

# **City of Texarkana, Arkansas**

## Comprehensive Annual Financial Report

For the Year Ended December 31, 2010

Finance Department

Rebecca Harris  
Finance Director



**City of Texarkana, Arkansas**  
**Year Ended December 31, 2010**

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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, 2010, 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 an unqualified opinion on the City of Texarkana, Arkansas' financial statements for the year ended December 31, 2010. The independent accountant'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 accountant'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 29,919. 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 Board of Directors, and for appointing the heads of the various departments. The Board of Directors is elected on a non-partisan basis. Board Director's 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, 2010.

The City of Texarkana, Arkansas is also financially accountable for a legally separate retired and senior volunteer program and legally separate advertising and promotion commission, both of which are reported separately within the City of Texarkana, Arkansas' financial statements.

The annual budget serves as the foundation for the City of Texarkana, Arkansas' financial planning and control. The City Manager then presents the 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 expenditure 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.

### **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 policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

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 being recorded when the services of goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

The annual budget serves as the foundation for the City 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 governmental funds, other than the general fund and the public works funds, with appropriated annual budgets, this comparison is presented in the other supplementary information subsection of this report.

## **Awards and Acknowledgements**

**Awards:** The Government Finance Officers Association (GFOA) may award a Certificate of Achievement for Excellence in Financial Reporting to eligible comprehensive annual financial reports (CAFR). 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,



**Rebecca Harris**

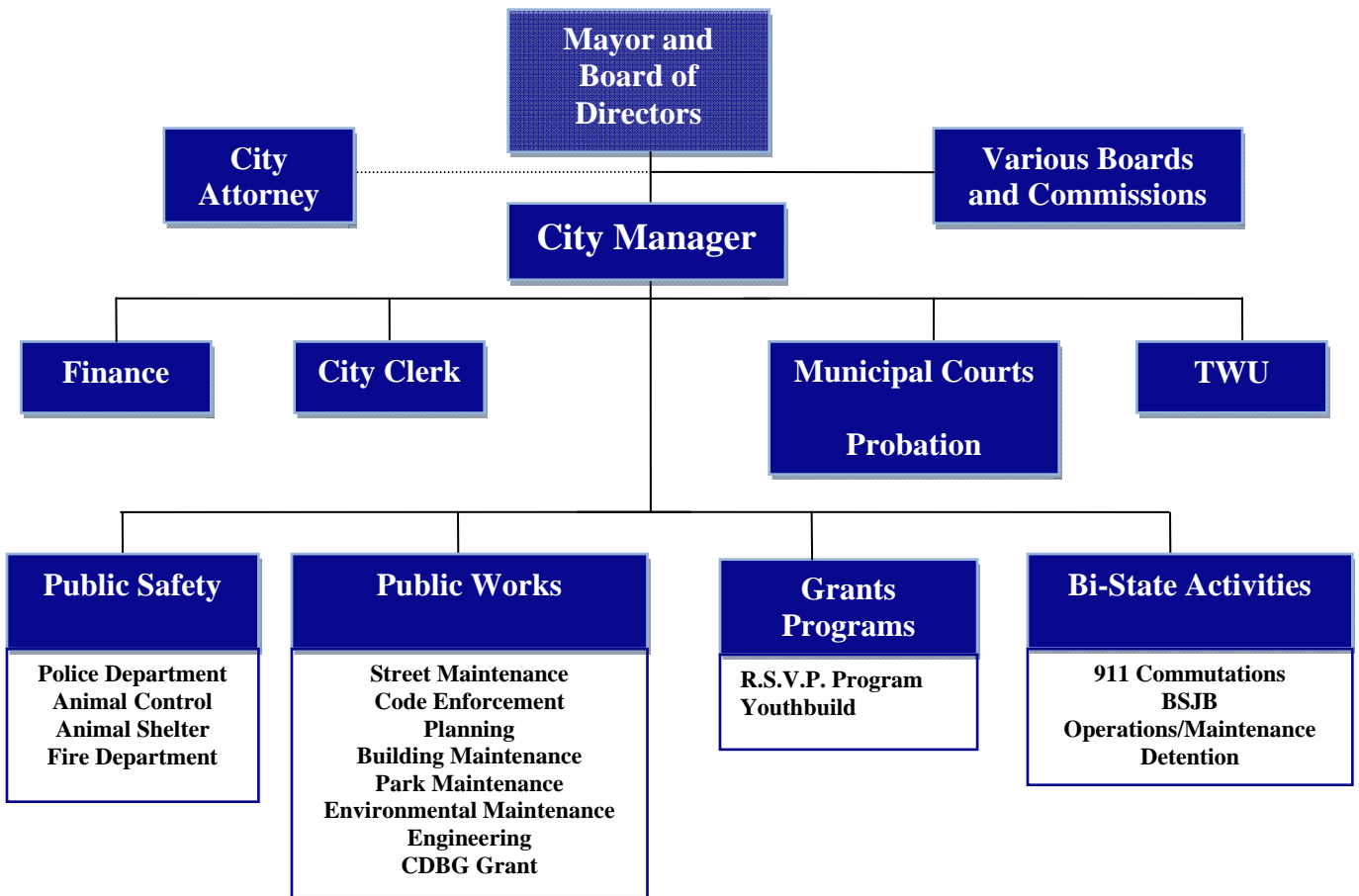
Rebecca Harris  
Finance Director

July 5, 2011





# CITY OF TEXARKANA, ARKANSAS ORGANIZATIONAL CHART



# City of Texarkana, Arkansas

## **Elected Officials:**

N. Wayne Smith	Mayor
James Mike Jones	Assistant Mayor, Director – Ward 5
Ruth Penney Davis	Director – Ward 1
Laney J. Harris	Director – Ward 2
Londell Williams	Director – Ward 3
Chad Dowd	Director – Ward 4
Sue Johnson	Director – Ward 6
Wren Autrey	District Court Judge

## **Appointed Officials:**

Harold E. Boldt	City Manager
Ned Stewart	City Attorney

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## Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Texarkana, Arkansas as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Texarkana, Arkansas Water Utilities, enterprise funds of the City, which statements reflect total assets and operating revenues of \$57,688,781 and \$10,141,700, respectively, and represent 100% of the business-type activities' total assets and operating revenues, respectively, at September 30, 2010 and for the year then ended. We did not audit the financial statements of Texarkana Airport Authority, a joint venture of the City. The City's investment in Texarkana Airport Authority reported at December 31, 2010 is \$11,220,993 which includes a current year increase of \$724,874. The financial statements of these entities were audited by other accountants whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the reports of the other accountants.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other accountants provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other accountants, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Texarkana, Arkansas as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general and public works funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17, the previously issued 2009 financial statements have been restated to correct a material misstatement therein.

Honorable Mayor, City Manager  
and Members of the Board of Directors  
City of Texarkana, Arkansas  
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In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and pension information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying information in the introductory and statistical sections as listed in the table of contents have not been subjected to the procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*BKD, LLP*

July 5, 2011

# **City of Texarkana, Arkansas**

## **Management's Discussion and Analysis**

### **December 31, 2010**

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, 2010. 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 of the City of Texarkana, Arkansas exceeded its liabilities at the close of the most recent fiscal year by \$65,247,007 (net assets). Of this amount, \$19,698,129 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets decreased by \$6,731.
- As of the close of the current fiscal year, the City of Texarkana, Arkansas' governmental funds reported combined ending fund balances of \$9,621,921.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,745,099.

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

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets 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 earned but unused and 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 government, police department, fire department, protective inspection, public works, public service, health, culture and recreation, and administrative and general. 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 Retired and Senior Volunteer Program and legally separate Advertising and Promotion Commission for which the City of Texarkana, Arkansas is financially accountable. Financial information for these component units 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 twenty-one 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 19 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 form of combining statements elsewhere in this report.

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Texarkana, Arkansas' own programs.

The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains four 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 benefits to its employees.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Texarkana, Arkansas, assets exceeded liabilities by \$65,247,007 as of December 31, 2010. The largest portion of the City's net assets, 62.66% (\$40,880,347), reflects its investments 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.

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.

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Total</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
Current and other assets	\$ 27,686,324	\$ 19,465,074	\$ 13,421,741	\$ 12,555,097	\$ 40,213,106	\$ 32,799,096
Capital assets	26,340,973	25,958,901	44,251,067	44,847,697	70,592,040	69,678,178
Other assets	583,574	1,096,756	-	-	583,574	1,096,756
Total assets	54,610,871	46,520,731	57,672,808	57,402,794	112,283,679	103,923,525
Long-term liabilities outstanding	25,888,714	20,362,141	15,633,445	16,353,682	41,522,159	36,715,823
Other liabilities	3,159,791	1,697,760	2,354,722	3,092,230	5,514,513	4,789,990
Total liabilities	29,048,505	22,059,901	17,988,167	19,445,912	47,036,672	41,505,813
Net assets:						
Invested in capital assets, net of related debt	12,850,864	13,412,023	28,029,483	27,822,325	40,880,347	41,234,348
Restricted	2,225,926	1,669,627	2,442,605	2,381,952	4,668,531	4,051,579
Unrestricted	10,485,576	9,379,180	9,212,553	7,752,605	19,698,129	17,131,785
Total net assets	25,562,366	24,460,830	39,684,641	37,956,882	65,247,007	62,417,712

An additional portion of the City's net assets represents resources that are subject to restriction on how they may be used. The remaining balance of unrestricted net assets, \$19,698,129, may be used to meet the government's ongoing obligation to citizens and creditors.

As of December 31, 2010, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate category of governmental and business-type activities.



**Analysis of the City's Operations** - The following table provides a summary of the City's operations for the year ended December 31, 2010. Governmental activities decreased the City's net assets by \$1,734,490, thereby resulting in an overall decrease in the net assets of the City. From 2009 to 2010 revenues increased by \$2,049,338 and expenses increased by \$5,491,164. The overall decrease in net assets can be directly related to the increase in Net Pension Obligation and the decrease in the Net Pension Asset, specifically the Police and Firemen's Pension and Relief Funds. The interest on long-term debt also increased due to the issuance of new debt in 2010. Business-type activities increased the City's net assets by \$1,727,759. For the business type activities the revenues from 2009 to 2010 increased by \$913,881 and expenses from 2009 to 2010 decreased \$249,689. The increase in net assets can be directly related to the increase in operating revenues and decreased expenses.

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Total</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
Revenues:						
Program revenues:						
Charges for services	\$ 5,416,351	\$ 5,525,130	\$ 10,141,700	\$ 8,933,472	\$ 15,558,051	\$ 14,458,602
Operating grants and contributions	4,423,291	4,749,140	-	-	4,423,291	4,749,140
Capital grants and contributions	2,246,130	336,363	43,157	450,021	2,289,287	786,384
General revenues:						
Property taxes	3,453,940	3,025,209	-	-	3,453,940	3,025,209
Other taxes	11,280,675	10,922,623	-	-	11,280,675	10,922,623
Other revenue	181,520	391,189	174,895	62,378	356,415	453,567
Total revenues	27,001,907	24,949,654	10,359,752	9,445,871	37,361,659	34,395,525
Expenses:						
General government	2,085,755	1,512,480	-	-	2,085,755	1,512,480
Police department	12,410,163	8,710,432	-	-	12,410,163	8,710,432
Fire department	5,626,796	4,291,551	-	-	5,626,796	4,291,551
Protective inspection	467,872	368,400	-	-	467,872	368,400
Public works	5,723,499	5,208,513	-	-	5,723,499	5,208,513
Public services	6,518	117,720	-	-	6,518	117,720
Health	347,763	286,166	-	-	347,763	286,166
Culture and recreation	895,119	693,057	-	-	895,119	693,057
Administrative and general	-	1,384,283	-	-	-	1,384,283
Interest on long-term debt	1,172,912	672,631	-	-	1,172,912	672,631
Water and sewer	-	-	8,631,993	8,881,682	8,631,993	8,881,682
Total expenses	28,736,397	23,245,233	8,631,993	8,881,682	37,368,390	32,126,915
Increase (decrease) in net assets	(1,734,490)	1,704,421	1,727,759	564,189	(6,731)	2,268,610
Net assets - beginning of year	24,460,830	22,756,409	37,956,882	37,392,693	62,417,712	60,149,102
Prior period adjustment	2,836,026	-	-	-	2,836,026	-
Net assets - beginning of year restated	27,296,856	22,756,409	37,956,882	37,392,693	65,253,738	60,149,102
Net assets - end of year	25,562,366	24,460,830	39,684,641	37,956,882	65,247,007	62,417,712

## 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Texarkana, Arkansas' governmental funds reported combined ending fund balances of \$9,621,921.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance in the General fund was \$3,745,099. Unreserved fund balance represents approximately 21.38% of the total General fund expenditures.

For the City's General Fund, from 2009 to 2010, total revenue increased by 3.16%, total expenditures increased 17.90%, therefore the City's General fund balance decreased by \$812,158, resulting in an ending fund balance of \$4,036,460.

For the City's Public Works Fund, from 2009 to 2010, total revenue increased by 5.5%, total expenditures increased by 8.13% and total revenue exceeded total expenditures by 5.16%. Therefore, the Public Works Fund reported a net increase and change in fund balance of \$43,118, which resulted in an ending fund balance of \$376,410. This is a result of revenues exceeding expenditures and controlled spending.

The other non-major governmental fund balances increased by \$3,621,835 resulting in an ending balance of \$5,209,051.

**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 assets of Texarkana, Arkansas Water Utilities at the end of the year amounted to \$8,929,137. Unrestricted net assets of Texarkana, Arkansas Union Water Utilities at the end of the year amounted to \$237,016. The total growth in net assets for Texarkana, Arkansas Water Utilities was \$1,762,457. The decrease in net assets for Texarkana, Arkansas Union Water Utilities was \$48,284.

The non-major proprietary fund balance increased by \$13,586 to an ending balance of \$85,319.

### General Fund Budgetary Highlights

The City made revisions to the original appropriations approved by the Board of Directors. Overall actual results reflected a net decrease and negative change in fund balance of \$812,158 or ending fund balance of \$4,036,460.

### Capital Assets

The City of Texarkana, Arkansas' investment in capital assets for its governmental and business-type activities as of December 31, 2010 amounts to \$70,592,040 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, property under capital leases, water rights and construction in progress.

#### *CAPITAL ASSETS (net of depreciation)*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Total</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
Land	\$ 2,563,907	\$ 2,563,907	\$ 795,037	\$ 776,327	\$ 3,358,944	\$ 3,340,234
Buildings	8,040,598	8,517,902	1,672,448	1,740,841	9,713,046	10,258,743
Improvements other than buildings	817,921	838,411	27,223,715	26,850,756	28,041,636	27,689,167
Machinery and equipment	2,195,635	2,165,741	1,666,578	1,700,476	3,862,213	3,866,217
Infrastructure	6,853,910	7,368,142	-	-	6,853,910	7,368,142
Property under capital lease	-	-	12,624,713	13,099,852	12,624,713	13,099,852
Water rights	-	-	14,039	28,077	14,039	28,077
Construction in progress	5,869,002	4,504,798	254,537	651,368	6,123,539	5,156,166
<b>Total</b>	<b>\$ 26,340,973</b>	<b>\$ 25,958,901</b>	<b>\$ 44,251,067</b>	<b>\$ 44,847,697</b>	<b>\$ 70,592,040</b>	<b>\$ 70,806,598</b>

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 City of Texarkana, Arkansas had total bonded debt of \$32,026,507. Of this amount, \$2,230,000 comprises bonded debt backed by the full faith and credit of the government, \$13,700,000 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 of \$16,096,507, represents bonds secured solely by water and sewer revenues.

