	(481,280)	(495,255)
Net Position Restricted for Pensions, Beginning of Year	3,636,668	2,799,330	5,191,916	11,627,914
Net Position Restricted for Pensions, End of Year	\$ 3,685,150	\$ 2,736,873	\$ 4,710,636	\$ 11,132,659

City of Texarkana, Arkansas
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended December 31, 2018

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
Police Bond Fund				
Assets				
Cash and cash equivalents	\$ 131,781	\$ 1,025,484	\$ 988,301	\$ 168,964
Interest receivable	3,556	-	-	3,556
Total assets	135,337	1,025,484	988,301	172,520
Liabilities				
Escrow deposits	135,337	1,649,457	1,612,274	172,520
Total liabilities	135,337	1,649,457	1,612,274	172,520
Net position	\$ -	\$ (623,973)	\$ (623,973)	\$ -
Drug Seizure Fund				
Assets				
Cash and cash equivalents	\$ 40,703	\$ -	\$ 40,694	\$ 9
Total assets	40,703	-	40,694	9
Liabilities				
Escrow deposits	40,703	-	40,694	9
Total liabilities	40,703	-	40,694	9
Net position	\$ -	\$ -	\$ -	\$ -
Municipal Court Operations Fund				
Assets				
Cash and cash equivalents	\$ 5,386	\$ 58,551	\$ 53,038	\$ 10,899
Total assets	5,386	58,551	53,038	10,899
Liabilities				
Accounts payable	5,386	58,551	53,038	10,899
Total liabilities	5,386	58,551	53,038	10,899
Net position	\$ -	\$ -	\$ -	\$ -
Total Agency Funds				
Assets				
Cash and cash equivalents	\$ 177,870	\$ 1,084,035	\$ 1,082,033	\$ 179,872
Interest receivable	3,556	-	-	3,556
Total assets	181,426	1,084,035	1,082,033	183,428
Liabilities				
Accounts payable	5,386	58,551	53,038	10,899
Escrow deposits	176,040	1,649,457	1,652,968	172,529
Total liabilities	181,426	1,708,008	1,706,006	183,428
Net position	\$ -	\$ (623,973)	\$ (623,973)	\$ -

Statistical Section

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City of Texarkana, Arkansas
Statistical Section

This section of the City of Texarkana, Arkansas comprehensive annual financial report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information reflects about the City’s overall financial health.

Contents	Page
Financial Trends (Tables 1-5)	
These schedules contain trend information to assist the reader in understanding how the City’s financial performance and well-being have changed over time.	139
Revenue Capacity (Tables 6-11)	
These schedules contain information to help the reader assess the City’s most significant revenue sources, local sales taxes and property taxes.	144
Debt Capacity (Tables 12-16)	
These 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.	151
Demographic and Economic Information (Tables 17-18)	
These schedules offer demographic and economic indicators to assist the reader in understanding the environment within which the City’s financial activities take place.	156
Operating Information (Tables 19-21)	
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to services the City provides and the activities it performs.	158

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City of Texarkana, Arkansas
Net Position by Component
Last Ten Years
(Accrual Basis of Accounting)

Table 1

	2009	2010	2011	2012	2013	2014	2015*	2016	2017	2018
Governmental activities:										
Net investment in capital assets	\$ 13,412,023	\$ 12,850,864	\$ 13,405,075	\$ 14,107,659	\$ 14,788,840	\$ 13,177,214	\$ 13,418,445	\$ 12,228,378	\$ 12,173,375	\$ 12,149,281
Restricted	1,669,627	2,225,926	2,406,273	1,833,731	2,243,056	2,510,859	1,838,537	2,948,305	3,085,466	3,575,927
Unrestricted	9,379,180	10,485,576	9,204,239	6,977,071	4,990,951	5,347,984	(2,521,327)	(2,174,520)	135,812	(4,185,767)
Total governmental activities net position	24,460,830	25,562,366	25,015,587	22,918,461	22,022,847	21,036,057	12,735,655	13,002,163	15,394,653	11,539,441
Business-type activities:										
Net investment in capital assets	27,822,325	28,029,483	27,882,314	27,877,180	28,478,111	29,067,354	29,689,707	32,066,618	32,849,130	33,457,909
Restricted	2,381,952	2,442,605	3,322,117	4,041,329	5,211,194	5,090,980	6,617,438	5,271,993	5,259,198	5,027,526
Unrestricted	7,752,605	9,212,553	10,050,575	9,601,508	8,383,953	8,060,243	6,107,274	5,867,366	5,543,209	4,150,856
Total business-type activities net position	37,956,882	39,684,641	41,255,006	41,520,017	42,073,258	42,218,577	42,414,419	43,205,977	43,651,537	42,636,291
Primary government										
Net investment in capital assets	41,234,348	40,880,347	41,287,389	41,984,839	43,266,951	42,244,568	43,108,152	44,294,996	45,022,505	45,607,190
Restricted	4,051,579	4,668,531	5,728,390	5,875,060	7,454,250	7,601,839	8,455,975	8,220,298	8,344,664	8,603,453
Unrestricted	17,131,785	19,698,129	19,254,814	16,578,579	13,374,904	13,408,227	3,585,947	3,692,846	5,679,021	(34,911)
Total primary government net position	\$ 62,417,712	\$ 65,247,007	\$ 66,270,593	\$ 64,438,478	\$ 64,096,105	\$ 63,254,634	\$ 55,150,074	\$ 56,208,140	\$ 59,046,190	\$ 54,175,732

*The cumulative effect of applying GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No.27*, resulted in beginning statement of net position for 2015 being restated. Fiscal year 2014 and years prior were not restated.