	<i><u>Governmental activities</u></i>	<i><u>Business-type activities</u></i>	<i><u>Total</u></i>
General obligation bonds	\$ 2,230,000	\$ -	\$ 2,230,000
Revenue bonds	13,700,000	16,096,507	29,796,507
Total	<u>\$ 15,930,000</u>	<u>\$16,096,507</u>	<u>\$32,026,507</u>

The City has a rating of A- from Standard and Poor's for general obligation bonds 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

The City General Fund 2010 budget continued with expenditure trends that outstrip revenue growth. If these trends continue, then General fund balances will decrease beyond reasonable levels. 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 is expected to eventually exceed 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 2011 and beyond. In addition, the costs of jointly operating the Bi-State Justice Center with other agencies continue to rise. During 2011, the Finance Department will continue a process of developing a Financial Trends and a Long Range Forecasting System that improves Financial Analysis for the City.

## REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: Rebecca Harris, Finance Director, at P.O. Box 2711, Texarkana, Arkansas 75504, call 870-779-4954, or email rharris@txkusa.org.

# **Financial Statements**

**City of Texarkana, Arkansas**  
**Statement of Net Assets**  
**December 31, 2010**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	RSVP	Arkansas Advertising & Promotion
<b>Assets</b>					
<b>Current assets</b>					
Cash	\$ 5,166,327	\$ 924,149	\$ 6,090,476	\$ 409	\$ 694,071
Investments	3,527,065	558,500	4,085,565	-	270,804
Accounts receivable, net of allowance					
Property taxes	3,867,697	-	3,867,697	-	-
Accounts	371,127	1,692,716	2,063,843	-	-
Other government agencies	2,286,812	90,064	2,376,876	11,125	-
Accrued interest	-	337	337	-	-
Other	17,716	-	17,716	24	113,184
Due from fiduciary funds	10,756	-	10,756	-	-
Due from primary government	-	-	-	1,194	73,743
Due from component units	366	-	366	-	-
Inventories	-	521,121	521,121	-	-
Prepaid items	322,566	15,259	337,825	212	-
Restricted assets					
Cash	-	2,447,231	2,447,231	-	-
Investments	-	164,772	164,772	-	-
Accrued interest receivable	-	20	20	-	-
Deferred charges	-	1,379,382	1,379,382	-	-
Net investments in direct financing lease:					
Due within one year	-	301,653	301,653	-	-
Due in more than one year	-	5,326,537	5,326,537	-	-
Investment in joint venture	12,115,892	-	12,115,892	-	-
Capital assets (net of accumulated depreciation)	26,340,973	44,251,067	70,592,040	-	-
Net pension assets	583,574	-	583,574	-	-
	<u>\$ 54,610,871</u>	<u>\$ 57,672,808</u>	<u>\$ 112,283,679</u>	<u>\$ 12,964</u>	<u>\$ 1,151,802</u>
 Total assets	 <u>\$ 54,610,871</u>	 <u>\$ 57,672,808</u>	 <u>\$ 112,283,679</u>	 <u>\$ 12,964</u>	 <u>\$ 1,151,802</u>

See Notes to Financial Statements

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	RSVP	Arkansas Advertising & Promotion
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 788,853	\$ 464,255	\$ 1,253,108	\$ 1,813	\$ 8,685
Accrued liabilities	550,239	238,531	788,770	2,042	-
Due to other governments	573,891	-	573,891	-	-
Due to fiduciary funds	721,800	-	721,800	-	-
Due to component units	75,303	-	75,303	-	-
Customer deposits	-	492,857	492,857	-	-
Capital improvement deposits	-	164,607	164,607	-	-
Other liabilities	1,185	5,305	6,490	-	-
Long-term liabilities					
Due within one year:					
Bonds payable	320,000	937,841	1,257,841	-	-
Installment loans payable	54,022	-	54,022	-	-
Obligations under capital leases	16,315	38,633	54,948	-	-
Accrued compensated absence	58,183	12,693	70,876	-	-
Due in more than one year					
Bonds payable	15,610,000	15,158,666	30,768,666	-	-
Obligations under capital leases	-	86,444	86,444	-	-
Accrued compensated absence	1,999,953	183,688	2,183,641	-	-
Net pension and other post-employment obligations	8,278,761	204,647	8,483,408	-	-
Total liabilities	<u>29,048,505</u>	<u>17,988,167</u>	<u>47,036,672</u>	<u>3,855</u>	<u>8,685</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	12,850,864	28,029,483	40,880,347	-	-
Restricted					
General administration	8,124	-	8,124	-	-
Police department	62,502	-	62,502	-	-
Fire department	71,609	-	71,609	-	-
Public works	108,346	-	108,346	-	-
Construction	-	729,731	729,731	-	-
Capital maintenance	-	580,767	580,767	-	-
Culture and recreation	-	-	-	-	1,143,117
Debt service	1,975,345	1,132,107	3,107,452	-	-
Unrestricted	<u>10,485,576</u>	<u>9,212,553</u>	<u>19,698,129</u>	<u>9,109</u>	<u>-</u>
Total net assets	<u>\$ 25,562,366</u>	<u>\$ 39,684,641</u>	<u>\$ 65,247,007</u>	<u>\$ 9,109</u>	<u>\$ 1,143,117</u>

**City of Texarkana, Arkansas**  
**Statement of Activities**  
**Year Ended December 31, 2010**

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets							
	Expenses	Program Revenues			Primary Government			Component
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Units
Primary Government							RSVP	Arkansas Advertising & Promotion
Governmental Activities								
General administration	\$ 2,085,755	\$ 576,047	\$ 1,464,665	\$ 1,526,027	\$ 1,480,984	\$ -	\$ 1,480,984	
Police department	12,410,163	788,229	382,282	-	(11,239,652)	-	(11,239,652)	
Fire department	5,626,796	2,914	1,067	-	(5,622,815)	-	(5,622,815)	
Protective inspection	467,872	-	-	-	(467,872)	-	(467,872)	
Public works	5,723,499	4,007,661	1,397,489	-	(318,349)	-	(318,349)	
Public service	6,518	41,500	1,097,534	720,103	1,852,619	-	1,852,619	
Health and welfare	347,763	-	-	-	(347,763)	-	(347,763)	
Culture and recreation	895,119	-	80,254	-	(814,865)	-	(814,865)	
Interest on long-term debt	1,172,912	-	-	-	(1,172,912)	-	(1,172,912)	
Total governmental activities	<u>28,736,397</u>	<u>5,416,351</u>	<u>4,423,291</u>	<u>2,246,130</u>	<u>(16,650,625)</u>	<u>-</u>	<u>(16,650,625)</u>	
Business-Type Activities								
Water and sewer	8,631,993	10,141,700	-	43,157	-	1,552,864	1,552,864	
Total business-type activities	<u>8,631,993</u>	<u>10,141,700</u>	<u>-</u>	<u>43,157</u>	<u>-</u>	<u>1,552,864</u>	<u>1,552,864</u>	
Total primary government	<u>\$ 37,368,390</u>	<u>\$ 15,558,051</u>	<u>\$ 4,423,291</u>	<u>\$ 2,289,287</u>	<u>\$ (16,650,625)</u>	<u>\$ 1,552,864</u>	<u>\$ (15,097,761)</u>	

**City of Texarkana, Arkansas**  
**Statement of Activities (Continued)**  
**Year Ended December 31, 2010**

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets								
	Expenses	Program Revenues			Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	RSVP	Arkansas Advertising & Promotion
<b>Primary Government</b>									
<b>Component Units</b>									
RSVP	\$ 179,704	\$ -	\$ 191,234	\$ -	\$ -	\$ -	\$ -	\$ 11,530	\$ -
Arkansas Advertising & Promotion	857,278	-	-	-	-	-	-	-	(857,278)
Total component units	<u>\$ 1,036,982</u>	<u>\$ -</u>	<u>\$ 191,234</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,530</u>	<u>(857,278)</u>
General revenues									
Property taxes					3,453,940	-	3,453,940	-	-
Sales taxes					8,417,648	-	8,417,648	-	-
Franchise taxes					2,726,391	-	2,726,391	-	-
Other taxes					136,636	-	136,636	-	1,068,149
Unrestricted investment earnings					27,651	414,316	441,967	-	2,956
Gain on sale of capital assets					-	1,178	1,178	-	-
Miscellaneous					153,869	-	153,869	4	-
Transfers					-	(240,599)	(240,599)	0	-
Total general revenues and transfers					<u>14,916,135</u>	<u>174,895</u>	<u>15,091,030</u>	<u>4</u>	<u>1,071,105</u>
Change in Net Assets					<u>(1,734,490)</u>	<u>1,727,759</u>	<u>(6,731)</u>	<u>11,534</u>	<u>213,827</u>
Net Assets, Beginning of Year, as Previously Reported					24,460,830	37,956,882	62,417,712	(2,425)	929,290
Adjustment applicable to prior years - Note 17					<u>2,836,026</u>	<u>-</u>	<u>2,836,026</u>	<u>-</u>	<u>-</u>
Net Assets, Beginning of Year, as restated					<u>27,296,856</u>	<u>37,956,882</u>	<u>65,253,738</u>	<u>(2,425)</u>	<u>929,290</u>
Net Assets, End of Year					<u>\$ 25,562,366</u>	<u>\$ 39,684,641</u>	<u>\$ 65,247,007</u>	<u>\$ 9,109</u>	<u>\$ 1,143,117</u>



**City of Texarkana, Arkansas**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2010**

	General	Public Works	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 1,610,665	\$ 281,381	\$ 3,274,281	\$ 5,166,327
Investments	1,018,084	-	2,508,981	3,527,065
Receivables				
Property taxes, net of allowance for uncollectible accounts of \$164,546	2,511,337	91,520	1,264,840	3,867,697
Accounts	371,127	-	-	371,127
Other government agencies	1,613,667	417,227	255,918	2,286,812
Other	-	2,849	14,867	17,716
Due from other funds	1,076,845	58,310	773,033	1,908,188
Due from component units	48	318	-	366
Prepaid items	291,361	30,738	467	322,566
	<u>\$ 8,493,134</u>	<u>\$ 882,343</u>	<u>\$ 8,092,387</u>	<u>\$ 17,467,864</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 129,533	\$ 347,968	\$ 311,352	\$ 788,853
Accrued liabilities	202,448	25,890	2,023	230,361
Due to other governments	572,728	1,163	-	573,891
Due to other funds	1,216,864	49,218	1,353,150	2,619,232
Due to component units	75,005	-	298	75,303
Deferred revenue	2,260,096	80,509	1,216,513	3,557,118
Other liabilities	-	1,185	-	1,185
	<u>4,456,674</u>	<u>505,933</u>	<u>2,883,336</u>	<u>7,845,943</u>
<b>Fund Balances</b>				
Reserved				
Prepaid items	291,361	30,738	467	322,566
Unreserved, reported in:				
General fund	2,000,819	-	-	2,000,819
Special revenue fund	-	206,630	160,754	367,384
Debt service fund	-	-	1,537,546	1,537,546
Capital projects fund	-	-	3,510,284	3,510,284
Unreserved, designated for capital outlay, reported in:				
General fund	1,744,280	-	-	1,744,280
Special revenue fund	-	139,042	-	139,042
	<u>4,036,460</u>	<u>376,410</u>	<u>5,209,051</u>	<u>9,621,921</u>
Total fund balances	<u>4,036,460</u>	<u>376,410</u>	<u>5,209,051</u>	<u>9,621,921</u>
Total liabilities and fund balances	<u>\$ 8,493,134</u>	<u>\$ 882,343</u>	<u>\$ 8,092,387</u>	<u>\$ 17,467,864</u>

See Notes to Financial Statements

**Total fund balances - total governmental funds** \$ 9,621,921

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 26,340,973

Net pension assets are not available to pay for current-period expenditures and, therefore are not reported in the funds. 583,574

The City's equity investment in joint venture is not a financial resource and is, therefore, not reported in the funds. 12,115,892

Other long-term assets, such as property tax and grant receivables, are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 3,557,118

Long-term liabilities are not due and payable in the current period and, therefore, are not report in the funds.

Accrued interest payable (319,878)

Accrued compensated absences (2,058,136)

Net pension and other post-employment obligations (8,278,761)

Bonds payable (15,930,000)

Installment loans payable and obligations under capital lease (70,337)

**Total net assets - governmental activities** \$ 25,562,366

**City of Texarkana, Arkansas**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended December 31, 2010**

	General	Public Works	Other Governmental Funds	Total
<b>Revenues</b>				
Property taxes	\$ 1,984,105	\$ 88,067	\$ 1,004,752	\$ 3,076,924
Sales taxes	8,417,648	-	-	8,417,648
Other taxes	136,636	-	-	136,636
Utility franchise	2,726,391	-	-	2,726,391
Licenses and permits	42,034	142,939	-	184,973
Fines, forfeitures and penalties	713,008	-	40,434	753,442
Charges for services	417,846	3,769,937	-	4,187,783
Grants and entitlements	518,679	14,869	2,188,854	2,722,402
Intergovernmental	1,499,533	1,335,416	56,542	2,891,491
Investment income	10,638	1,119	15,894	27,651
Miscellaneous	157,376	224,499	64,613	446,488
	<u>16,623,894</u>	<u>5,576,846</u>	<u>3,371,089</u>	<u>25,571,829</u>
<b>Expenditures</b>				
Current:				
General government	1,701,827	-	183,377	1,885,204
Police department	9,469,492	-	-	9,469,492
Fire department	4,843,559	-	-	4,843,559
Protective inspection	-	433,139	-	433,139
Public works	-	4,327,156	209,549	4,536,705
Public services	-	-	6,856	6,856
Health and welfare	312,181	-	-	312,181
Culture and recreation	46,071	330,222	400,776	777,069
Capital outlay	1,071,967	212,476	1,315,811	2,600,254
Debt service:				
Principal retirement	67,448	-	755,000	822,448
Interest and fiscal charges	6,562	-	717,399	723,961
Bond issuance costs	-	-	129,073	129,073
	<u>17,519,107</u>	<u>5,302,993</u>	<u>3,717,841</u>	<u>26,539,941</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	<u>(895,213)</u>	<u>273,853</u>	<u>(346,752)</u>	<u>(968,112)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of debt	45,907	-	3,775,000	3,820,907
Transfers in	1,031,580	56,186	4,760,296	5,848,062
Transfers out	(994,432)	(286,921)	(4,566,709)	(5,848,062)
	<u>83,055</u>	<u>(230,735)</u>	<u>3,968,587</u>	<u>3,820,907</u>
<b>Net Change in Fund Balances</b>				
	<u>(812,158)</u>	<u>43,118</u>	<u>3,621,835</u>	<u>2,852,795</u>
<b>Fund Balances, Beginning of Year</b>				
	<u>4,848,618</u>	<u>333,292</u>	<u>1,587,216</u>	<u>6,769,126</u>
<b>Fund Balances, End of Year</b>				
	<u>\$ 4,036,460</u>	<u>\$ 376,410</u>	<u>\$ 5,209,051</u>	<u>\$ 9,621,921</u>

See Notes to Financial Statements

**Net change in fund balances - total governmental funds** \$ 2,852,795

**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. This is the amount by which capital outlays exceeded depreciation in the current period. 382,072

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 469,405

Revenues from the change in the equity investment in joint ventures do not provide current financial resources are not reported as revenues in the funds. 960,673

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. (2,998,459)

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.

Accrued interest (319,878)  
Accrued compensated absences (38,895)  
Net pension and other post-employment obligations (3,042,203)

**Change in net assets of governmental activities** \$ (1,734,490)

**City of Texarkana, Arkansas**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balances – Budget and Actual – General Fund**  
**Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 2,274,680	\$ 2,274,680	\$ 1,984,105	\$ (290,575)
Sales taxes	7,547,605	7,547,605	8,417,648	870,043
Other taxes	82,000	82,000	136,636	54,636
Utility franchise	2,479,200	2,479,200	2,726,391	247,191
Licenses and permits	32,300	32,300	42,034	9,734
Fines, forfeitures and penalties	817,000	817,000	713,008	(103,992)
Charges for services	438,000	438,000	417,846	(20,154)
Grants and entitlement	694,130	694,130	518,679	(175,451)
Intergovernmental	1,540,240	1,540,240	1,499,533	(40,707)
Investment income	50	50	10,638	10,588
Miscellaneous	45,200	45,200	157,376	112,176
	<u>15,950,405</u>	<u>15,950,405</u>	<u>16,623,894</u>	<u>673,489</u>
<b>Total revenues</b>				
<b>Expenditures</b>				
Current:				
General government	1,595,954	1,595,954	1,701,827	(105,873)
Police department	8,658,647	8,658,647	9,469,492	(810,845)
Fire department	4,409,795	4,409,795	4,843,559	(433,764)
Health and welfare	406,935	406,935	312,181	94,754
Culture and recreation	-	-	46,071	(46,071)
Capital outlay	178,100	377,595	1,071,967	(694,372)
Debt service:				
Principal retirement	52,200	52,200	67,448	(15,248)
Interest and fiscal charges	4,855	4,855	6,562	(1,707)
	<u>15,306,486</u>	<u>15,505,981</u>	<u>17,519,107</u>	<u>(2,013,126)</u>
<b>Total expenditures</b>				
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	<u>643,919</u>	<u>444,424</u>	<u>(895,213)</u>	<u>(1,339,637)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of debt	-	-	45,907	45,907
Transfers in	346,538	346,538	1,031,580	685,042
Transfers out	(892,120)	(892,120)	(994,432)	938,027
	<u>(545,582)</u>	<u>(545,582)</u>	<u>83,055</u>	<u>1,623,069</u>
<b>Total other financing sources (uses)</b>				
<b>Net Change in Fund Balances</b>				
	98,337	(101,158)	(812,158)	(711,000)
<b>Fund Balances, Beginning of Year</b>				
	4,848,618	4,848,618	4,848,618	-
<b>Fund Balances, End of Year</b>				
	<u>\$ 4,946,955</u>	<u>\$ 4,747,460</u>	<u>\$ 4,036,460</u>	<u>\$ (711,000)</u>

**City of Texarkana, Arkansas**  
**Statement of Revenues, Expenditures and Changes in Fund**  
**Balances – Budget and Actual - Public Works Fund**  
**Year Ended December 31, 2010**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 85,700	\$ 85,700	\$ 88,067	\$ 2,367
Licenses and permits	181,800	181,800	142,939	(38,861)
Charges for services	3,718,400	3,718,400	3,769,937	51,537
Grants and entitlement	133,870	133,870	14,869	(119,001)
Intergovernmental	1,250,000	1,250,000	1,335,416	85,416
Investment income	1,200	1,200	1,119	(81)
Miscellaneous	73,000	73,000	224,499	151,499
<b>Total revenues</b>	<b>5,443,970</b>	<b>5,443,970</b>	<b>5,576,846</b>	<b>132,876</b>
<b>Expenditures</b>				
Current:				
Protective inspection	427,345	427,345	433,139	(5,794)
Public works	4,644,490	4,644,490	4,327,156	317,334
Culture and recreation	297,655	297,655	330,222	(32,567)
Capital outlay	131,170	131,170	212,476	(81,306)
<b>Total expenditures</b>	<b>5,500,660</b>	<b>5,500,660</b>	<b>5,302,993</b>	<b>197,667</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(56,690)</b>	<b>(56,690)</b>	<b>273,853</b>	<b>330,543</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	40,000	40,000	56,186	16,186
Transfers out	(288,300)	(288,300)	(286,921)	1,379
<b>Total other financing sources (uses)</b>	<b>(248,300)</b>	<b>(248,300)</b>	<b>(230,735)</b>	<b>17,565</b>
<b>Net Change in Fund Balances</b>	<b>(304,990)</b>	<b>(304,990)</b>	<b>43,118</b>	<b>348,108</b>
<b>Fund Balances, Beginning of Year</b>	<b>333,292</b>	<b>333,292</b>	<b>333,292</b>	<b>-</b>
<b>Fund Balances, End of Year</b>	<b>\$ 28,302</b>	<b>\$ 28,302</b>	<b>\$ 376,410</b>	<b>\$ 348,108</b>

**City of Texarkana, Arkansas**  
**Statement of Fund Net Assets**  
**Proprietary Funds**  
**September 30, 2010**

	Texarkana, Arkansas Water Utilities	Texarkana, Arkansas Water Union Utilities	Texarkana, Arkansas Mandeville Water Utilities Non Major	Total Enterprise Funds
<b>Assets</b>				
<b>Current assets</b>				
Cash	\$ 810,447	\$ 82,992	\$ 30,710	\$ 924,149
Investments	516,291	42,209	-	558,500
Receivables:				
Accounts (net of allowance for uncollectible of \$56,883, \$1,672, and \$3,437)	1,621,183	57,289	14,244	1,692,716
Accrued interest	337	-	-	337
Due from other funds	7,514	121	32	7,667
Due from other governments	97,940	327	103	98,370
Inventories	521,121	-	-	521,121
Prepaid expenses	15,216	30	13	15,259
Net investment in direct financing leases - current	301,653	-	-	301,653
Total current assets	<u>3,891,702</u>	<u>182,968</u>	<u>45,102</u>	<u>4,119,772</u>
<b>Noncurrent assets</b>				
Restricted assets				
Cash	2,174,553	157,246	115,432	2,447,231
Investments	66,278	98,494	-	164,772
Receivables				
Accrued interest	<u>20</u>	<u>-</u>	<u>-</u>	<u>20</u>
Total restricted assets	<u>2,240,851</u>	<u>255,740</u>	<u>115,432</u>	<u>2,612,023</u>
Capital assets (net of accumulated depreciation)				
Land	779,591	13,749	1,697	795,037
Buildings	1,670,969	1,123	356	1,672,448
Improvements other than buildings	24,029,152	2,869,185	325,378	27,223,715
Machinery and equipment	1,662,350	3,274	954	1,666,578
Property and capital leases	12,624,713	-	-	12,624,713
Water rights	14,039	-	-	14,039
Construction in progress	<u>254,378</u>	<u>122</u>	<u>37</u>	<u>254,537</u>
Net capital assets	<u>41,035,192</u>	<u>2,887,453</u>	<u>328,422</u>	<u>44,251,067</u>
Other assets				
Deferred charges	1,257,368	107,321	14,693	1,379,382
Net investment in direct financing leases - noncurrent	<u>5,326,537</u>	<u>-</u>	<u>-</u>	<u>5,326,537</u>
Total other assets	<u>6,583,905</u>	<u>107,321</u>	<u>14,693</u>	<u>6,705,919</u>
Total noncurrent assets	<u>49,859,948</u>	<u>3,250,514</u>	<u>458,547</u>	<u>53,569,009</u>
Total assets	<u>\$ 53,751,650</u>	<u>\$ 3,433,482</u>	<u>\$ 503,649</u>	<u>\$ 57,688,781</u>

See Notes to Financial Statements

	Texarkana, Arkansas Water Utilities	Texarkana, Arkansas Water Union Utilities	Texarkana, Arkansas Mandeville Water Utilities Non Major	Total Enterprise Funds
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 462,535	\$ 1,349	\$ 371	\$ 464,255
Accrued liabilities	73,812	3,737	116	77,665
Accrued interest payable	111,171	43,750	5,945	160,866
Due to other funds	153	5,771	1,743	7,667
Due to other governments	-	7,163	1,143	8,306
Other payables	2,562	2,061	682	5,305
Compensated absences - current portion	12,693	-	-	12,693
Bonds payable - current portion	757,787	159,105	20,949	937,841
Capital lease obligation - current portion	38,633	-	-	38,633
	<u>1,459,346</u>	<u>222,936</u>	<u>30,949</u>	<u>1,713,231</u>
Total current liabilities				
<b>Noncurrent liabilities</b>				
Customer deposits	453,290	30,771	8,796	492,857
Capital improvement deposits	164,607	-	-	164,607
Compensated absences	183,688	-	-	183,688
Net pension obligation	201,880	2,225	542	204,647
Revenue bonds	12,002,710	2,777,913	378,043	15,158,666
Capital lease obligation	86,444	-	-	86,444
	<u>13,092,619</u>	<u>2,810,909</u>	<u>387,381</u>	<u>16,290,909</u>
Total noncurrent liabilities				
Total liabilities	<u>14,551,965</u>	<u>3,033,845</u>	<u>418,330</u>	<u>18,004,140</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	28,149,617	(49,564)	(70,570)	28,029,483
Restricted for construction	600,895	30,182	98,654	729,731
Restricted for capital maintenance	580,767	-	-	580,767
Restricted for debt service	939,269	182,003	10,835	1,132,107
Unrestricted	8,929,137	237,016	46,400	9,212,553
	<u>38,207,685</u>	<u>269,641</u>	<u>84,319</u>	<u>38,561,645</u>
Total net assets	<u>\$ 39,199,685</u>	<u>\$ 399,637</u>	<u>\$ 85,319</u>	<u>\$ 39,684,641</u>



**City of Texarkana, Arkansas**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended September 30, 2010**

	Texarkana, Arkansas Water Utilities	Texarkana, Arkansas Water Union Utilities	Texarkana, Arkansas Mandeville Water Utilities Non Major	Total Enterprise Funds
<b>Operating Revenues</b>				
Water sales	\$ 3,874,466	\$ 424,067	\$ 86,665	\$ 4,385,198
Water connection fees	2,748	400	25	3,173
Sewer charges	4,195,439	-	-	4,195,439
Penalties and service charges	432,893	21,255	3,963	458,111
Other income	1,093,207	5,274	1,298	1,099,779
	<u>9,598,753</u>	<u>450,996</u>	<u>91,951</u>	<u>10,141,700</u>
Total operating revenues				
<b>Operating Expenses</b>				
Administrative	141,968	-	-	141,968
Finance	435,233	7,954	2,141	445,328
Customer service	293,755	34,331	8,627	336,713
Water production	997,475	63,729	21,227	1,082,431
Waster distribution	497,759	17,794	4,144	519,697
Sewer collection	443,422	-	-	443,422
Wastewater treatment	1,345,914	-	-	1,345,914
Environmental service	75,894	-	-	75,894
Engineer design	257,370	-	-	257,370
Geographical information systems	107,367	-	-	107,367
Composting	104,789	-	-	104,789
Operations administration	70,671	-	-	70,671
Service center	346,601	-	-	346,601
Safety/security	29,685	-	-	29,685
Field service	187,001	22,081	5,614	214,696
Construction oversight	254,145	-	-	254,145
Depreciation	1,576,318	144,571	20,859	1,741,748
Other expenses	370,340	12,529	2,651	385,520
	<u>7,535,707</u>	<u>302,989</u>	<u>65,263</u>	<u>7,903,959</u>
Total operating expenses				
<b>Operating Income (Loss)</b>	<u>2,063,046</u>	<u>148,007</u>	<u>26,688</u>	<u>2,237,741</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	413,622	636	58	414,316
Interest expense	(617,947)	(96,927)	(13,160)	(728,034)
Other, net	1,178	-	-	1,178
	<u>(203,147)</u>	<u>(96,291)</u>	<u>(13,102)</u>	<u>(312,540)</u>
Net nonoperating expenses				
<b>Income (Loss) Before Contributions and Transfers</b>	<u>1,859,899</u>	<u>51,716</u>	<u>13,586</u>	<u>1,925,201</u>
<b>Contributions</b>	43,157	-	-	43,157
<b>Transfers In</b>	100,000	-	-	100,000
<b>Transfers Out</b>	(240,599)	(100,000)	-	(340,599)
	<u>(97,442)</u>	<u>(100,000)</u>	<u>-</u>	<u>(197,442)</u>
<b>Changes in Net Assets</b>	1,762,457	(48,284)	13,586	1,727,759
<b>Net Assets, Beginning of Year</b>	<u>37,437,228</u>	<u>447,921</u>	<u>71,733</u>	<u>37,956,882</u>
<b>Net Assets, End of Year</b>	<u>\$ 39,199,685</u>	<u>\$ 399,637</u>	<u>\$ 85,319</u>	<u>\$ 39,684,641</u>

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**City of Texarkana, Arkansas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended September 30, 2010**

	Texarkana, Arkansas Water Utilities	Texarkana, Arkansas Water Union Utilities	Texarkana, Arkansas Mandeville Water Utilities Non Major	Total Enterprise Funds
<b>Operating Activities</b>				
Cash received from customers	\$ 9,353,050	\$ 444,093	\$ 90,586	\$ 9,887,729
Cash paid to suppliers	(4,364,593)	(135,909)	(35,827)	(4,536,329)
Cash paid to employees	(2,130,448)	(21,406)	(7,911)	(2,159,765)
Net cash provided by operating activities	<u>2,858,009</u>	<u>286,778</u>	<u>46,848</u>	<u>3,191,635</u>
<b>Noncapital Financing Activities</b>				
Transfers to other funds	(140,599)	(100,000)	-	(240,599)
Net cash used for noncapital financing activities	<u>(140,599)</u>	<u>(100,000)</u>	<u>-</u>	<u>(240,599)</u>
<b>Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(936,638)	(129)	(28)	(936,795)
Payment of bonds/capital lease/interfund loans	(562,948)	(154,092)	(20,284)	(737,324)
Interest paid on bonds/capital leases/interfund loans	(185,810)	(99,243)	(13,463)	(298,516)
Capital improvement deposits paid	(956,788)	-	-	(956,788)
Capital improvement deposits received	130,326	-	-	130,326
Interest received on capital improvement deposits	2,192	-	-	2,192
Proceeds from sale of capital assets	2,037	-	-	2,037
Net cash used for capital and related financing activities	<u>(2,507,629)</u>	<u>(253,464)</u>	<u>(33,775)</u>	<u>(2,794,868)</u>
<b>Investing Activities</b>				
Purchase of investments	(940,324)	(141,510)	-	(1,081,834)
Proceeds from sale and maturities of investments	935,318	140,619	-	1,075,937
Interest received on investments	8,175	773	43	8,991
Net cash provided by (used for) investing activities	<u>3,169</u>	<u>(118)</u>	<u>43</u>	<u>3,094</u>
<b>Increase (Decrease) in Cash</b>	212,950	(66,804)	13,116	159,262
<b>Cash, Beginning of Year</b>	<u>2,772,050</u>	<u>307,042</u>	<u>133,026</u>	<u>3,212,118</u>
<b>Cash, End of Year</b>	<u>\$ 2,985,000</u>	<u>\$ 240,238</u>	<u>\$ 146,142</u>	<u>\$ 3,371,380</u>

See Notes to Financial Statements

	Texarkana, Arkansas Water Utilities	Texarkana, Arkansas Water Union Utilities	Texarkana, Arkansas Mandeville Water Utilities Non Major	Total Enterprise Funds
<b>Cash of Proprietary Funds, as presented, on the</b>				
<b>"Statement of Net Assets - Proprietary Funds" is as follows:</b>				
Cash	\$ 810,447	\$ 82,992	\$ 30,710	\$ 924,149
Restricted cash	2,174,553	157,246	115,432	2,447,231
	<u>\$ 2,985,000</u>	<u>\$ 240,238</u>	<u>\$ 146,142</u>	<u>\$ 3,371,380</u>

**Reconciliation of operating income to cash flows from operating activities**

Operating income	\$ 2,063,046	\$ 148,007	\$ 26,688	\$ 2,237,741
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	1,576,317	144,571	20,859	1,741,747
Amortization of bond issuance	24,311	7,062	856	32,229
Millwood expense	(94,688)	-	-	(94,688)
(Increase) decrease in customer accounts receivable	(103,698)	(8,042)	(77)	(111,817)
(Increase) decrease in due from other funds	(93,712)	(167)	212	(93,667)
(Increase) decrease in inventory	(94,268)	-	-	(94,268)
(Increase) decrease in prepaid expenses	(7,643)	5	-	(7,638)
Increase (decrease) in accounts payable	56,369	451	114	56,934
Increase (decrease) in other accrued expenses	(97,853)	(1,659)	(415)	(99,927)
Increase (decrease) in due to other funds	(491,324)	(7,416)	(445)	(499,185)
Increase (decrease) in deferred revenue and deposits	5,670	1,305	(1,499)	5,476
Other revenue	115,482	2,661	555	118,698
Net cash provided by operating activities	<u>\$ 2,858,009</u>	<u>\$ 286,778</u>	<u>\$ 46,848</u>	<u>\$ 3,191,635</u>

**Supplemental Schedule of Noncash Transactions Affecting Financial Position**

During the fiscal year the following additions to direct financing leases and obligations under capital leases were recorded.