City of Texarkana, Arkansas
Change in Net Position
Last Ten Years
(Accrual Basis of Accounting)

Table 2

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
Current:										
General administration	\$ 1,512,480	\$ 2,085,755	\$ 2,619,263	\$ 2,581,483	\$ 2,268,194	\$ 2,444,068	\$ 2,489,042	\$ 2,582,956	\$ 2,272,254	\$ 2,128,025
Police department	8,710,432	12,410,163	7,644,104	7,872,806	7,960,946	7,795,405	6,265,820	6,351,864	8,535,330	9,082,042
Fire department	4,291,551	5,626,796	4,493,231	4,776,959	4,605,814	4,569,164	3,606,197	4,577,604	5,930,240	6,369,763
Other public safety	-	-	3,869,368	3,639,484	3,383,828	3,053,598	3,205,227	2,877,212	2,106,118	1,909,304
Protective inspection	368,400	467,872	467,210	494,102	516,458	434,499	474,893	567,880	473,860	433,700
Public works	5,208,513	5,723,499	5,697,414	5,503,577	6,100,657	5,868,092	5,922,407	6,365,907	6,145,067	6,284,490
Public services	117,720	6,518	15,381	1,252	245,174	565,398	532,551	541,432	31,950	32,746
Health and welfare	286,166	347,763	361,460	436,639	394,764	426,422	410,477	459,236	573,179	386,403
Cultural and recreation	693,057	895,119	825,434	1,895,921	1,190,349	1,469,648	1,157,670	1,171,381	1,138,931	1,119,164
Administrative and general	1,384,283	-	-	-	-	-	-	-	-	-
Interest on long-term debt	672,631	1,172,912	678,252	1,683,764	908,021	894,852	933,184	811,774	773,234	861,792
Total governmental activities expenses	<u>23,245,233</u>	<u>28,736,397</u>	<u>26,671,117</u>	<u>28,885,987</u>	<u>27,574,205</u>	<u>27,521,146</u>	<u>24,997,468</u>	<u>26,307,246</u>	<u>27,980,163</u>	<u>28,607,429</u>
Business-type activities:										
Water and sewer	<u>8,881,682</u>	<u>8,631,993</u>	<u>8,828,758</u>	<u>9,383,771</u>	<u>9,239,788</u>	<u>8,883,064</u>	<u>8,827,599</u>	<u>8,724,209</u>	<u>9,016,083</u>	<u>9,221,277</u>
Total business-type activities expenses	<u>8,881,682</u>	<u>8,631,993</u>	<u>8,828,758</u>	<u>9,383,771</u>	<u>9,239,788</u>	<u>8,883,064</u>	<u>8,827,599</u>	<u>8,724,209</u>	<u>9,016,083</u>	<u>9,221,277</u>
Total primary government expenses	<u>32,126,915</u>	<u>37,368,390</u>	<u>35,499,875</u>	<u>38,269,758</u>	<u>36,813,993</u>	<u>36,404,210</u>	<u>33,825,067</u>	<u>35,031,455</u>	<u>36,996,246</u>	<u>37,828,706</u>
Program Revenues										
Governmental activities:										
Charges for services	5,525,130	5,416,351	5,444,642	5,463,368	5,421,842	5,340,907	5,338,355	5,485,953	8,458,140	5,154,080
Operating grants and contributions	4,749,140	4,423,291	4,722,269	4,113,562	3,124,576	3,293,167	3,153,469	3,320,465	3,673,664	3,625,951
Capital grants and contributions	<u>336,363</u>	<u>2,246,130</u>	<u>1,028,843</u>	<u>1,309,384</u>	<u>1,812,264</u>	<u>1,260,110</u>	<u>1,199,000</u>	<u>1,078,636</u>	<u>851,360</u>	<u>750,793</u>
Total governmental activities program revenues	<u>10,610,633</u>	<u>12,085,772</u>	<u>11,195,754</u>	<u>10,886,314</u>	<u>10,358,682</u>	<u>9,894,184</u>	<u>9,690,824</u>	<u>9,885,054</u>	<u>12,983,164</u>	<u>9,530,824</u>
Business-type activities:										
Charges for services	8,933,472	10,141,700	10,264,791	10,202,790	9,750,066	9,247,531	9,413,488	9,590,596	9,560,808	9,598,816
Capital grants and contributions	<u>450,021</u>	<u>43,157</u>	<u>78,337</u>	<u>-</u>	<u>-</u>	<u>37,484</u>	<u>27,748</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities program revenues	<u>9,383,493</u>	<u>10,184,857</u>	<u>10,343,128</u>	<u>10,202,790</u>	<u>9,750,066</u>	<u>9,285,015</u>	<u>9,441,236</u>	<u>9,590,596</u>	<u>9,560,808</u>	<u>9,598,816</u>
Total primary government program revenues	<u>\$ 19,994,126</u>	<u>\$ 22,270,629</u>	<u>\$ 21,538,882</u>	<u>\$ 21,089,104</u>	<u>\$ 20,108,748</u>	<u>\$ 19,179,199</u>	<u>\$ 19,132,060</u>	<u>\$ 19,475,650</u>	<u>\$ 22,543,972</u>	<u>\$ 19,129,640</u>

City of Texarkana, Arkansas
Change in Net Position (Continued)
Last Ten Years
(Accrual Basis of Accounting)

Table 2

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental activities	\$ (12,634,600)	\$ (16,650,625)	\$ (15,475,363)	\$ (17,999,673)	\$ (17,215,523)	\$ (17,626,962)	\$ (15,306,644)	\$ (16,422,192)	\$ (14,996,999)	\$ (19,076,605)
Business-type activities	501,811	1,552,864	1,514,370	819,019	510,278	401,951	613,637	866,387	544,725	377,539
Total primary government net expense	(12,132,789)	(15,097,761)	(13,960,993)	(17,180,654)	(16,705,245)	(17,225,011)	(14,693,007)	(15,555,805)	(14,452,274)	(18,699,066)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	3,025,209	3,453,940	3,102,615	3,132,701	3,420,043	3,595,334	3,868,690	3,902,704	4,161,676	3,752,005
Sales taxes	8,229,227	8,417,648	8,751,952	8,987,936	9,553,656	9,647,077	9,758,447	9,646,473	9,828,654	10,681,031
Franchise taxes	2,568,201	2,726,391	2,688,227	2,649,392	2,748,310	2,898,182	2,859,259	2,640,381	2,528,697	2,637,048
Other taxes	125,195	136,636	76,338	76,764	81,189	70,308	67,975	57,884	79,969	81,351
Unrestricted investment earnings	35,744	27,651	14,105	59,233	12,775	9,603	15,444	5,885	10,570	19,591
Gain(loss) on sale of capital assets	25,936	-	47,145	18,426	-	-	-	-	-	-
Miscellaneous	102,837	153,869	248,202	146,005	257,213	182,129	289,351	100,279	541,419	471,372
Transfers	226,672	-	-	832,090	246,723	237,539	183,034	335,094	238,504	1,036,864
Total governmental activities	14,339,021	14,916,135	14,928,584	15,902,547	16,319,909	16,640,172	17,042,200	16,688,700	17,389,489	18,679,262
Business-type activities:										
Unrestricted investment earnings	282,956	414,316	318,080	299,162	291,104	266,596	267,423	152,922	156,212	174,072
Gain on sale of capital assets	-	1,178	(7,050)	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	1,723	-	-	-	-	-
Transfers	(220,578)	(240,599)	(255,035)	(853,170)	(249,864)	(236,198)	(233,566)	(227,751)	(255,377)	(853,431)
Total business-type activities	62,378	174,895	55,995	(554,008)	42,963	30,398	33,857	(74,829)	(99,165)	(679,359)
Total primary government general revenues and other changes in net position	14,401,399	15,091,030	14,984,579	15,348,539	16,362,872	16,670,570	17,076,057	16,613,871	17,290,324	17,999,903
Change in Net Position										
Governmental activities	1,704,421	(1,734,490)	(546,779)	(2,097,126)	(895,614)	(986,790)	1,735,556	266,508	2,392,490	(397,343)
Business-type activities	564,189	1,727,759	1,570,365	265,011	553,241	432,349	647,494	791,558	445,560	(301,820)
Total primary government changes in net position	\$ 2,268,610	\$ (6,731)	\$ 1,023,586	\$ (1,832,115)	\$ (342,373)	\$ (554,441)	\$ 2,383,050	\$ 1,058,066	\$ 2,838,050	\$ (699,163)