Financing lease	\$ 94,688
Capital lease	35,498
Eliminations	<u>(94,688)</u>
Net additions	<u>\$ 35,498</u>

**City of Texarkana, Arkansas**  
**Statement of Fiduciary Net Assets – Fiduciary Funds**  
**December 31, 2010**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,067,241	\$ 178,815
Investments		
Equities	4,283,150	-
U. S. government obligations	1,928,910	-
Corporate bonds and notes	3,407,265	-
Mutual funds and other investments	8,047,514	-
Certificates of deposit	-	52,262
Interest receivable	53,859	3,556
Due from other funds	721,800	-
Due from governments	-	1,800
	<u>19,509,739</u>	<u>236,433</u>
<b>Liabilities</b>		
Accounts payable	22,853	52,357
Escrow deposits	-	184,076
Due to other funds	10,756	-
	<u>33,609</u>	<u>236,433</u>
<b>Net Assets</b>		
Net assets held in trust	<u>\$ 19,476,130</u>	<u>\$ -</u>

**City of Texarkana, Arkansas**  
**Statement of Changes in Fiduciary Net Assets**  
**Year Ended December 31, 2010**

	<u>Pension Trust Funds</u>
<b>Additions</b>	
Contributions	
Employer	\$ 1,417,149
Employee	14,620
Intergovernmental	202,729
Other	<u>65,258</u>
Total contributions	<u>1,699,756</u>
Investment income	
Net increase in fair value of investments	1,336,006
Interest and dividends	<u>469,391</u>
	1,805,397
Less investment expense	<u>81,980</u>
Net investment income	<u>1,723,417</u>
Total additions	<u>3,423,173</u>
<b>Deductions</b>	
Benefits paid directly to participants	2,775,820
Administrative expenses	<u>50,789</u>
Total deductions	<u>2,826,609</u>
<b>Transfers Out</b>	<u>(16,186)</u>
<b>Change in Net Assets</b>	<u>580,378</u>
<b>Net Assets Held in Trust, Beginning of Year</b>	<u>18,895,752</u>
<b>Net Assets Held in Trust, End of Year</b>	<u><u>\$ 19,476,130</u></u>

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2010

#### **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). Enterprise funds and similar component units also apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. 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 units. The component units are legally separate entities 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. These component units are 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 Units***

***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, 2010 totaled \$1,068,149. The Commission does not have separately issued financial statements.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2010

***Greater Texarkana Retired and Senior Volunteer Program (RSVP)*** – RSVP is governed by the RSVP Advisory Council comprised of twenty-one members. RSVP serves a nine county area. The Texas counties represented are Bowie and Cass. The Arkansas counties represented are Miller, Little River, Lafayette, Howard, Nevada, Sevier and Hempstead. The purpose of RSVP is to provide a recognized role in the community and a meaningful life in retirement for older people through significant volunteer service. RSVP places volunteer retirees in nonprofit agencies throughout the community and aids in recognizing the services provided by the volunteers. RSVP is largely funded with federal and state grants that are obtained through the City. The City provides the office facilities and performs all accounting functions of RSVP. RSVP is fiscally dependent on the City of Texarkana, Arkansas and, as a result, is properly reported as a component unit of the City. RSVP cannot levy taxes or set rates without approval by the City, nor can RSVP issue bonded debt without approval by the City. RSVP does not have separately issued financial statements.

#### ***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 consisted of \$949,522 by Texarkana, Arkansas and \$750,502 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 with governmental activities capital assets. The City's equity interest in the Airport Authority was \$11,220,933 at December 31, 2009, 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 ten member committee is comprised of the two City Managers, two members from the City of Texarkana, Texas City Council, two members from the Texarkana, Arkansas Board of Directors, the Bowie County Judge, two Bowie County Commissioners, and one independent member. The original contract only names the two City Managers and the Judge. The Center accounts only for the operations of its own law enforcement and criminal justice agencies. The annual budget is underwritten by the participating entities



# **City of Texarkana, Arkansas**

## **Notes to Financial Statements**

### **December 31, 2010**

based on a formula which uses floor space occupied, the number of records processed by Central Records and Communications and the number of prisoners in the detention facility for each entity.

The City of Texarkana, Arkansas' net investment which consists of capital outlay in the Bi-State Justice Center is reported in the City's financial statements with governmental capital assets. The City's equity interest at December 31, 2010 was \$144,458. Complete financial statements for the Bi-State Justice Center can be obtained from the City of Texarkana, Arkansas Finance Department.

#### ***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 Highways and Transportation Department; and two representatives for the Texas Department of Transportation. The TUTS may receive federal, state, and local funding for metropolitan transportation planning for the integrated network of federal, state, and local roads and highways. The City has an ongoing financial responsibility of the TUTS since its continued existence depends on continued funding by the City.

The City of Texarkana, Arkansas' net investment in the joint venture is reported in the City's financial statements in the General Fund since the joint venture does not represent equity in primarily in capital assets. The City's interest at December 31, 2010 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 will be to provide public transportation services within the Texarkana urban area. The TUTD is a political subdivision district under the laws of the State of Texas as defined by Chapter 458 of the Texas Transportation code and Chapter 791 of the Texas Government Code. Composition of the Transit District Board is as follows; the City of Texarkana, 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 joint venture is reported in the City's financial statements with governmental capital assets since the joint venture represents equity primarily in capital assets. The City's interest at December 31, 2010 was \$747,586.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2010

#### ***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 of 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.

#### ***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 units. 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.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2010

#### **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.

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.

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.

*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 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 to be used for the acquisition or construction of major capital facilities, other than those financed by enterprise funds.

*Enterprise Funds* – The enterprise funds are used to account for activities for which a fee is charged to external user for goods or services.

*Trust Funds* – Accounts for assets held in trust for the Texarkana, Arkansas Public Employee Retirement System, the Texarkana, Arkansas Water Utilities Employee Retirement System, the Police Relief and Pension Fund, the Firefighter's Relief and Pension Fund and the Municipal

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2010

Judges 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 of related cash flows.

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 liabilities 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 sixty 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

# **City of Texarkana, Arkansas**

## **Notes to Financial Statements**

### **December 31, 2010**

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.

#### ***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 and liabilities 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, 2010, cash equivalents consisted primarily of money market accounts with brokers.

#### ***Investments and Investment Income***

City investments, excluding pension trust funds, consist entirely of nonnegotiable certificates of deposit. Pension trust funds are invested in mutual funds, U.S. Government and agency securities, corporate debentures, and common stocks and are stated at fair value as determined by custodial agents.

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 enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Restricted assets also include interest accrued on unexpended bond proceeds.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

**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 fair 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	\$	100
Motor vehicles		1,000
Mobil equipment		1,000
Machinery and equipment		500
Communication equipment		500
Pumps and purification equipment		1,000
Buildings and facilities new improvements		1,000
New improvements		1,000

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest during construction is capitalized to the extent that interest costs exceed interest income on externally restricted bond proceeds. Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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

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, 2010**

Leases are accounted for in accordance with Statement of Financial Accounting Standards No. 13. Amortization of leased assets is recorded in the depreciation accounts.

***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 the applicable debt premium or discount. Debt issuance costs are deferred and amortized over the life of the related debt using the straight-line method.

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 sick leave is accrued when incurred 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.

***Deferred Revenue***

Resource inflows that do not yet meet the criteria for revenue recognition are deferred in all funds. Unearned amounts are always reported as deferred revenues. In the governmental funds, earned amounts are also reported as deferred if they are not received within sixty days of year-end.

***Net Assets/Fund Balance***

Net assets of the City are classified in three components. Net assets invested in capital assets, net of related debt, consist 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 assets are 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 assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt, restricted expendable, or restricted nonexpendable.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2010

When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first. 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 Assets reports \$1,143,117 of restricted net assets for Arkansas 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 Donations, Kline Park Monument, Law Enforcement Block Grant, Weed and Seed, Domestic Violence, Bail Bond, Library, Court Automation, Youthbuild, North Texarkana Redevelopment District and Public Safety. All annual appropriations lapse at year end and are re-established in the succeeding year.

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. Individual amendments were not material in relation to the original appropriations.



**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

Comparison of budgeted and actual amounts in the accompanying financial report includes the General Fund, Public Works Fund, and the Special Revenue Funds which are included in the annual operating budget, as listed above. A reconciliation of the special revenue fund with budget and total special revenue funds is as follows:

	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balances at Beginning of Year	Fund Balances at End of Year
<b>Special Revenue Funds with budgets:</b>					
Community Development Block Grant	\$ 693,592	\$ 716,812	\$ -	\$ 1,787	\$ (21,433)
Police Donations	4,109	4,054	-	4,029	4,084
Kline Park Monument	8	401	-	3,312	2,919
N. Texarkana Redevelopment District	15,562	-	-	18,447	34,009
Weed and Seed	1	5,093	(1,781)	6,873	-
Domestic Violence	3,685	8,840	-	5,155	-
Bail Bond	7,851	-	(28,997)	21,686	540
Library	363,931	398,165	20,000	40,492	26,258
Court Administration	28,638	14,584	-	102,045	116,099
YouthBuild	9,251	119,456	107,511	14	(2,680)
Public Safety	312	-	-	1,113	1,425
<b>Total Special Revenue Funds with budgets</b>	<b>1,126,940</b>	<b>1,267,405</b>	<b>96,733</b>	<b>204,953</b>	<b>161,221</b>
<b>Special Revenue Funds without budgets:</b>					
Drug Control	-	-	(68)	68	-
Fire Prevention and Education	-	-	(21,236)	21,236	-
<b>Total Special Revenue Funds without budgets</b>	<b>-</b>	<b>-</b>	<b>(21,304)</b>	<b>21,304</b>	<b>-</b>
<b>Total Special Revenue Funds</b>	<b>\$ 1,126,940</b>	<b>\$ 1,267,405</b>	<b>\$ 75,429</b>	<b>\$ 226,257</b>	<b>\$ 161,221</b>

***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, 2010:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued February 2009 will be effective for the City for the year ending December 31, 2011. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, issued December 2009 was effective immediately except for paragraph 8 related to the frequency and timing of measurements which are effective for the City (for actuarial valuations first used to report funded status information in agent employer's other post-employment benefit plan financial statements) for the year ending December 31, 2012.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2010

GASB Statement No. 59, *Financial Statement Omnibus*, issued June 2010 will be effective for the City for the year ending December 31, 2011. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010 will be effective for the City for the year ending December 31, 2012. The Statement addresses accounting and financial reporting issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 14 and No. 34*, issued November 2010 will be effective for the City for the year ending December 31, 2013. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity, amends criteria for reporting component units as if they were part of the primary government (i.e. blending) in certain circumstances and clarifies the reporting of equity interests in legally separate organizations.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued December 2010 will be effective for the City for the year ending December 31, 2012. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements.

## 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, 2010, none of the City's bank balances were exposed to custodial credit risk.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

**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.

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, 2010, 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	\$ 1,200,426	\$ 1,200,425	\$ -	\$ -	\$ -
U.S. government obligations	1,928,911	234,922	549,831	261,601	882,557
Corporate bonds	3,407,265	286,682	2,368,339	623,524	128,720
Money market mutual funds	1,286,356	1,286,356	-	-	-
Bond mutual funds	1,656,641	-	1,339,794	316,847	-
		<u>\$ 3,008,385</u>	<u>\$ 4,257,964</u>	<u>\$ 1,201,972</u>	<u>\$ 1,011,277</u>
Equity mutual funds	6,390,871				
Corporate stocks	<u>4,283,150</u>				
	<u>\$ 20,153,620</u>				

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

Interest Rate Risk – Statutes authorize the City along with its component units, the Greater Texarkana Retired and Senior Volunteer and the Arkansas 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.

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, 2010, the City’s and its component units’ investments not directly guaranteed by the U.S. government were rated as follows:

<b>Investment Type</b>	<b>Rating Agency</b>	<b>Rating</b>
Money Market Mutual Funds	S&P/Moody’s	AAAm/Aaa
U.S. Agency Obligations	S&P/Moody’s	AAAm/Aaa
Corporate Bonds	S&P/Moody’s	B to AAA/B <sub>3</sub> 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. Excluding fiduciary funds, at December 31, 2010, the City’s investments are fully collateralized or are fully guaranteed by the full faith and credit of the U.S. government. The City’s collateral is held in an account with the Federal Reserve. Monthly “Collateral Reports” are sent to the City’s accounting department.