City of Texarkana, Arkansas
Program Revenues by Function/Program
Last Ten Years
(Accrual Basis of Accounting)

Table 3

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function/ Program										
Governmental activities:										
General administration	\$ 2,148,483	\$ 3,566,739	\$ 2,625,764	\$ 2,768,877	\$ 2,662,848	\$ 2,317,860	\$ 2,429,549	\$ 2,309,740	\$ 2,355,799	\$ 2,097,646
Police department	1,536,513	1,105,987	1,501,591	1,274,930	1,159,664	1,129,322	979,346	1,174,511	1,314,276	892,312
Fire department	16,416	3,981	7,782	5,694	1,600	8,740	7,481	5,870	-	-
Other public safety	-	-	1,501	1,501	1,501	1,501	1,501	178,555	-	-
Public works	5,062,825	5,405,150	5,656,598	5,755,338	5,626,372	5,933,325	5,930,278	5,862,094	5,699,490	6,489,157
Public services	1,747,617	962,988	1,334,235	993,090	826,299	418,254	263,869	274,870	3,510,486	(32,500)
Cultural and recreation	98,779	80,254	68,283	86,884	80,398	85,182	78,800	79,414	103,113	84,209
Subtotal governmental activities	10,610,633	11,125,099	11,195,754	10,886,314	10,358,682	9,894,184	9,690,824	9,885,054	12,983,164	9,530,824
Business-type activities:										
Water and sewer	9,383,493	10,184,857	10,343,128	10,202,790	9,750,066	9,285,015	9,441,236	9,590,596	9,560,808	9,598,816
Subtotal business-type activities	9,383,493	10,184,857	10,343,128	10,202,790	9,750,066	9,285,015	9,441,236	9,590,596	9,560,808	9,598,816
Total primary government	\$ 19,994,126	\$ 21,309,956	\$ 21,538,882	\$ 21,089,104	\$ 20,108,748	\$ 19,179,199	\$ 19,132,060	\$ 19,475,650	\$ 22,543,972	\$ 19,129,640

City of Texarkana, Arkansas
Fund Balances of Governmental Funds
Last Ten Years
(Modified Accrual Basis of Accounting)

Table 4

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable										
Prepaid items			\$ 276,177	\$ 339,756	\$ 7,922	\$ 124,629	\$ 180,061	\$ 263,696	\$ 5,087	\$ 10,961
Restricted										
Police department			-	-	4,885	330	-	19,105	-	-
Committed										
Cultural and recreation			13,855	14,956	15,101	16,998	17,723	17,254	14,106	13,175
Assigned										
Police department			164,470	210,776	77,016	38,594	33,090	18,646	18,646	39,173
Public works			194,394	30,292	30,292	30,292	30,292	30,292	30,292	30,292
Unassigned			2,991,764	2,068,121	3,122,556	3,010,595	3,397,384	3,405,025	3,684,175	5,309,483
Reserved	\$ 20,837	\$ 291,361								
Unreserved, designated	1,691,943	1,744,280								
Unreserved	3,142,175	2,000,819								
Total general fund	<u>\$ 4,854,955</u>	<u>\$ 4,036,460</u>	<u>\$ 3,640,660</u>	<u>\$ 2,663,901</u>	<u>\$ 3,257,772</u>	<u>\$ 3,221,438</u>	<u>\$ 3,658,550</u>	<u>\$ 3,754,018</u>	<u>\$ 3,752,306</u>	<u>\$ 5,403,084</u>
All Other Governmental Funds										
Nonspendable										
Prepaid items			\$ 36,249	\$ 45,966	\$ 2,346	\$ 6,125	\$ 35,044	\$ 32,878	\$ 9,084	\$ 10,338
Restricted										
General administration			92,050	63,547	64,023	73,662	76,600	74,710	69,204	55,803
Police department			9,192	10,512	9,163	11,845	15,332	6,167	4,422	44,602
Fire department			110,312	103,798	44,678	46,185	29,607	20,322	22,669	24,514
Public works			2,326,807	9,622,070	4,217,938	3,019,336	302,180	356,038	502,289	608,286
Debt service			1,567,579	1,151,164	1,539,365	1,689,089	1,734,277	1,768,212	1,820,312	2,085,820
Cultural and recreation			2,358	6,163	57,454	70,830	91,864	98,952	92,679	65,944
Committed										
Public works			260,346	277,816	215,191	284,701	307,575	240,855	309,211	302,820
Assigned										
General administration			156,683	-	-	-	-	-	-	-
Police department			287,796	214,670	155,086	316,855	321,472	406,223	371,024	371,024
Fire department			10,000	-	-	-	-	-	-	-
Public works			256,227	813,527	563,078	1,181,131	1,397,208	1,829,769	1,965,830	1,901,999
Unassigned			(4,390)	-	-	-	-	-	(769)	(1,223)
Reserved	\$ 6,428	\$ 30,738								
Unreserved, reported in:										
Special revenue fund	399,160	367,851								
Debt service fund	1,368,202	1,537,546								
Capital projects fund	(7,244)	3,510,284								
Unreserved, designated for, reported in:										
Special revenue fund	147,625	139,042								
Total all other governmental funds	<u>\$ 1,914,171</u>	<u>\$ 5,585,461</u>	<u>\$ 5,111,209</u>	<u>\$ 12,309,233</u>	<u>\$ 6,868,322</u>	<u>\$ 6,699,759</u>	<u>\$ 4,311,159</u>	<u>\$ 4,834,126</u>	<u>\$ 5,165,955</u>	<u>\$ 5,469,927</u>