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, 2010**

**Summary of Carrying Values**

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

	<b>Primary Government</b>	<b>Component Units</b>
Carrying value		
Deposits	\$ 11,544,017	\$ 965,084
Cash on hand	3,302	200
Investments	20,153,620	-
	<u>\$ 31,700,939</u>	<u>\$ 965,284</u>

Included in the following statement of net assets captions

Cash	\$ 6,090,476	\$ 694,480
Investments	4,085,565	270,804
Restricted cash	2,447,231	-
Restricted investments	164,772	-

Included in the following fiduciary net asset captions

Cash and cash equivalents - Agency Funds	178,815	-
Cash and cash equivalents - Pension Trust Funds	1,067,241	-
Investments		
Equities	4,283,150	-
U.S. government obligations	1,928,910	-
Corporate bonds and notes	3,407,265	-
Mutual funds and other investments	8,047,514	-
	<u>\$ 31,700,939</u>	<u>\$ 965,284</u>

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

**Note 3: Capital Assets**

Capital asset activity in the governmental activities for the year ended December 31, 2010, was as follows:

<b>Governmental Activities</b>	<b>Balance, December 31, 2009</b>	<b>Additions</b>	<b>Transfers</b>	<b>Balance December 31, 2010</b>
Capital assets, non-depreciable:				
Land	\$ 2,563,907	\$ -	\$ -	\$ 2,563,907
Construction in progress	<u>4,504,798</u>	<u>1,396,170</u>	<u>(31,966)</u>	<u>5,869,002</u>
Total capital assets, non-depreciable	<u>7,068,705</u>	<u>1,396,170</u>	<u>(31,966)</u>	<u>8,432,909</u>
Capital assets, depreciable				
Buildings	20,889,646	61,280	(10,000)	20,940,926
Improvements other than buildings	5,590,338	29,557	-	5,619,895
Machinery and equipment	6,231,278	566,452	(194,861)	6,602,869
Infrastructure	<u>28,284,673</u>	<u>354,443</u>	<u>-</u>	<u>28,639,116</u>
Total capital assets, depreciable	<u>60,995,935</u>	<u>1,011,732</u>	<u>(204,861)</u>	<u>61,802,806</u>
Less accumulated depreciation				
Buildings	12,371,744	538,584	(10,000)	12,900,328
Improvements other than buildings	4,751,927	50,047	-	4,801,974
Machinery and equipment	4,065,537	509,696	(167,999)	4,407,234
Infrastructure	<u>20,916,531</u>	<u>868,675</u>	<u>-</u>	<u>21,785,206</u>
Total accumulated depreciation	<u>42,105,739</u>	<u>1,967,002</u>	<u>(177,999)</u>	<u>43,894,742</u>
Total capital assets, depreciable	<u>18,890,196</u>	<u>(955,270)</u>	<u>(26,862)</u>	<u>17,908,064</u>
Total governmental activities, net	<u>\$ 25,958,901</u>	<u>\$ 440,900</u>	<u>\$ (58,828)</u>	<u>\$ 26,340,973</u>

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

Capital asset activity in the business-type activities for the year ended September 30, 2010, was as follows:

<b>Business-Type Activities</b>	<b>Balance September 30, 2009</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance September 30, 2010</b>
Capital Assets, non-depreciable				
Land	\$ 776,327	\$ 18,710	\$ -	\$ 795,037
Construction in progress	<u>651,368</u>	<u>1,122,705</u>	<u>1,519,536</u>	<u>254,537</u>
Total capital assets, non-depreciable	<u>1,427,695</u>	<u>1,141,415</u>	<u>1,519,536</u>	<u>1,049,574</u>
Capital assets, depreciable				
Buildings and improvements	3,458,487	-	-	3,458,487
Improvements other than buildings	37,615,916	1,314,331	-	38,930,247
Machinery and equipment	5,867,892	209,767	64,335	6,013,324
Property under capital leases	23,969,876	-	-	23,969,876
Water rights	<u>336,936</u>	<u>-</u>	<u>-</u>	<u>336,936</u>
Total capital assets, depreciable	<u>71,249,107</u>	<u>1,524,098</u>	<u>64,335</u>	<u>72,708,870</u>
Less accumulated depreciation				
Buildings and improvements	1,717,646	68,393	-	1,786,039
Improvements other than buildings	10,765,160	941,372	-	11,706,532
Machinery and equipment	4,167,416	242,806	63,476	4,346,746
Property under capital leases	10,870,024	475,139	-	11,345,163
Water rights	<u>308,859</u>	<u>14,038</u>	<u>-</u>	<u>322,897</u>
Total accumulated depreciation	<u>27,829,105</u>	<u>1,741,748</u>	<u>63,476</u>	<u>29,507,377</u>
Total capital assets, depreciable	<u>43,420,002</u>	<u>(217,650)</u>	<u>859</u>	<u>43,201,493</u>
Total business-type activities, net	<u>\$ 44,847,697</u>	<u>\$ 923,765</u>	<u>\$ 1,520,395</u>	<u>\$ 44,251,067</u>

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities**

General government	
General government	\$ 74,475
Police department	628,203
Fire department	186,877
Public inspection	7,865
Public works	977,454
Health	18,412
Culture and recreation	<u>73,716</u>
Total depreciation expense – governmental activities	<u>\$ 1,967,002</u>

**Business-Type Activities**

Water and sewer	<u>\$ 1,741,748</u>
Total depreciation expense - business-type activities	<u>\$ 1,741,748</u>

**Note 4: Construction Projects**

At December 31, 2010, 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.

**Governmental fund construction projects**

	<b>Project Authorization</b>	<b>Expended Through December 31, 2010</b>	<b>Required Future Financing</b>
Bobby Ferguson Park Pavilion	\$ 200,000	\$ -	\$ 200,000
Bramble Park Improvements	63,200	10,437	52,763
Cooper Tire Improvements	1,333,333	115	1,333,218
EEOC Building Addition	23,925	13,373	10,552
Nix Creek Trail Improvement - Earnest Hill	45,620	19,634	25,986
Nix Creek Trail Improvement - Jefferson	134,541	-	134,541
Park PI/Kniffin Drainage Improvement	127,580	10,245	117,335
Preston Street Overlay	372,886	355,727	17,159
Safe Routes to School Trails and Bridges	96,530	628	95,902
Sandflat Center Roof Improvements	44,545	10,000	34,545
Wades Trail	351,750	340,750	11,000
Total	<u>\$ 2,793,910</u>	<u>\$ 760,909</u>	<u>\$ 2,033,001</u>



**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
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**Business-type activities construction projects**

The Texarkana Water Utilities completed numerous short water and sewer line extension and other improvements during fiscal year 2010 using Utility materials, personnel and equipment, which were funded by various capital improvement funds and bond proceeds. In addition, several major projects were completed and several others continued during the fiscal year utilizing outside contractors and various capital improvement funds.

A total of \$797,267 was spent from the Arkansas Capital Improvement Fund on various water and sewer improvements. The East 9<sup>th</sup>/Highway 82 East Utility Relocation Project begun in 2009 was completed in 2010. The Clay Pit Road Sewer Main Project cost \$152,412. The Nix Creek Sewer Relocation Project cost \$265,655. The Arkansas Boulevard and College Hill tank painting projects were completed for \$74,324 and \$76,294, respectively. Numerous other small water and sewer line extensions, relocations, and repairs totaling \$198,979 were also completed in FY 2010. The Utility also completed several items that were part of the Cooper Tire incentive package. Several joint projects with Texas were also completed during the year.

**Note 5: Long-Term Liabilities**

Changes in long-term liabilities in the governmental activities for the year ended December 31, 2010 and for the business-type activities for the year ended September 30, 2010, were as follows:

<b>Governmental Activities</b>	<b>Balance December 31, 2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2010</b>	<b>Amounts Due in One Year</b>
Bonds payable					
Revenue bonds	\$ 10,145,000	\$ 3,775,000	\$ 220,000	\$ 13,700,000	\$ 190,000
General obligation bonds	<u>2,765,000</u>	<u>-</u>	<u>535,000</u>	<u>2,230,000</u>	<u>130,000</u>
Bonds payable, net	12,910,000	3,775,000	755,000	15,930,000	320,000
Notes payable	106,316	-	52,294	54,022	54,022
Capital lease obligation	31,500	-	15,185	16,315	16,315
Compensated absences	2,019,241	979,500	940,605	2,058,136	58,183
Net pension and other post-employment obligations	<u>5,749,740</u>	<u>2,529,021</u>	<u>-</u>	<u>8,278,761</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 20,816,797</u>	<u>\$ 7,283,521</u>	<u>\$ 1,763,084</u>	<u>\$ 26,337,234</u>	<u>\$ 448,520</u>

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
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<b>Business-Type Activities</b>	<b>Balance September 30, 2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30, 2010</b>	<b>Amounts Due in One Year</b>
Bonds payable					
Revenue bonds	\$ 17,416,151	\$ -	\$ 899,650	\$ 16,516,501	\$ 937,841
Less deferred issuance discounts	<u>(506,785)</u>	<u>-</u>	<u>(86,791)</u>	<u>(419,994)</u>	<u>-</u>
Bonds payable, net	16,909,366	-	812,859	16,096,507	937,841
Capital lease obligation	115,638	187,761	178,322	125,077	38,633
Compensated absences	185,316	11,065	-	196,381	12,693
Net pension obligation	<u>83,186</u>	<u>121,461</u>	<u>-</u>	<u>204,647</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 17,293,506</u>	<u>\$ 320,287</u>	<u>\$ 991,181</u>	<u>\$ 16,622,612</u>	<u>\$ 989,167</u>

**Governmental Activities**

**2000 Capital Improvement and Refunding Limited Tax General Obligation Bonds** – Bonds in the amount of \$5,370,000 were issued with varying interest rates from 4.75% to 6.00% for capital improvements including police apparatus and facilities, firefighting apparatus and facilities, streets and street lighting, alleys, sidewalks, roads, bridges and viaducts. The Series 2000 bonds are direct obligations and pledge the full faith and credit of the City. Principal payments are due annually on February 1. Interest payments are due semiannually on February 1 and August 1.

**2008 Franchise Fee Secured Capital Improvement and Refunding Revenue Bonds** - Bonds in the amount of \$10,290,000 were issued with varying interest rates from 2.50% to 5.00% for capital improvements of public infrastructure improvements related to the Crossroads Business Park and other street improvements, to refund the 1999 Franchise Fee Secured Capital Improvement Bonds and 2002 Franchise Fee Secured Capital Improvement and Refunding Bonds. Principal payments are due annually on September 1. Interest payments are due semiannually on March 1 and September 1.

**2010 Franchise Fee Secured Capital Improvement Revenue Bonds** - Bonds in the amount of \$3,775,000 were issued with varying interest rates from 2.45% to 4.70% for capital improvements consisting generally of acquisition of land in the Crossroads Business Park and construction and equipping of public parking thereon. 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, 2010**

**Notes Payable**

In 2001, the State of Arkansas passed Amendment No. 78 and Act No. 1808, allowing cities and counties to obtain short-term financing agreements for the purpose of acquiring, constructing, installing or renting real property or tangible personal property having an expected useful life of more than one year. These financing agreements may not mature over a period to exceed five years and may have fixed or variable interest rates to be repaid with general fund revenues. At December 31, 2010, the outstanding short-term financing agreement was as follows:

*Short-term Installment Note* – The \$250,000 installment note was issued to finance the cost of purchasing a fire truck. Due annually, payable \$57,052, through 2011, including interest at 4.50%.

***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, 2010**

***Annual Debt Service Requirements***

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds, as well as notes payable, outstanding at December 31, 2010 for governmental activities and September 30, 2010 for business-type activities.

Year	<b>Primary Government</b>			
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>General Obligation Bonds, Revenue Bonds &amp; Notes Payable</b>		<b>Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 374,022	\$ 571,835	\$ 851,048	\$ 610,059
2012	335,000	558,769	884,880	575,230
2013	350,000	547,569	919,367	539,140
2014	365,000	535,504	954,546	501,763
2015	465,000	521,417	1,002,720	463,077
2016-2020	2,670,000	2,355,215	6,054,442	1,680,419
2021-2025	2,590,000	1,535,480	5,300,638	589,868
2026-2030	2,620,000	959,673	128,866	2,094
2031-2035	3,320,000	597,375	-	-
2036-2040	2,895,000	148,875	-	-
	<u>\$ 15,984,022</u>	<u>\$ 8,331,711</u>	<u>\$ 16,096,507</u>	<u>\$ 4,961,650</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 twenty-five percent of the total assessed valuation of all real and personal property within the municipality subject to taxation. At December 31, 2010, the City met the statutory limitation for its general bonded indebtedness, leaving a sufficient legal debt margin.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

**Note 6: Interfund Balances and Transfers**

Interfund receivables and payables as of December 31, 2010, are as follows:

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General Fund	\$ 1,076,845	\$ 1,216,864
Public Works	58,310	49,218
Non-major governmental funds	773,033	1,353,150
Total governmental funds	1,908,188	2,619,232
Texarkana, Arkansas Water Utilities	7,514	153
Texarkana, Arkansas Water Union Utilities	121	5,771
Non-major proprietary funds	32	1,743
Total proprietary funds	7,667	7,667
Fiduciary funds	721,800	10,756
Total fiduciary funds	721,800	10,756
Total	\$ 2,637,655	\$ 2,637,655

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.

The amounts due to the fiduciary funds result from the collection and remittance of property taxes by the General Fund that are levied to fund the Firefighters and Police Pension Plans. A portion of the amounts receivable by the pension funds from the General Fund are not accrued on the General Fund financial statements as they are not recognizable under the modified accrual basis of accounting because the amounts due to the pension funds are not expected to be liquidated with available expendable resources. However, \$691,532 of the amounts receivable by the pension funds from the General fund has been included in the governmental activities statement of net assets as due to fiduciary funds.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

Due to/from the primary government and component units are as follows:

	<u>Receivables</u>	<u>Payables</u>
Primary Government		
General Fund	\$ 48	\$ 75,005
Public Works	318	-
Other Governmental Funds	-	298
	<hr/>	<hr/>
Total primary government	366	75,303
	<hr/>	<hr/>
Component Units		
Arkansas Advertising & Promotion	73,743	-
RSVP	1,194	-
	<hr/>	<hr/>
Total component units	74,937	-
	<hr/>	<hr/>
Total	<u>\$ 75,303</u>	<u>\$ 75,303</u>

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, 2010, are as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Transfer out</u>
General	\$ 1,031,580	\$ 994,432
Public Works	56,186	286,921
Other Nonmajor Governmental Funds	4,760,296	4,566,709
	<hr/>	<hr/>
	\$ 5,848,062	\$ 5,848,062
	<hr/>	<hr/>

Transfers recorded in the Statement of Revenues, Expenditures and Changes in Net Assets Proprietary Funds as of September 30, 2010, are as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Transfer out</u>
Texarkana, Arkansas Water Utilities	\$ 100,000	\$ 240,599
Texarkana, Arkansas Water Union Utilities	-	100,000
	<hr/>	<hr/>
	\$ 100,000	\$ 340,599
	<hr/>	<hr/>

The difference in the transfer out of \$240,599 is due to the different year end of Texarkana, Arkansas Water Utilities.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

**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 \$694,304 for 2010.

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 and all transactions between the Cities are eliminated in combination. 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 \$486,883 for 2010.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
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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 2010, the Texas Utilities made total transfers to the Arkansas Utilities for debt service of \$436,271. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease transaction between the Cities and all transactions between the Cities are eliminated in combination.

**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. In 2010 and 2009, the Arkansas Utilities made transfers to the Texas Utilities for debt service in the amounts of \$30,741 and \$210,189, respectively. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease between the Utilities and all transactions between them are eliminated in combination.



**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
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***McKinney Bayou Wastewater Facilities***

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

The agreement further provides that, when the indebtedness of the City of Texarkana, Arkansas incurred in connection with the acquisition and construction of the wastewater treatment facilities has been discharged, the City of Texarkana, Arkansas will convey to the City of Texarkana, Texas an undivided interest in the system facilities used to serve Texas. Texarkana, Texas' undivided interest in the facilities shall be a pro rata portion of the total payments on bond obligations made on the system by both Texarkana, Arkansas and Texarkana, Texas. In 2010, the Texas Utilities made transfers to the Arkansas Utilities for debt service in the amounts of \$109,640. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease between the Utilities and all transactions between them are eliminated in combination.

**Note 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 \$269,308 per year for 50 years are estimated beginning upon the effective date of water withdrawal.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2010

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 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. Total deferred charges at September 30, 2010, were \$25,562. Deferred charges for Millwood Water Rights as of September 30, 2010, were \$14,039 and \$11,523 for Arkansas and Texas, respectively. Amortization of the deferred charges, which began in fiscal year ending September 30, 1987, the first full year of operations, is being made over the 25 years remaining life of the bonds issued to construct the reservoir facilities. Payments were made to the water district for water used from the reservoir totaling \$187,835 for fiscal year 2010. 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.

#### **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 336 customers and Union service about 1,087 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.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
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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**

***Pension Trust Funds***

Substantially all of the City's employees receive retirement benefits. The City sponsors five single employer defined benefit plans. The City also contributes to the Local Police and Fire Retirement System, a statewide agent multiple-employer defined benefit pension plan. 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.