The 2008 through 2010 fund balances are not comparable to 2011 forward due to the adoption of

City of Texarkana, Arkansas
Changes in Fund Balances, Governmental Funds
Last Ten Years
(Modified Accrual Basis of Accounting)

Table 5

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Property taxes	\$ 2,967,244	\$ 3,076,924	\$ 3,132,808	\$ 3,165,147	\$ 3,268,995	\$ 3,475,122	\$ 3,760,473	\$ 3,800,773	\$3,813,210	\$3,956,051
Sales taxes	8,229,227	8,417,648	8,751,952	8,987,936	9,553,656	9,647,077	9,758,447	9,646,473	9,828,654	10,681,031
Other taxes	125,194	136,636	76,338	76,764	81,189	70,308	67,975	57,884	79,969	81,351
Utility franchise	2,568,201	2,726,391	2,688,227	2,649,392	2,748,310	2,929,319	2,856,455	2,627,570	2,431,741	2,603,390
Licenses and permits	199,428	184,973	183,504	242,339	184,516	187,247	204,483	179,075	183,444	328,393
Fines, forfeitures and penalties	837,383	753,442	774,149	752,300	676,331	716,361	619,982	609,268	648,141	561,880
Charges for services	4,129,069	4,187,783	4,217,443	4,168,390	4,246,164	4,299,877	4,356,935	4,350,491	4,330,757	4,601,125
Grants and entitlements	1,539,456	2,722,402	1,669,181	2,312,408	2,224,709	2,158,315	1,729,598	1,581,993	1,521,589	1,501,847
Intergovernmental	2,735,212	2,891,491	2,962,420	2,935,853	2,837,814	2,732,124	2,717,855	2,750,738	3,003,435	2,874,897
Investment income	35,384	27,651	14,105	59,233	12,775	9,603	15,444	5,885	10,570	19,591
Miscellaneous	172,285	446,488	493,117	418,828	452,206	366,519	499,274	354,056	541,419	471,372
Total revenues	23,538,083	25,571,829	24,963,244	25,768,590	26,286,665	26,591,872	26,586,921	25,964,206	26,392,929	27,680,928
Expenditures										
Current:										
General government	1,417,749	1,885,204	2,444,686	2,356,604	2,040,771	2,004,404	2,193,123	2,165,381	2,024,355	1,960,905
Police department	7,922,633	9,469,492	6,967,050	7,106,575	7,116,529	6,878,140	6,851,193	7,064,815	7,733,463	8,071,706
Fire department	4,074,334	4,843,559	4,303,165	4,413,736	4,347,838	4,385,773	4,366,156	4,485,336	4,777,857	4,948,694
Other public safety	-	-	2,817,739	2,808,193	2,963,397	3,052,005	3,188,823	2,864,078	2,098,897	1,906,756
Protective inspection	368,400	433,139	428,681	456,482	480,399	456,148	449,576	505,396	457,378	428,638
Public works	4,184,913	4,536,705	4,335,336	4,271,344	4,714,006	4,708,135	4,799,586	4,731,277	5,010,786	5,241,503
Public services	126,444	6,856	14,869	785	353	125,813	37,511	57,434	30,885	32,752
Health and welfare	271,220	312,181	321,430	395,843	352,719	396,664	379,360	388,328	539,384	372,137
Cultural and recreation	629,001	777,069	713,788	1,689,146	1,019,833	1,309,632	758,175	736,245	757,833	768,728
Administrative and general	1,237,304	-	-	-	-	-	-	-	-	-
Capital outlay	3,861,897	2,600,254	1,894,667	4,779,583	8,035,692	1,932,752	3,767,389	735,436	971,816	3,470,847
Debt service:										
Principal retirement	749,414	822,448	830,337	1,770,728	484,585	876,214	4,765,324	1,112,724	1,111,675	1,021,044
Interest and fiscal charges	672,631	723,961	761,548	972,791	887,829	908,628	873,139	834,415	786,987	798,015
Bond issuance costs	-	129,073	-	-	-	-	75,684	-	-	61,778
Total expenditures	25,515,940	26,539,941	25,833,296	31,021,810	32,443,951	27,034,308	32,505,039	25,680,865	26,301,316	29,083,503
Excess (deficiency) of revenues over expenditures	(1,977,857)	(968,112)	(870,052)	(5,253,220)	(6,157,286)	(442,436)	(5,918,118)	283,341	91,613	(1,402,575)

City of Texarkana, Arkansas
Changes in Fund Balances, Governmental Funds (Continued)
Last Ten Years
(Modified Accrual Basis of Accounting)

Table 5

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other Financing Sources (Uses)										
Transfers in	\$ 1,326,554	\$ 5,848,062	\$ 1,235,622	\$ 12,797,118	\$ 1,736,001	\$ 2,071,853	\$ 5,799,742	\$ 2,232,441	\$ 2,140,719	\$ 5,273,045
Transfers out	(1,099,882)	(5,848,062)	(1,235,622)	(11,965,028)	(1,489,278)	(1,834,314)	(5,616,708)	(1,897,347)	(1,902,215)	(4,236,181)
Issuance of debt	-	3,820,907	-	281,859	1,063,523	-	54,460	-	-	2,316,606
Refunding bonds issued	-	-	-	20,460,000	-	-	3,770,000	-	-	-
Premium on refunding bonds issued	-	-	-	298,491	-	-	-	-	-	-
Discount on refunding bonds issued	-	-	-	-	-	-	(40,864)	-	-	-
Original issue premium	-	-	-	-	-	-	-	-	-	3,855
Payment to refunded bond escrow agent	-	-	-	(10,397,955)	-	-	-	-	-	-
Total other financing sources (uses)	226,672	3,820,907	-	11,474,485	1,310,246	237,539	3,966,630	335,094	238,504	3,357,325
Net change in fund balances	\$ (1,751,185)	\$ 2,852,795	\$ (870,052)	\$ 6,221,265	\$ (4,847,040)	\$ (204,897)	\$ (1,951,488)	\$ 618,435	\$ 330,117	\$ 1,954,750
Debt Service as a percentage of noncapital expenditures	6.6%	6.5%	6.6%	10.5%	5.6%	7.1%	19.5%	7.8%	7.5%	7.1%

City of Texarkana, Arkansas
General Government Tax Revenues by Source
Last Ten Years
(Modified Accrual Basis of Accounting)

Table 6

Fiscal Year	Property	Sales and Use	Other	Utility Franchise	Total
2009	\$ 2,967,244	\$ 8,229,227	\$ 125,194	\$ 2,568,201	\$ 13,889,866
2010	3,076,924	8,417,648	136,636	2,726,391	14,357,599
2011	3,132,808	8,751,952	76,338	2,688,227	14,649,325
2012	3,165,147	8,987,936	76,764	2,649,392	14,879,239
2013	3,268,995	9,553,656	81,189	2,748,310	15,652,150
2014	3,475,122	9,647,077	70,308	2,929,319	16,121,826
2015	3,760,473	9,758,447	67,975	2,856,455	16,443,350
2016	3,800,773	9,646,473	57,884	2,627,570	16,132,700
2017	3,813,210	9,828,654	79,969	2,431,741	16,153,574
2018	3,956,051	10,681,031	81,351	2,603,390	17,321,823

City of Texarkana, Arkansas
Assessed and Appraised Value of Taxable Property
Last Ten Years

Table 7

Year	Tax Roll Year	Real Property Assessed Value	Personal Property Assessed Value	Total Property Assessed Value	Tax Rate (1)	Total Tax Levy	Tax Distribution					
							General Fund	Debt Service	Firemen's Pension	Policemen's Pension	Library Fund	TIF District
2010	2009	\$ 203,015,854	\$ 81,297,514	\$ 284,313,368	0.1050	\$ 2,985,290	\$ 1,421,567	\$ 710,783	\$ 284,313	\$ 284,313	\$ 284,313	\$ -
2011	2010	219,773,211	93,647,265	313,420,476	0.1050	3,290,915	1,567,102	783,551	313,420	313,420	313,420	-
2012	2011	224,208,563	83,418,536	307,627,099	0.1050	3,230,085	1,538,135	769,068	307,627	307,627	307,627	-
2013	2012	233,533,309	87,477,743	321,011,052	0.1050	3,370,616	1,605,055	802,528	321,011	321,011	321,011	-
2014	2013	241,850,510	94,205,657	336,056,167	0.1050	3,528,590	1,680,281	840,140	336,056	336,056	336,056	-
2015	2014	253,856,840	98,258,389	352,115,229	0.1050	3,697,210	1,760,576	880,288	352,115	352,115	352,115	-
2016	2015	253,696,935	106,190,069	359,887,004	0.1050	3,778,814	1,754,148	877,074	350,830	350,830	350,830	95,103
2017	2016	259,217,677	108,560,385	367,778,062	0.1050	3,861,670	1,792,736	896,368	358,547	358,547	358,547	96,924
2018	2017	263,840,379	117,889,390	381,729,769	0.1050	4,008,163	1,862,495	931,247	372,499	372,499	372,499	96,924
2019	2018	267,430,380	119,943,230	387,373,610	0.1050	4,067,423	1,890,714	945,357	378,143	378,143	378,143	96,924

Note:

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

City of Texarkana, Arkansas
Property Tax Rates and Tax Levies of Direct and Overlapping Governments
Last Ten Years
Local Tax Rates – Per \$100 of Assessed Value

Table 8

Year	City of Texarkana, Arkansas						County School District	County	Total							
	General Fund	Debt Service Fund	Firemen's Pension	Policemen's Pension	Library	Total										
Real Property Tax Rates:																
2009	\$	5.00	\$	2.50	\$	1.00	\$	1.00	\$	10.50	\$	38.90	\$	5.50	\$	54.90
2010		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2011		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2012		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2013		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2014		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2015		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2016		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2017		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2018		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
Personal Property Tax Rates:																
2009	\$	5.00	\$	2.50	\$	1.00	\$	1.00	\$	10.50	\$	38.90	\$	5.50	\$	54.90
2010		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2011		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2012		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2013		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2014		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2015		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2016		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2017		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90
2018		5.00		2.50		1.00		1.00		10.50		38.90		5.50		54.90

Source - Miller County Tax Records.

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

City of Texarkana, Arkansas

Principal Sales Taxpayers

December 31, 2018

The City of Texarkana, Arkansas's largest own-source revenue is sales taxes. Sales taxes primarily come from three separate taxes; a two and one-half cent city tax based on point of sale, and a portion of the county's one and one-quarter cent tax based on an Interlocal Cooperation Agreement between Miller County, Arkansas and the municipal corporations of the State of Arkansas located within the county, and one-half cent road tax distribution from the State of Arkansas for the construction of four-lane highways to connect all four corners of the state. Per the agreement, the City of Texarkana receives forty-five percent of the county sales tax collections. In 2018, the city sales tax generated revenue of \$7,527,208. The City's portion of the county sales tax generated revenue of \$2,464,503 and the municipal four-lane highway tax received from the State of Arkansas totaled \$689,320.

According to Arkansas State Statutes, the City is required to keep the identity of individual tax payers confidential. Therefore, the City of Texarkana is not able to identify the top 10 tax payers. However, Texarkana enjoys a diverse economic sales tax base.

City of Texarkana, Arkansas
Principal Property Taxpayers
Current Year and Nine Years Ago

Table 9

Taxpayer	2018			2009		
	Rank	2017 Assessed Valuation (1) (2)	Percentage of Total Assessed Valuation	Rank	2009 Assessed Valuation (1) (3)	Percentage of Total Assessed Valuation
Union Pacific System	1	\$ 12,985,070	3.35%			
Southwestern Electric Power co.	2	11,765,750	3.04%	10	\$ 4,089,030	1.44%
Southwest AR Electric Co-op	3	11,242,850	2.90%	5	6,423,070	2.26%
Cooper Tire & Rubber Co. - Plant	4	9,831,220	2.54%	3	9,228,131	3.25%
Southwest Ark Telephone Co-op	5	4,290,533	1.11%			
Wal-Mart Stores Inc. #01-0468	6	3,948,030	1.02%			
Centerpoint Energy ARKLA	7	4,144,080	1.07%			
Valor Telecommunications	8	3,739,520	0.97%	9	4,260,000	1.50%
Natural Gas Pipe Line Co.	9	2,981,790	0.77%	8	4,659,800	1.64%
Cable One Inc.	10	2,458,080	0.63%			
BAC Tax Services Corp				1	15,462,694	5.44%
Wells Fargo Home Mortgage				2	12,026,770	4.23%
Chase Home Finance LLC.				4	6,873,575	2.42%
BancorpSouth Bank				6	5,130,770	1.80%
Regions Mtg.				7	4,825,263	1.70%
Total principal taxpayers		<u>\$ 67,386,923</u>	<u>17.40%</u>		<u>\$ 72,979,103</u>	<u>25.67%</u>