**A. *Summary of Significant Accounting Policies***

***Basis of Accounting***

The City of Texarkana's financial statements for its 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.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
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**B. Membership Information**

Membership of each plan consisted of the following at December 31, 2010:

	<b>City Employee Retirement System</b>	<b>Utility Employee Retirement System</b>	<b>Firemen's Relief and Pension</b>	<b>Policemen's Relief and Pension</b>
Retirees and beneficiaries receiving benefits	30	16	35	48
Active plan members	47	56	-	1
Terminated members	44	16	-	-
Members on Deferred Retirement Option Plan (DROP)	-	-	3	1
<b>Total</b>	<b>121</b>	<b>88</b>	<b>38</b>	<b>50</b>

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

**C. Financial Information**

Separate financial reports are not issued on each plan; however, complete financial information, which has been subjected to auditing procedures, has been included in the supplementary information. The following is the condensed financial information of the pension trust funds:

<b>Statement of Fiduciary Net Assets</b>						
	<b>City Employee Retirement System</b>	<b>Utility Employee Retirement System</b>	<b>Firefighters Relief and Pension</b>	<b>Police Relief and Pension</b>	<b>Arkansas District Judges Pension</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 338,350	\$ 178,132	\$ 415,516	\$ 132,957	\$ 2,286	\$ 1,067,241
Investments	4,398,163	2,416,440	5,471,404	5,380,832	-	17,666,839
Receivables	15,245	7,942	14,205	16,467	-	53,859
Due from other funds	-	-	360,900	360,900	-	721,800
Total assets	<u>4,751,758</u>	<u>2,602,514</u>	<u>6,262,025</u>	<u>5,891,156</u>	<u>2,286</u>	<u>19,509,739</u>
<b>Liabilities</b>						
Accounts payable	1,915	1,211	10,179	9,548	-	22,853
Due to other funds	-	-	4,235	4,235	2,286	10,756
Total liabilities	<u>1,915</u>	<u>1,211</u>	<u>14,414</u>	<u>13,783</u>	<u>2,286</u>	<u>33,609</u>
<b>Net Assets</b>						
Net assets held in trust for pension benefits	<u>\$ 4,749,843</u>	<u>\$ 2,601,303</u>	<u>\$ 6,247,611</u>	<u>\$ 5,877,373</u>	<u>\$ -</u>	<u>\$ 19,476,130</u>
<b>Statement of Changes in Fiduciary Net Assets</b>						
<b>Additions</b>						
Contributions	\$ 141,948	\$ 38	\$ 638,746	\$ 914,060	\$ 4,964	\$ 1,699,756
Net investment income	434,076	239,887	560,779	488,673	2	1,723,417
Total additions	<u>576,024</u>	<u>239,925</u>	<u>1,199,525</u>	<u>1,402,733</u>	<u>4,966</u>	<u>3,423,173</u>
<b>Deductions</b>						
Benefits paid directly to participants	566,074	70,127	921,185	1,218,434	-	2,775,820
Administrative expenses and other	21,906	20,413	4,235	4,235	16,186	66,975
Total deductions	<u>587,980</u>	<u>90,540</u>	<u>925,420</u>	<u>1,222,669</u>	<u>16,186</u>	<u>2,842,795</u>
<b>Change in Net Assets</b>	(11,956)	149,385	274,105	180,064	(11,220)	580,378
<b>Net Assets Held in Trust For Pension Benefits, Beginning of Year</b>						
	<u>4,761,799</u>	<u>2,451,918</u>	<u>5,973,506</u>	<u>5,697,309</u>	<u>11,220</u>	<u>18,895,752</u>
<b>Net Assets Held in Trust For Pension Benefits, End of Year</b>						
	<u>\$ 4,749,843</u>	<u>\$ 2,601,303</u>	<u>\$ 6,247,611</u>	<u>\$ 5,877,373</u>	<u>\$ -</u>	<u>\$ 19,476,130</u>

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

**D. Plan Descriptions and Funding Information**

The *Texarkana, Arkansas Public Employees Retirement System (TAPERS)* is a single-employer defined benefit pension plan administered by the Retirement Board of the City. All City employees not covered by one of the other City retirement plans are eligible to participate in the TAPERS. The plan funds are held by an independent trustee.

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 1/360<sup>th</sup> 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.

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. There are no employee contributions. Employer contributions for the year ended December 31, 2010, were \$135,036.

The asset concentrations of over 5% are as follows:

Federated US Cash Reserves	\$ 218,521
MFS Value Fund	464,883
Growth Fund of America (F)	476,974
Growth Fund of America (F2)	235,070
US Treasury N/B	219,821

As of June 30, 2010, the most recent actuarial valuation date, the TAPERS was 53% funded. The actuarial accrued liability for benefits was \$8,180,000, and the actuarial value of assets was \$4,342,000, resulting in an unfunded entry age accrued liability (UEAAL) of \$3,838,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,541,365 and the ratio of the UEAAL to the covered payroll was 249%.

**City of Texarkana, Arkansas**  
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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The ***Police 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. 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. 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. The PRPF also provides benefits for surviving spouses and dependent children of deceased policemen. 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 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. Additionally, the City contributes a percentage of the policemen’s salaries, which amounted to 7% during 2010. The participants contributed 7% of their salaries in 2010. Participant contributions are returned without interest if the participant terminates covered employment. Administrative costs are financed by the Policemen’s Fund. Total 2010 contributions to the Policemen’s Fund were \$611,707. The City’s share of contributions was \$551,494 and included \$283,608 in property taxes and \$144,521 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:

Blackrock Low Duration Bond Fund	\$ 422,733
Vanguard Emerging Markets Stock EFT	296,098
Ishares Russell Midcap Growth Index Fund	354,379
Ishares Russell 1000 Value Index Fund	436,251
Ishares Russell 1000 Growth Index Fund	319,511

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2010

As of December 31, 2009, the most recent actuarial valuation date, the PPRF was 31% funded. The actuarial accrued liability for benefits was \$18,473,524, and the actuarial value of assets was \$5,667,804, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,805,720. The covered payroll (annual payroll of active employees covered by the plan) was \$54,778 and the ratio of the UAAL to the covered payroll was 23378%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The *Firefighter's Relief and Pension Fund (FRPF)* 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. Benefit provisions are established by State of Arkansas Act #14, as amended. Fund assets are administered by a Board of Trustees.

The FRPF provides retirement benefits for firemen who have completed 20 years of service regardless of age. 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. The FRPF also provides benefits for surviving spouses and dependent children of deceased policemen. 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 Police and Fire Retirement System created by Act 364 of 1981. Therefore, the FRPF is effectively closed to new members.

Contributions to the FRPF are set forth in Arkansas statute. The City's contribution to the FRPF consists of a one mill real and personal property tax collection and an insurance premium tax turnback collected by the State Insurance Commissioner. Additionally, the City contributes a percentage of the firemen's salaries which amounted to 7% during 2010. The participants contributed 7% of their salaries in 2010. Participant contributions are returned without interest if the participant terminates covered employment. Administrative costs are financed through Fund assets approved by the Board of Trustees. Total 2010 contributions to the FRPF were \$339,922. The City's share of contributions was \$317,238 and included \$283,608 in property taxes. On behalf payments (state insurance premium taxes and other supplements received from the state) are recognized as revenues and expenditures in the appropriate fund.



**City of Texarkana, Arkansas**  
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The asset concentrations of over 5% are as follows:

Federated Auto Cash Management TR#75	\$ 415,516
Blackrock Low Duration Bond Fund	454,113
Ishares Lehman 1-3 year Treasury Bond Fund	480,366
Ishares Russell Midcap Value Index Fund	330,824
Ishares Russell Midcap Growth Index Fund	456,843
Ishares Russell 1000 Growth Index Fund	396,239
Growth Fund of America Class F1	304,085

As of December 31, 2009, the most recent actuarial valuation date, the FRPF was 68% funded. The actuarial accrued liability for benefits was \$8,723,621, and the actuarial value of assets was \$5,945,122 resulting in an unfunded actuarial accrued liability (UAAL) of \$2,778,499. The covered payroll (annual payroll of active employees covered by the plan) was \$0 and the ratio of the UAAL to the covered payroll was not applicable as there are no active employees.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The *Texarkana, Arkansas Water Utilities Employee Retirement System (TWAUERS)* 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 plan funds are held by an independent trustee.

The TWAUERS Plan provides retirement, disability, and survivor benefits to participating employees and/or their beneficiaries or dependents who have met eligibility requirements set forth in the Plan's benefit provisions.

The TWAUERS Plan was frozen as of November 15, 2000. 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 cost 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. There are no contributions to the plan for the year ended December 31, 2010.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
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The asset concentrations of over 5% are as follows:

Federated US Treasury Reserves	\$ 137,074
Growth Fund of America Class F	246,232
MFS Value Fund	247,061
Growth Fund of America Class F2	131,770
American FDS Europacific Growth	138,406
RS Value Fund	129,432
US Treasury	124,465

As of December 31, 2009, the most recent actuarial valuation date, the TWAUERS Plan was 176% funded. The actuarial accrued liability for benefits was \$1,363,000, and the actuarial value of assets was \$2,396,000.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

	<b>2010 Annual Pension Cost and Net Pension Obligation (Asset)</b>			
	<b>Firefighters</b>	<b>Police</b>	<b>TAPERS</b>	<b>TWAUERS</b>
	<b>Fund</b>	<b>Fund</b>	<b>Plan</b>	<b>Plan</b>
Annual required contributions	\$ 626,483	\$ 2,909,545	\$ 462,000	\$ -
Interest on net pension obligation (asset)	(50,143)	299,630	81,991	20,693
Adjustment to annual required contribution	(226,122)	1,351,182	128,573	32,450
Annual pension cost	802,462	1,857,993	415,418	(11,757)
Contributions made	317,238	551,494	135,036	-
Increase (decrease) in net pension obligation (asset)	(485,224)	(1,306,499)	(280,382)	11,757
Net pension obligation(asset), beginning of the year	(1,002,868)	5,992,591	650,644	(77,687)
Net pension obligation (asset), end of the year	<u>\$ (517,644)</u>	<u>\$ 7,299,090</u>	<u>\$ 931,026</u>	<u>\$ (65,930)</u>

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
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**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 and Firefighters Relief and Pension Funds. Actuarial evaluations are performed biennially and the last evaluation was for the year ended December 31, 2009. Actuarial assumptions used in evaluating the fund include entry age cost method, five year smoothed market for valuing assets, level percent open amortization method, and amortization period of 5 years for active participants and 5 years for retirees, investment rate of return decreased from 7% to 5%, 4.2% to 8% salary increases, and 4% inflation rate. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at 2009, was 30 years.

**Three-Year Trend Information**

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Police Fund	12/31/2008	\$ 1,081,788	47%	\$ 5,099,096
	12/31/2009	1,429,723	38%	5,992,591
	12/31/2010	1,857,993	30%	7,299,090
Firefighters Fund	12/31/2008	\$ 131,038	287%	\$ (1,019,070)
	12/31/2009	365,230	96%	(1,002,868)
	12/31/2010	802,462	40%	(517,644)
TAPERS	12/31/2008	\$ 193,162	78%	\$ 513,360
	12/31/2009	272,945	50%	650,644
	12/31/2010	415,418	33%	931,026

Net pension obligations have historically been the responsibility of the General Fund.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2010

The *Arkansas District Judges Retirement System* (ADJRS-Pilot) provides pension benefits for the City's municipal judges. District court Judges first hired in the position after January 1, 2005 will be covered in ADJRS. This system provides retirement benefits for district judges, court clerks, and their survivors who had retired from the local retirement plans. 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 a benefit when they meet the eligibility requirements for their previous local plans. Acct 177 of the 86<sup>th</sup> 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/ADJRS plans are cost-sharing multiple-employer public retirement systems. All current members in the former ADJRS system maintain the same benefit package.

APERS/ADJRS issues a stand-alone financial report which may be obtained by writing to 124 West Capitol Avenue, Suite 400, Little Rock, AR 72201. However, the actuarial information specifically for the City is not available because ADJRS only has an actuarial valuation for the system as a whole.

The City's contributions to APERS/ADJRS for the years ending December 31, 2010, 2009 and 2008 were \$41,492, \$39,624, and 40,570, respectively, equal to the required contributions for each year.

#### **Agent Multiple-Employer Defined Benefit Pension Plans**

The *Local Police and Fire Retirement System (LOPFI)* is a statewide agent multiple-employer 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  
Texarkana, Arkansas 72203  
501.682.1745

Contribution requirements are set forth in Arkansas statute. LOPFI members were required to contribute 8.5% of their annual covered salary. The City is required to contribute at an actuarially determined rate, which was 11.13% for participating policemen and 16.01% for participating firemen.

For 2010, the City's annual pension cost was \$403,893 for policemen and \$418,789 for firemen, which was equal to the required and actual contributions. Neither Plan has a net pension obligation (NPO). The required contributions were determined as part of the December 31, 2009, actuarial valuation using the entry age actuarial cost method.

**City of Texarkana, Arkansas**  
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Actuarial assumptions used were entry age cost method, level percent amortization method, 30 year amortization period for active participants, five-year smoothed market valuation method, 8% investment rate of return, 4% salary increases, 3% postretirement annual increases, and 4% inflation. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2007 was 30 years.

**Three-Year Trend Information**

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
LOPFI – Policemen	12/31/2007	\$ 357,876	100%	\$ -
	12/31/2008	401,727	100%	-
	12/31/2009	403,893	100%	-
LOPFI – Firemen	12/31/2007	\$ 345,783	100%	\$ -
	12/31/2008	398,354	100%	-
	12/31/2009	418,789	100%	-
TMRS	9/30/2008	\$ 260,128	100%	\$ -
	9/30/2009	335,862	82%	59,363
	9/30/2010	391,649	79%	143,777

Covered payroll refers to all recurring compensation paid by the City to active employees covered by the Arkansas Local Police and Fire Retirement System.

As of December 31, 2009, the most recent actuarial valuation date, the Police plan was 79% funded. The actuarial accrued liability for benefits was \$16,077,956 and the actuarial value of assets was \$12,728,124 resulting in an unfunded actuarial accrued liability (UAAL) of \$3,349,832. The covered payroll (annual payroll of active police employees covered by the plan) was \$4,103,468 and the ratio of the UAAL to the covered payroll was 82%.

As of December 31, 2009, the most recent actuarial valuation date, the Fire plan was 84% funded. The actuarial accrued liability for benefits was \$11,117,082 and the actuarial value of assets was \$9,365,600 resulting in an unfunded actuarial accrued liability (UAAL) of \$1,751,482. The covered payroll (annual payroll of active police employees covered by the plan) was \$2,793,788 and the ratio of the UAAL to the covered payroll was 63%.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2010

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The *Texas Municipal Retirement System* (TMRS) provides pension benefits for all of the Utilities full-time employees through a non-traditional, joint contributory, 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](http://www.TMRS.com).

Using the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually, the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the Utility. Both the normal cost contribution rate and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The Utility contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the Utility make contributions monthly. Since the Utility needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuations that serves as the basis of the rate and the calendar year when the rate goes into effect.