Notes:

(1) Net of exemptions

(2) Source - Miller County Tax Records per the Collector's office

(3) Source - City of Texarkana AR CAFR statistical section for fiscal year December 31, 2008

City of Texarkana, Arkansas
Property Tax Levies and Collections
Last Ten Years

Table 10

Fiscal Year	Tax Roll Year	Total Tax Levy(2)(3)	Current Taxes Collected(1)	Percent of Current Taxes Collected	Delinquent Taxes Collected(1)	Total Tax Collections	Percent Total Tax Collections to Tax Levy(3)	Outstanding Delinquent Taxes	Percent Delinquent Taxes to Tax Levy
2009	2008	\$ 3,058,079	\$ 2,566,653	83.93%	\$ 185,297	\$ 2,751,950	89.99%	\$ 306,129	10.01%
2010	2009	2,985,290	2,594,276	86.90%	73,925	2,668,201	89.38%	317,089	10.62%
2011	2010	3,290,915	2,673,814	81.25%	228,175	2,901,989	88.18%	388,926	11.82%
2012	2011	3,230,085	2,689,537	83.27%	346,984	3,036,521	94.01%	193,563	5.99%
2013	2012	3,370,616	2,722,770	80.78%	336,231	3,059,001	90.75%	311,615	9.25%
2014	2013	3,528,590	2,938,121	83.27%	370,183	3,308,304	93.76%	220,286	6.24%
2015	2014	3,697,210	3,168,089	85.69%	495,408	3,663,497	99.09%	33,713	0.91%
2016	2015	3,778,814	3,219,125	85.19%	481,402	3,700,527	97.93%	78,287	2.07%
2017	2016	3,861,670	3,329,353	86.22%	483,855	3,813,208	98.75%	48,462	1.25%
2018	2017	3,861,670	3,507,408	90.83%	342,965	3,850,373	99.71%	11,297	0.29%

(1) Excludes City portion of county road taxes shown in Special Revenue Fund.

(2) Tax levies include separate assessment shown on Utilities.

(3) Source - Miller County Tax Records per the Collector's Office.

City of Texarkana, Arkansas
Direct and Overlapping Sales Tax Rates
Last Ten Years

Table 11

Year	City Direct Rate	Miller County Rate
2009	2.50%	1.50%
2010	2.50%	1.50%
2011	2.50%	1.50%
2012	2.50%	1.50%/1.25% (1)
2013	2.50%	1.25%
2014	2.50%	1.25%
2015	2.50%	1.25%
2016	2.50%	1.25%
2017	2.50%	1.25%
2018	2.50%	1.25%

Source: Arkansas Department of Finance and Administration

(1) The rate changed effective 10/01/2012.

City of Texarkana, Arkansas
Ratios of Outstanding Debt by Type
Last Ten Years

Table 12

Fiscal Year	Governmental Activities				Business-type Activities		Total Primary Government	Percentage of Personal Income(1)	Per Capita(1)
	General Obligation Bonds	Revenue Bonds	Installment loans	Capital Leases	Water Revenue Bonds	Capital Leases			
2009	\$ 2,765,000	\$ 10,145,000	\$ 137,817	\$ -	\$ 16,909,366	\$ 115,638	\$ 30,072,821	5.83%	\$ 1,000
2010	2,230,000	13,700,000	70,337	-	16,096,507	125,077	32,221,921	5.39%	1,077
2011	1,660,000	13,510,000	-	-	15,245,457	103,558	30,519,015	5.01%	1,020
2012	10,413,920	14,059,571	197,154	34,402	14,360,581	61,012	39,126,640	6.07%	1,299
2013	10,405,456	13,787,857	1,062,233	18,261	13,441,214	15,319	38,730,340	6.18%	1,289
2014	10,066,992	13,511,143	807,927	1,353	12,566,848	-	36,954,263	5.74%	1,233
2015	9,623,528	13,184,382	548,454	39,962	11,483,954	-	34,880,280	5.42%	1,162
2016	9,135,064	12,834,303	283,498	22,194	10,359,438	-	32,634,497	5.08%	1,083
2017	8,661,600	12,434,224	55,509	3,508	9,192,660	-	30,347,501	4.72%	1,006
2018	8,118,136	14,282,725	-	44,579	7,982,470	-	30,427,910	4.56%	1,010

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Demographic and Economic Statistics Schedule for personal income and population data.

City of Texarkana, Arkansas
Ratios of General Bonded Debt Outstanding
Last Ten Years

Table 13

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2009	30,087	\$ 291,245,623	\$ 2,765,000	\$ 776,213	\$ 1,988,787	0.68%	\$ 66
2010	29,919	284,313,368	2,230,000	801,562	1,428,438	0.50%	48
2011	29,919	313,420,476	1,660,000	833,633	826,367	0.26%	28
2012	30,117	307,627,099	10,413,920	390,932	10,022,988	3.26%	333
2013	30,049	321,011,052	10,405,456	824,611	9,580,845	2.98%	319
2014	29,972	336,056,167	10,066,992	765,392	9,301,600	2.77%	310
2015	30,015	352,115,229	9,623,528	767,335	8,856,193	2.52%	295
2016	30,127	367,778,062	9,135,064	830,435	8,304,629	2.26%	276
2017	30,155	381,729,769	8,661,600	898,787	7,762,813	2.03%	257
2018	30,120	387,373,610	8,118,136	948,354	7,169,782	1.85%	238

Notes:

(1) Source - Bureau of Census

(2) Source - Miller County Tax Records

(3) Gross bonded debt consists of General Obligation bonds only, net of issuance premiums

City of Texarkana, Arkansas
Direct and Overlapping Governmental Activities Debt
December 31, 2018

Table 14

Jurisdiction	Debt Outstanding	Percentage of Debt Applicable to City of Texarkana	Amount Applicable to City of Texarkana
Direct:			
City of Texarkana, Arkansas	\$ 22,445,440	100.00%	<u>\$ 22,445,440</u>
Overlapping:			
Texarkana, Arkansas School District	49,490,000 (1)	78.62%	<u>38,909,038</u>
Subtotal - Overlapping debt			<u>38,909,038</u>
Total direct and overlapping			<u><u>\$ 61,354,478</u></u>
Per capita overlapping debt			<u><u>\$ 2,034.64</u></u>

Notes:

Source-City and County tax records. The percentage of overlapping debt applicable is estimated using taxable assessed property values within the City.