As of December 31, 2009, the most recent actuarial valuation date, the Plan was 58% funded. The actuarial accrued liability for benefits was \$20,663,402 and the actuarial value of assets was \$12,032,748 resulting in an unfunded actuarial accrued liability (UAAL) of \$8,630,654. The covered payroll (annual payroll of active employees covered by the plan) was \$6,242,307 and the ratio of the UAAL to the covered payroll was 138%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

**Actuarial Assumptions**

The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation (actuarial valuations are performed bi-annually) follows:

	Police Relief and Pension Fund	Firefighters Relief and Pension Fund	Texarkana, Arkansas Public Employee Retirement System	Texarkana, Arkansas Water Utility Employee Retirement System	Local Police and Fire Retirement System – Policemen	Local Police and Fire Retirement System – Firemen	Texas Municipal Retirement System
Actuarial valuation date	12/31/2009	12/31/2009	6/30/2010	6/30/2010	12/31/2009	12/31/2009	12/31/2009
Actuarial cost method	Entry age normal	Entry age normal	Aggregate	Aggregate	Entry age normal	Entry age normal	Projected unit credit
Amortization method	Level percent closed	Level percent closed	Not applicable	Not applicable	Level percent open	Level percent open	Level percent open
Remaining amortization period	5 years	5 years	Not applicable	Not applicable	30 years	30 years	30 years
Asset valuation method	Market	Market	Market	Market	5-year smoothed market	5-year smoothed market	10-year smoothed market
Actuarial assumptions:							
Investment rate of return*	5%	5%	6%	6%	8%	8%	8%
Projected salary increases*	4.2-8.0%	4.2-8.0%	3.0%	N/A	4%	4%	Varies by age and service
*Includes inflation at	4%	4%	2%	2%	4%	4%	3%
Cost-of-living adjustments	None	None	None	None	None	None	2.1%

**Note 12: 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.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

*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 retire 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, 2010, there are 8 retirees participating in the post-employment health benefit program. Participant contributions totaled \$36,679 in 2010.

*Annual OPEB Cost and Net OPEB Obligation:* The City's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 85,324
Interest on net OPEB obligation	0
Adjustment to annual required contribution	<u>0</u>
Annual OPEB Cost	85,324
Total annual contribution	<u>(36,679)</u>
Increase in net OPEB obligation	48,645
Net OPEB obligation – beginning of year	<u>0</u>
Net OPEB obligation – end of year	<u>\$ 48,645</u>

The components of the annual required contribution (ARC) calculation reflecting a 30 year amortization period is as follows:

Normal cost	\$ 37,325
Interest	4,448
Amortization cost	<u>43,551</u>
Annual required contribution (ARC)	<u>\$ 85,324</u>



**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/10	\$ 85,324	43%	\$ 48,645
12/31/09	N/A	N/A	N/A
12/31/08	N/A	N/A	N/A

*Funded Status and Funding Progress:* As of December 31, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$667,765, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$667,765.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, since this is the first year of implementation there is no significant trend information to report.

*Actuarial Methods and 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 of 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.

In the December 31, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.5% investment rate of return, an annual healthcare cost trend rate of 10.0% initially, reduced by decrements to an ultimate rate of 5.0% after nine years. The actuarial value of assets was determined using the market value of assets as of the valuation date, if any. The UAAL is being amortized using a level percent of payroll on an open basis over 30 years.

**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 another post-employment benefit (OPEB).

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

*Funding Policy:* The annual required contribution (ARC) is the periodic required contribution to fund the post employment healthcare benefits of both active and inactive participants.

*Annual OPEB Cost and Net OPEB Obligation:* The TWU’s annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the TWU’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the TWU’s combined net OPEB obligation:

Normal costs	\$ 64,678
Amortization of UAAL	<u>68,528</u>
Annual required contribution	133,206
Interest on prior year net OPEB obligation	2,647
Annual required contribution adjustment	<u>(3,827)</u>
Annual OPEB cost	132,026
Total annual contribution	<u>(29,116)</u>
Increase in net OPEB obligation	102,910
Net OPEB obligation – beginning of year	<u>66,176</u>
Net OPEB obligation – end of year	<u>\$ 169,086</u>

The TWU’s combined annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 is as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
9/30/10	\$ 132,026	22%	\$ 169,086
9/30/09	\$ 122,106	46%	\$ 66,176
9/30/08	N/A	N/A	N/A

The Arkansas Water Utility’s portion of the OPEB obligation was \$60,870 at September 30, 2010.

*Funded Status and Funding Progress:* As of October 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,184,988, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,184,988.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2010

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, since this is the second year of implementation there is no significant trend information to report.

*Actuarial Methods and 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 of 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.

In the October 1, 2009, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, an annual healthcare cost trend rate of 9.5% initially, reduced by decrements to an ultimate rate of 4.5% after eleven years and salary increases of 4%. The actuarial value of assets was determined using the market value of assets as of the valuation date, if any. The UAAL is being amortized using a level percent of payroll on an open basis over thirty years.

## **Note 13: 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.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

The city provides statutory workmen's compensation benefits under an insured plan of the Arkansas Municipal League Workers Compensation Trust. Cost of the program is 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 2009 to 2010; nor have settlement amounts exceeded insurance coverage for each of the past three years.

**Note 14: 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.

In the governmental funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2010, property taxes receivable and related deferred revenues of \$3,419,117 have been recorded in the governmental funds. In the government-wide statement of net assets, 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.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

**Note 15: Other Required Disclosures**

The following governmental funds have deficit net assets as of December 31, 2010:

Fund	Fund Type	Amount
Community Development Block Grant (CDBG)	Nonmajor special revenue	\$ 21,433
YouthBuild	Nonmajor special revenue	<u>2,680</u>
		<u>\$ 24,113</u>

The deficit net assets are the result of revenues inadequate to cover expenses, including depreciation, in the current and/or prior years. For CDBG revenues are shown as deferred as they were not received within 60 days of year end and therefore not available for current year expenditures.

**Note 16: Contingencies**

The City participates in several federal financial assistance programs. The City's grant programs have been audited in accordance with the provisions of the Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996, and are subject to resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

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.

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.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2010**

**Note 17: Adjustment Applicable to Prior Years**

An adjustment applicable to 2009 was made to restate the beginning balance of governmental activities net assets to correct an error in 2009 property taxes receivable. In prior years, the receivable was calculated based upon an incorrect levy date. This restatement decreased previously reported 2009 changes in net assets by \$69,150.

**Note 18: Current Economic Conditions**

The current protracted economic decline continues to present local governments with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, declines in tax revenue, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the City.

Current economic conditions have made it difficult for some taxpayers to continue supporting the local economy through the purchasing of goods and services. The result could cause a decline in tax revenue that could have a negative impact on the City's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change in the near term, resulting in future adjustments in investment values, allowances for accounts receivable, etc. that could negatively impact the City's ability to meet debt covenants or maintain sufficient liquidity.

## **Required Supplementary Information**

**City of Texarkana, Arkansas**  
**Defined Benefit Pension Plans – Required Supplementary Information**  
**Schedules of Employer Contributions**  
**Year Ended December 31, 2010**

	Year Ended	Annual Required Contribution	Percentage Contributed
Police Relief and Pension Fund	12/31/05	\$ 1,879,402	30%
	12/31/06	1,879,402	25%
	12/31/07	1,830,576	28%
	12/31/08	1,800,760	28%
	12/31/09	2,189,169	24%
	12/31/10	2,909,545	19%
Firefighters Relief and Pension Fund	12/31/05	253,610	104%
	12/31/06	253,610	96%
	12/31/07	34,201	1119%
	12/31/08	7,937	287%
	12/31/09	213,452	96%
	12/31/10	626,483	40%
Texarkana, Arkansas Public Employee Retirement System	12/31/05	182,300	58%
	12/31/06	243,000	51%
	12/31/07	280,000	45%
	12/31/08	225,000	67%
	12/31/09	310,000	44%
	12/31/10	462,000	29%



**City of Texarkana, Arkansas**  
**Defined Benefit Pension Plans – Required Supplementary Information**  
**Schedules of Funding Progress**  
**Year Ended December 31, 2010**

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
Police Relief and Pension Fund	12/31/03	\$ 8,236,742	\$ 14,939,286	\$ 6,702,544	55%	\$ 48,408	13846%
	12/31/05	7,372,044	16,143,306	8,771,262	46%	52,189	16807%
	12/31/07	7,434,152	15,610,359	8,176,207	48%	52,189	15667%
	12/31/08	5,669,212	15,611,712	9,942,500	36%	52,189	19051%
	12/31/09	5,667,804	18,473,524	12,805,720	31%	54,778	23378%
Firefighters Relief and Pension Fund	12/31/03	5,528,471	5,634,284	105,813	98%	117,764	90%
	12/31/05	5,936,040	6,963,764	1,027,724	85%	130,112	790%
	12/31/07	6,336,648	6,372,901	36,253	99%	130,112	28%
	12/31/08	5,279,707	6,254,651	974,944	84%	130,112	749%
	12/31/09	5,945,122	8,723,621	2,778,499	68%	-	N/A
Local Police and Fire Retirement System - Policemen	12/31/04	8,508,608	7,185,782	(1,322,826)	118%	2,915,502	-45%
	12/31/05	9,645,610	8,635,165	(1,010,445)	112%	3,192,482	-32%
	12/31/06	10,951,879	9,935,373	(1,016,506)	110%	3,398,819	-30%
	12/31/07	12,394,343	11,293,814	(1,100,529)	110%	3,669,851	-30%
	12/31/08	12,774,566	13,421,624	647,058	95%	4,068,509	16%
12/31/09	12,728,124	16,077,956	3,349,832	79%	4,103,468	82%	
Local Police and Fire Retirement System - Firemen	12/31/04	5,331,354	4,771,327	(560,027)	112%	2,003,618	-28%
	12/31/05	6,142,347	5,603,397	(538,950)	110%	2,107,103	-26%
	12/31/06	7,422,413	7,093,954	(328,459)	105%	2,441,447	-13%
	12/31/07	7,990,805	8,040,549	49,744	99%	2,549,145	2%
	12/31/08	9,005,833	10,251,223	1,245,390	88%	2,835,422	44%
12/31/09	9,365,600	11,117,082	1,751,482	84%	2,793,788	63%	
Texarkana, Arkansas Public Employees Retirement System (TAPERS)	6/30/05	5,672,000	6,205,000	533,000	91%	1,665,625	32%
	6/30/06	5,418,000	6,307,000	889,000	86%	1,677,358	53%
	6/30/07	5,740,000	6,375,000	635,000	90%	1,476,744	43%
	6/30/08	5,026,000	6,488,000	1,462,000	78%	1,447,525	101%
	6/30/09	4,393,000	6,888,000	2,495,000	64%	1,549,689	161%
6/30/10	4,342,000	8,180,000	3,838,000	53%	1,541,365	249%	
Texarkana, Arkansas Water Utilities Employees Retirement System (TWAUERS)	6/30/05	2,776,000	1,526,000	-	182%	-	0%
	6/30/06	2,687,000	1,421,000	-	189%	-	0%
	6/30/07	2,827,000	1,366,000	-	207%	-	0%
	6/30/08	2,602,000	1,268,000	-	205%	-	0%
	6/30/09	2,266,000	1,275,000	-	178%	-	0%
6/30/10	2,396,000	1,363,000	-	176%	-	0%	
Texas Municipal Retirement System (TMRS)	12/31/06	9,124,356	13,738,077	4,613,721	66%	5,297,108	87%
	12/31/07	9,530,929	17,461,093	7,930,164	55%	5,770,038	137%
	12/31/08	10,554,367	18,830,089	8,275,722	56%	6,203,946	133%
	12/31/09	12,032,748	20,663,402	8,630,654	58%	6,242,307	138%

Note: The TAPERS and TWAUERS Plans use the aggregate cost method in calculating the annual actuarially required contribution. This method does not identify or separately amortize unfunded actuarial accrued liabilities. Information about funding status and funding progress has been prepared using the entry age actuarial cost method and is intended to serve as a surrogate for funded status and funding progress of the plan.

**City of Texarkana, Arkansas**  
**Required Supplemental Information**  
**Other Postemployment Benefit Plans**  
**Schedule of Funding Progress**  
**Year Ended December 31, 2010**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<b>Governmental Activities</b>						
12/31/2008	N/A	N/A	N/A	N/A	N/A	N/A
12/31/2009	N/A	N/A	N/A	N/A	N/A	N/A
12/31/2010	-0-	\$667,765	\$667,765	0%	N/A	N/A
<b>Proprietary Funds</b>						
10/1/2007	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2008	-0-	\$ 1,044,438	\$ 1,044,438	0%	N/A	N/A
10/1/2010	-0-	\$ 1,184,988	\$ 1,184,988	0%	N/A	N/A

For the governmental activities, the required contribution was determined as part of the latest actuarial evaluation using the projected unit credit actuarial cost method. The actuarial assumptions used included (a) 4.0% rate of return on investments, (b) an annual healthcare cost trend rate of 9.5% initially reduced by decrements to an ultimate rate of 4.5% after nine years, and (c) mortality rates based on the 1994 Uninsured Pensioners Mortality Table. The unfunded actuarial accrued liability is being amortized using level dollar amount over 30 years on an open basis.

For the proprietary funds, the required contribution was determined as part of the latest actuarial evaluation using the projected unit credit actuarial cost method. The actuarial assumptions used included (a) 4.0% rate of return on investments, (b) an annual healthcare cost trend rate of 10.0% initially reduced by decrements to an ultimate rate of 5.0% after eleven years, and (c) mortality rates based on the RP-2000 Combined Male/Female Mortality, projected to 2017 using scale AA and (d) salary increases of 4.0%. The unfunded actuarial accrued liability is being amortized using level dollar amount over 30 years on an open basis.

## 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.

**Drug Control** – This fund is established to account for funds awarded to the City by the Courts from money seized during operations of the City’s Narcotics Task Force.

**Police Donations** – 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.

**Fire Prevention & Education** – This fund is used to account for the proceeds of a ¼% sales tax dedicated to fire prevention and education and the related expenditures.

**Law Enforcement Block Grant** – This fund is established to account for the revenues and expenditures of the Department of Justice-Law Enforcement Block Grant funds as well as local match funds.

**Weed and Seed Grant** – This fund is established to account for the revenues and expenditures of the Department of Justice-Weed and Seed Grant funds.

**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.

## NONMAJOR GOVERNMENTAL FUNDS

**YouthBuild** – This fund is established to account for the revenues and expenditures of the Department of Housing and Urban Development – YouthBuild Grant Funds.

**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.

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.

**1990 Capital Improvement Bonds (Parks Project) Debt Service** - This fund is used to account for the accumulation of revenues and payment of principal and interest on the 1990 Capital Improvement Bonds (Parks Project). Funding is provided by transfers from the Advertising and Promotion Fund (component unit) and interest earned from investments.

**1990 Tourism Revenue Bonds** – This fund is used to account for the accumulation of revenues and payment of principal and interest on the 1990 Tourism Revenue Bonds. Funding is provided by intergovernmental revenue from the Advertising and Promotion Fund (Component Unit) and interest earned from investments.

**2000 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 2000 Capital Improvement and Refunding Limited Tax General Obligation Bonds. Funding is primarily from property taxes and interest earned from investments.

**2008 Franchise Fee Revenue** – This fund is used to account for the accumulation of revenues and payment of principal and interest on the 2008 Franchise Fee Secured Capital Improvement and 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.

**2010 Franchise Fee Revenue** – This fund is used to account for the accumulation of revenues and payment of principal and interest on the 2010 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** – This fund is used to account for the purchase of capital assets, including infrastructure acquisitions and construction from general government resources and intergovernmental grants.

**2002 Franchise Fee Project** – This fund is established to account for the receipt and disbursement of the proceeds from the 2002 Franchise Fee Secured Capital Improvement Revenue Bonds. The funds are to be used to finance capital improvements consisting generally of police facilities and apparatus; firefighting facilities and apparatus; drainage improvements and street improvements.