(1) Source - Texarkana Arkansas School District

City of Texarkana, Arkansas

Legal Debt Margin Information

Last Ten Years

Table 15

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 64,788,565	\$ 71,078,342	\$ 76,906,774	\$ 80,252,763	\$ 80,252,763	\$ 84,014,042	\$ 89,971,751	\$ 91,944,516	\$ 95,432,442	\$ 96,843,403
Total net debt applicable to limit	<u>1,988,787</u>	<u>1,428,438</u>	<u>826,367</u>	<u>9,769,068</u>	<u>9,335,389</u>	<u>9,301,600</u>	<u>8,856,193</u>	<u>8,147,993</u>	<u>7,762,813</u>	<u>7,169,782</u>
Legal debt margin	<u>\$ 62,799,778</u>	<u>\$ 69,649,904</u>	<u>\$ 76,080,407</u>	<u>\$ 70,483,695</u>	<u>\$ 70,917,374</u>	<u>\$ 74,712,442</u>	<u>\$ 81,115,558</u>	<u>\$ 83,796,523</u>	<u>\$ 87,669,629</u>	<u>\$ 89,673,621</u>
Total net debt applicable to the limit as a percentage of debt limit	3.17%	2.05%	1.09%	13.86%	13.16%	12.45%	10.92%	9.72%	8.85%	8.00%

Legal Debt Margin Calculation for 2016

Assessed value	\$ 387,373,610
Debt limit - 25% of assessed value:	
General obligation debt limitation	96,843,403
Debt applicable to limit:	
General obligation bonds	8,118,136
Less: Amount set aside for repayment in debt services funds	<u>948,354</u>
Total net debt applicable to limit	<u>7,169,782</u>
Legal debt margin	<u>\$ 89,673,622</u>

City of Texarkana, Arkansas
Pledged Revenue Coverage – Texarkana, Arkansas Water Utilities
Last Ten Years

Table 16

Fiscal Year Ended December 31	Gross Revenue(1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)	Coverage
2009	\$ 9,522,966	\$ 5,890,787	\$ 3,632,179	\$ 2,016,180	1.80
2010	10,749,699	6,134,724	4,614,975	1,543,099	2.99
2011	10,864,429	6,285,498	4,578,931	1,547,899	2.96
2012	10,813,737	6,828,480	3,985,257	1,546,901	2.58
2013	10,284,874	6,656,481	3,628,393	1,735,295	2.09
2014	9,782,848	6,297,035	3,485,813	1,543,099	2.26
2015	9,948,542	6,215,070	3,733,472	1,542,258	2.42
2016	10,127,143	6,027,246	4,099,897	1,546,698	2.56
2017	10,118,750	6,285,420	3,833,330	1,498,806	2.56
2018	10,196,477	6,423,493	3,773,284	1,505,272	2.51

Notes:

- (1) Gross revenue includes interest income on investment and proceeds from sale of fixed assets.
Gross revenue also includes payments received from Texarkana, Texas Water Utilities for debt service on revenue bonds issued for construction of Millwood Water Treatment Facilities and McKinney Bayou Wastewater Treatment Facilities.
- (2) Operating expenses exclude depreciation and amortization.
- (3) Principal and interest on revenue bonds only. Amounts do not include payments on obligations under capital leases.

City of Texarkana, Arkansas

Demographic and Economic Statistics

Last Ten Years

Table 17

Fiscal Year	Population (1)	Personal Income (3)	Median Age (1)	Per Capita Income(1)	Unemployment Rate(2)
2009	30,087	\$ 515,390,310	37.5	\$ 17,130	6.2%
2010	29,919	597,991,053	37.3	19,987	7.1%
2011	29,919	609,300,435	36.2	20,365	7.5%
2012	30,117	644,383,332	36.2	21,396	6.2%
2013	30,049	627,122,630	36.5	20,870	6.2%
2014	29,972	643,408,924	35.9	21,467	5.3%
2015	30,015	643,881,780	37.2	21,452	5.5%
2016	30,127	642,247,386	37.3	21,318	3.9%
2017	30,155	642,572,895	37.6	21,309	3.7%
2018	30,120	666,917,040	38.5	22,142	3.6%

Notes:

(1) Source - U.S. Census Bureau

(2) Source - U.S. Bureau of Labor Statistics

(3) Personal Income is a calculation of per capital income multiplied by the population

City of Texarkana, Arkansas
Principal Employers, Metropolitan Statistical Area (MSA) –
Texarkana, Arkansas and Texarkana, Texas
Current Year and Nine Years Ago

Table 18

Employer	2018			2009		
	Employees	Rank	Percentage of Total MSA Employ- ment (1)	Employees	Rank	Percentage of Total MSA Employ- ment (2)
Red River Army Depot & Tenants	4,135	1	6.86%	6,000	1	10.64%
Christus St. Michael Health Care	1,800	2	2.99%	1,680	3	2.98%
Cooper Tire & Rubber	1,750	3	2.90%	1,600	2	2.84%
AECOM/URS	1,300	4	2.16%			
Southern Refrigerated Transport	1,235	5	2.05%	670	10	1.19%
Wal-Mart Department Store	1,200	6	1.99%	1,100	5	1.95%
Texarkana, TX ISD	1,150	7	1.91%	787	8	1.40%
Domtar, Inc.	900	8	1.49%	1,300	4	2.30%
Graphic Packaging	800	9	1.33%	900	7	1.60%
Wadley Regional Medical	755	10	1.25%	1,000	6	1.77%
Texarkana, AR ISD				785	9	1.39%
Total	<u>15,025</u>		<u>24.92%</u>	<u>15,822</u>		<u>28.05%</u>

Source:
Chamber of Commerce
Texas Workforce Commission LMI Tracer

Notes:

- (1) MSA employment for 2018 is 60,300
- (2) MSA employment for 2009 is 56,400
- (3) Due to the absence of information for 2018, 2017s statistics were used

City of Texarkana, Arkansas

Full-time Equivalent City Government Employees by Function

Last Ten Years

Table 19

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Administration	3	4	4	4	3	3	3	5	4	4
Finance	8	8	8	8	8	9	9	8	8	8
City Clerk	3	3	3	3	2	2	2	2	2	2
Courts	4	4	5	5	5	5	5	5	5	5
Marketing & Communications	0	0	0	1	2	2	1	0	0	0
Police department										
Police General	70	71	71	71	76	76	76	76	77	77
Police Housing	3	3	3	3	2	2	2	2	2	2
Cops in School	2	1	1	1	1	1	1	1	0	0
Police Narcotics	5	5	5	5	5	5	5	5	5	5
Police Support	10	10	11	11	11	11	11	11	26	26
Police Animal	2	2	2	2	2	0	0	0	0	0
Probation	3	3	4	4	4	4	4	4	4	4
Police CHRP	0	0	4	4	0	0	0	0	0	0
Fire department										
Fire	59	59	59	59	59	59	59	59	59	59
Public works										
Street	17	18	17	17	17	17	17	13	13	13
Environmental	3	3	4	4	4	4	4	4	4	4
Engineering	1	1	1	1	1	1	1	1	1	1
Planning	2	2	2	2	2	2	2	2	2	2
Code Enforcement	6	6	6	6	6	6	6	6	6	6
Parks and recreation	4	6	4	5	5	4	4	4	4	4
Building maintenance	2	2	2	1	1	1	1	1	1	1
ADC	0	0	3	3	3	3	3	9	9	9
Refuse Operator	0	0	0	0	1	1	1	1	1	1
Public services										
HCD	1	1	0	0	0	0	0	0	0	0
RSVP - Arkansas	1	1	1	1	1	1	1	0	0	0
RSVP - Texas	1	1	1	1	1	1	1	0	0	0
Other										
Bi-State Maintenance	13	13	13	13	13	13	13	13	13	13
Bi-State CRC	1	1	1	1	1	1	1	1	1	1
Animal Shelter	7	8	8	7	7	7	5	5	5	5
	0	0	0	0	0	2	3	3	3	3
Total	231	236	243	243	243	243	241	241	255	255

City of Texarkana, Arkansas
Operating Indicators by Function/Program
Last Ten Years

Table 20

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Function/Program</u>										
Public safety										
Police										
Uniformed employees	89	90	90	88	84	84	84	84	84	84
Fire										
Firefighters	58	58	58	57	58	58	58	58	58	58
Public works										
Building permits issued	1,944	477	507	510	426	368	454	464	501	438
Building permits (\$)	\$ 16,535,562	\$ 20,492,129	\$ 20,275,238	\$ 51,053,360	\$ 26,447,687	\$ 22,747,181	\$ 18,909,224	\$ 24,230,960	\$ 28,894,884	\$ 20,822,418
Water										
Average daily consumption (millions of gallons)	4.846	3.675	4.016	4.134	4.902	4.437	4.703	6.317	4.372	3.814
Raw water production (millions of gallons)	5.056	4.056	6.430	5.509	5.509	4.941	5.076	6.563	4.481	3.783

Source: Various City Departments

City of Texarkana, Arkansas

Capital Asset Statistics by Function

Last Ten Years

Table 21

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Police										
Stations	1	1	1	1	1	2	2	2	2	2
Total units	96	82	101	110	111	117	117	117	96	96
Fire										
Stations	5	5	5	5	5	5	5	5	5	5
Public works										
Streets (miles)	291	291	250 ⁽¹⁾	250	252	252	252	252	252	252
Recreation										
Number of parks	16	20	24	24	24	24	24	24	24	24
Acres	280	281	288.3	288.3	288.3	296.3	296.3	296.3	311	311
Pools	1	1	1	1	1	1	1	1	1	1
Ball Fields	12	12	15	15	15	15	15	15	16	16
Tennis courts:										
Lighted	3	3	3	3	3	3	3	3	4	4
Unlighted	3	3	1	1	1	1	1	1	1	1
Community centers	4	4	4	4	4	4	4	4	4	4
Soccer fields	0	0	1	1	1	1	1	1	1	1
Walking/biking trails (miles)	3.65	5.2	7.5	7.5	7.5	7.66	13.91	13.91	13.91	13.91
Utilities										
Plant capacity										
(million gallon average per day)	15	15	15	15	15	15	15	15	15	15
Water mains (miles)	412	409	408	406	395	416	407	412	405	405
Number of water meters	10,203	10,184	10,103	10,134	10,155	10,126	10,154	10,169	10,155	10,152
Sewer mains (miles)	216	216	212	219	214	213	216	233	218	218
Number of fire hydrants	1,392	1,427	1,438	1,441	1,431	1,450	1,469	1,409	1,447	1,482
Number of Mandeville water meters	333	328	322	327	321	318	316	315	315	314
Number of Union water meters	1,107	1,129	1,135	1,162	1,178	1,200	1,231	1,246	1,252	1,274

⁽¹⁾ Information not available

⁽¹⁾ 2011 is based on a GIS system which provides a more accurate estimate of miles.

Source: Various City Departments

Other Required Reports

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**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***

Independent Auditor's Report

The Honorable Mayor and Members of the City Council
City of Texarkana, Arkansas
Texarkana, Arkansas

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Texarkana, Arkansas, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 29, 2019, which contained a reference to reports of other auditors and an emphasis-of-matter paragraph regarding adoption of a new accounting standard. Other auditors audited the financial statements of the Texarkana, Arkansas Water Utilities, the Texarkana Airport Authority and the Texarkana Urban Transit District, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's 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 City's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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*.

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.

BKD, LLP

Rogers, Arkansas
August 29, 2019

Independent Accountants' Report on Compliance With Arkansas State Requirements

The Honorable Mayor and Members of City Council
City of Texarkana, Arkansas
Texarkana, Arkansas

We have examined management's assertions that the City of Texarkana, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2018.

- (1) Arkansas Municipal Accounting Law of 1973, § 14-59-101 et seq.;
- (2) Arkansas District Courts and City Courts Accounting Law, § 16-10-201 et seq.;
- (3) Improvement contracts, §§ 22-9-202 – 22-9-204;
- (4) Budgets, purchases, and payments of claims, etc., § 14-58-201 et seq. and 14-58-301 et seq.;
- (5) Investment of public funds, § 19-1-501 et seq.; and
- (6) Deposit of public funds, §§ 19-8-101 – 19-8-107.

Management is responsible for its assertion. Our responsibility is to express an opinion on the City's compliance based upon our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with the requirements mentioned above, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with the requirements mentioned above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the requirements mentioned above, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Texarkana, Arkansas complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2018.

This report is intended solely for the information and use of the Mayor, City Council, management, and the State of Arkansas and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Rogers, Arkansas
August 29, 2019

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