## NONMAJOR GOVERNMENTAL FUNDS

**2008 Franchise Fee Project** – This fund is established to account for the receipt and disbursement of the proceeds from the 2008 Franchise Fee Secured Capital Improvement Revenue Bonds. The funds are to be used to finance capital improvements consisting generally of public infrastructure improvements related to the Crossroads Business Park and other street improvements and to refund the 1999 and the 2002 Franchise Fee Secured Capital Improvement Revenue Bonds.

**2010 Franchise Fee Project** – This fund is established to account for the receipt and disbursement of the proceeds from the 2010 Franchise Fee Secured Capital Improvement Revenue Bonds. The funds are to be used to finance capital improvements consisting generally of acquisition of land in the Crossroads Business Park and construction and equipping of public parking thereon.

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**City of Texarkana, Arkansas**  
**Combining Balance Sheet**  
**Governmental Funds – Nonmajor**  
**December 31, 2010**

	Special Revenue					
	Community Development Block Grant	Drug Control	Police Donations	Kline Park Monument	Fire Prevention and Education	Weed and Seed Grant
<b>Assets</b>						
Cash	\$ 9,934	\$ -	\$ 4,084	\$ 2,953	\$ -	\$ -
Investments	-	-	-	-	-	-
Receivables (net of allowance)						
Property taxes	-	-	-	-	-	-
Other government agencies	48,322	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	287	-	-	-	-	-
Prepays	467	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 59,010</u>	<u>\$ -</u>	<u>\$ 4,084</u>	<u>\$ 2,953</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 40,915	\$ -	\$ -	\$ 34	\$ -	\$ -
Accrued liabilities	928	-	-	-	-	-
Due to other funds	11,697	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Due to components	-	-	-	-	-	-
Deferred revenue	26,903	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>80,443</u>	<u>-</u>	<u>-</u>	<u>34</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>						
Unreserved (deficit)	<u>(21,433)</u>	<u>-</u>	<u>4,084</u>	<u>2,919</u>	<u>-</u>	<u>-</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>(21,433)</u>	<u>-</u>	<u>4,084</u>	<u>2,919</u>	<u>-</u>	<u>-</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 59,010</u>	<u>\$ -</u>	<u>\$ 4,084</u>	<u>\$ 2,953</u>	<u>\$ -</u>	<u>\$ -</u>

**Special Revenue**

North Texarkana							
Domestic Violence	Bail Bond	Library	Court Automation	Redevelopment District	Youth- Build	Public Safety	Total
\$ -	\$ -	\$ 14,492	\$ 116,175	\$ 24,838	\$ -	\$ 1,425	\$ 173,901
-	-	-	-	-	-	-	-
-	-	358,762	-	9,171	-	-	367,933
-	-	-	-	-	-	-	48,322
-	540	-	-	-	-	-	540
-	-	-	-	-	139	-	426
-	-	-	-	-	-	-	467
<u>\$ -</u>	<u>\$ 540</u>	<u>\$ 373,254</u>	<u>\$ 116,175</u>	<u>\$ 34,009</u>	<u>\$ 139</u>	<u>\$ 1,425</u>	<u>\$ 591,589</u>
\$ -	\$ -	\$ 28,910	\$ 76	\$ -	\$ 1,715	\$ -	\$ 71,650
-	-	-	-	-	1,095	-	2,023
-	-	-	-	-	9	-	11,706
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	318,086	-	-	-	-	344,989
-	-	346,996	76	-	2,819	-	430,368
-	540	26,258	116,099	34,009	(2,680)	1,425	161,221
-	540	26,258	116,099	34,009	(2,680)	1,425	161,221
<u>\$ -</u>	<u>\$ 540</u>	<u>\$ 373,254</u>	<u>\$ 116,175</u>	<u>\$ 34,009</u>	<u>\$ 139</u>	<u>\$ 1,425</u>	<u>\$ 591,589</u>



**City of Texarkana, Arkansas**  
**Combining Balance Sheet – Nonmajor (Continued)**  
**December 31, 2010**

	<b>Debt Service</b>					<b>Total</b>
	<b>Capital Improvement Bonds - 1990 Parks Projects</b>	<b>Tourism Revenue Bonds - 1990</b>	<b>Cap Imp &amp; Refunding &amp; Limited Tax GO Bonds 2000</b>	<b>2008 Franchise Fee Revenue</b>	<b>2010 Franchise Fee Revenue</b>	
<b>Assets</b>						
Cash	\$ 298	\$ -	\$ 699,871	\$ 549,369	\$ 172,288	\$ 1,421,826
Investments	-	-	-	-	-	-
Receivables (net of allowance)						
Property taxes	-	-	896,907	-	-	896,907
Other government agencies	-	-	-	-	-	-
Other	-	-	-	-	14,327	14,327
Due from other funds	-	-	-	-	-	-
Prepays	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 298</b>	<b>\$ -</b>	<b>\$ 1,596,778</b>	<b>\$ 549,369</b>	<b>\$ 186,615</b>	<b>\$ 2,333,060</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Due to components	298	-	-	-	-	298
Deferred revenue	-	-	795,216	-	-	795,216
<b>Total liabilities</b>	<b>298</b>	<b>-</b>	<b>795,216</b>	<b>-</b>	<b>-</b>	<b>795,514</b>
<b>Fund Balances</b>						
Unreserved (deficit)	-	-	801,562	549,369	186,615	1,537,546
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>801,562</b>	<b>549,369</b>	<b>186,615</b>	<b>1,537,546</b>
<b>Total liabilities and fund balances</b>	<b>\$ 298</b>	<b>\$ -</b>	<b>\$ 1,596,778</b>	<b>\$ 549,369</b>	<b>\$ 186,615</b>	<b>\$ 2,333,060</b>

**Capital Projects Funds**

<b>Capital Improvement Fund</b>	<b>2002 Franchise Fee Projects</b>	<b>2008 Franchise Fee Projects</b>	<b>2010 Franchise Fee Projects</b>	<b>Total</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 1,677,307	\$ 1,247	\$ -	\$ -	\$ 1,678,554	\$ 3,274,281
-	-	-	2,508,981	2,508,981	2,508,981
-	-	-	-	-	1,264,840
207,596	-	-	-	207,596	255,918
-	-	-	-	-	14,867
23,284	455,000	294,323	-	772,607	773,033
-	-	-	-	-	467
<u>\$ 1,908,187</u>	<u>\$ 456,247</u>	<u>\$ 294,323</u>	<u>\$ 2,508,981</u>	<u>\$ 5,167,738</u>	<u>\$ 8,092,387</u>
\$ 48,976	\$ -	\$ 190,726	\$ -	\$ 239,702	\$ 311,352
-	-	-	-	-	2,023
959,286	-	-	382,158	1,341,444	1,353,150
-	-	-	-	-	-
-	-	-	-	-	298
76,308	-	-	-	76,308	1,216,513
<u>1,084,570</u>	<u>-</u>	<u>190,726</u>	<u>382,158</u>	<u>1,657,454</u>	<u>2,883,336</u>
<u>823,617</u>	<u>456,247</u>	<u>103,597</u>	<u>2,126,823</u>	<u>3,510,284</u>	<u>5,209,051</u>
<u>823,617</u>	<u>456,247</u>	<u>103,597</u>	<u>2,126,823</u>	<u>3,510,284</u>	<u>5,209,051</u>
<u>\$ 1,908,187</u>	<u>\$ 456,247</u>	<u>\$ 294,323</u>	<u>\$ 2,508,981</u>	<u>\$ 5,167,738</u>	<u>\$ 8,092,387</u>

**City of Texarkana, Arkansas**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Nonmajor**  
**Year Ended December 31, 2010**

	<b>Special Revenue</b>					
	<b>Community Development Block Grant</b>	<b>Drug Control</b>	<b>Police Donations</b>	<b>Kline Park Monument</b>	<b>Fire Prevention and Education</b>	<b>Weed and Seed Grant</b>
<b>Revenues</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines, forfeitures and penalties	-	-	-	-	-	-
Grants and entitlements	693,200	-	2,151	-	-	-
Intergovernmental	-	-	-	-	-	-
Investment income	-	-	-	8	-	1
Miscellaneous	392	-	1,958	-	-	-
Total revenues	<u>693,592</u>	<u>-</u>	<u>4,109</u>	<u>8</u>	<u>-</u>	<u>1</u>
<b>Expenditures</b>						
Current						
General government	104,695	-	-	-	-	-
Public works	80,946	-	4,054	-	-	5,093
Public service	6,856	-	-	-	-	-
Cultural and recreation	2,210	-	-	401	-	-
Capital outlay	522,105	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>716,812</u>	<u>-</u>	<u>4,054</u>	<u>401</u>	<u>-</u>	<u>5,093</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(23,220)</u>	<u>-</u>	<u>55</u>	<u>(393)</u>	<u>-</u>	<u>(5,092)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	(68)	-	-	(21,236)	(1,781)
Total other financing sources	<u>-</u>	<u>(68)</u>	<u>-</u>	<u>-</u>	<u>(21,236)</u>	<u>(1,781)</u>
<b>Net Change in Fund Balances</b>	(23,220)	(68)	55	(393)	(21,236)	(6,873)
<b>Fund Balances, Beginning of Year</b>	<u>1,787</u>	<u>68</u>	<u>4,029</u>	<u>3,312</u>	<u>21,236</u>	<u>6,873</u>
<b>Fund Balances, End of Year</b>	<u>\$ (21,433)</u>	<u>\$ -</u>	<u>\$ 4,084</u>	<u>\$ 2,919</u>	<u>\$ -</u>	<u>\$ -</u>

**Special Revenue**

<b>Special Revenue</b>							
<b>Domestic Violence</b>	<b>Bail Bond</b>	<b>Library</b>	<b>Court Automation</b>	<b>North Texarkana Redevelopment District</b>	<b>Youth- Build</b>	<b>Public Safety</b>	<b>Total</b>
\$ -	\$ -	\$ 283,444	\$ -	\$ 12,699	\$ -	\$ -	\$ 296,143
3,685	7,851	-	28,586	-	-	312	40,434
-	-	80,254	-	-	9,250	-	784,855
-	-	-	-	-	-	-	-
-	-	233	52	2,863	1	-	3,158
-	-	-	-	-	-	-	2,350
<u>3,685</u>	<u>7,851</u>	<u>363,931</u>	<u>28,638</u>	<u>15,562</u>	<u>9,251</u>	<u>312</u>	<u>1,126,940</u>
-	-	-	14,584	-	-	-	119,279
-	-	-	-	-	119,456	-	209,549
-	-	-	-	-	-	-	6,856
-	-	398,165	-	-	-	-	400,776
8,840	-	-	-	-	-	-	530,945
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>8,840</u>	<u>-</u>	<u>398,165</u>	<u>14,584</u>	<u>-</u>	<u>119,456</u>	<u>-</u>	<u>1,267,405</u>
<u>(5,155)</u>	<u>7,851</u>	<u>(34,234)</u>	<u>14,054</u>	<u>15,562</u>	<u>(110,205)</u>	<u>312</u>	<u>(140,465)</u>
-	-	20,000	-	-	107,511	-	127,511
-	(28,997)	-	-	-	-	-	(52,082)
-	(28,997)	20,000	-	-	107,511	-	75,429
(5,155)	(21,146)	(14,234)	14,054	15,562	(2,694)	312	(65,036)
<u>5,155</u>	<u>21,686</u>	<u>40,492</u>	<u>102,045</u>	<u>18,447</u>	<u>14</u>	<u>1,113</u>	<u>226,257</u>
<u>\$ -</u>	<u>\$ 540</u>	<u>\$ 26,258</u>	<u>\$ 116,099</u>	<u>\$ 34,009</u>	<u>\$ (2,680)</u>	<u>\$ 1,425</u>	<u>\$ 161,221</u>

**City of Texarkana, Arkansas**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**– Nonmajor (Continued)**  
**Year Ended December 31, 2010**

	Debt Service					Total
	Capital Improvement Bonds - 1990 Parks Projects	Tourism Revenue Bonds - 1990	Cap Imp & Refunding Limited Tax GO Bonds 2000	2008 Franchise Fee Revenue	2010 Franchise Fee Revenue	
<b>Revenues</b>						
Property taxes	\$ -	\$ -	\$ 708,609	\$ -	\$ -	\$ 708,609
Fines, forfeitures and penalties	-	-	-	-	-	-
Grants and entitlements	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Investment income	2	6	445	52	13	518
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>2</u>	<u>6</u>	<u>709,054</u>	<u>52</u>	<u>13</u>	<u>709,127</u>
<b>Expenditures</b>						
Current						
General government	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Public service	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal	35,000	-	535,000	185,000	-	755,000
Interest	9,109	-	148,706	473,870	85,714	717,399
Bond issuance costs	-	-	-	-	129,073	129,073
Total expenditures	<u>44,109</u>	<u>-</u>	<u>683,706</u>	<u>658,870</u>	<u>214,787</u>	<u>1,601,472</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(44,107)</u>	<u>6</u>	<u>25,348</u>	<u>(658,818)</u>	<u>(214,774)</u>	<u>(892,345)</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from issuance of debt	-	-	-	-	3,775,000	3,775,000
Discount on bonds issued	-	-	-	-	-	-
Transfers in	37,506	-	-	660,785	130,695	828,986
Transfers out	-	(37,506)	-	(486)	(3,504,306)	(3,542,298)
Total other financing sources	<u>37,506</u>	<u>(37,506)</u>	<u>-</u>	<u>660,299</u>	<u>401,389</u>	<u>1,061,688</u>
<b>Net Change in Fund Balances</b>	<u>(6,601)</u>	<u>(37,500)</u>	<u>25,348</u>	<u>1,481</u>	<u>186,615</u>	<u>169,343</u>
<b>Fund Balances, Beginning of Year</b>	<u>6,601</u>	<u>37,500</u>	<u>776,214</u>	<u>547,888</u>	<u>-</u>	<u>1,368,203</u>
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 801,562</u>	<u>\$ 549,369</u>	<u>\$ 186,615</u>	<u>\$ 1,537,546</u>

Capital Projects Funds					
Capital Improvement Fund	2002 Franchise Fee Projects	2008 Franchise Fee Projects	2010 Franchise Fee Projects	Total	Total Nonmajor Governmental Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,004,752
-	-	-	-	-	40,434
1,403,999	-	-	-	1,403,999	2,188,854
56,542	-	-	-	56,542	56,542
1,164	1	172	10,881	12,218	15,894
62,263	-	-	-	62,263	64,613
<u>1,523,968</u>	<u>1</u>	<u>172</u>	<u>10,881</u>	<u>1,535,022</u>	<u>3,371,089</u>
64,098	-	-	-	64,098	183,377
-	-	-	-	-	209,549
-	-	-	-	-	6,856
-	-	-	-	-	400,776
541,750	-	240,729	2,387	784,866	1,315,811
-	-	-	-	-	755,000
-	-	-	-	-	717,399
-	-	-	-	-	129,073
<u>605,848</u>	<u>-</u>	<u>240,729</u>	<u>2,387</u>	<u>848,964</u>	<u>3,717,841</u>
<u>918,120</u>	<u>1</u>	<u>(240,557)</u>	<u>8,494</u>	<u>686,058</u>	<u>(346,752)</u>
-	-	-	-	-	3,775,000
-	-	-	-	-	-
-	-	299,493	3,504,306	3,803,799	4,760,296
(972,329)	-	-	-	(972,329)	(4,566,709)
<u>(972,329)</u>	<u>-</u>	<u>299,493</u>	<u>3,504,306</u>	<u>2,831,470</u>	<u>3,968,587</u>
(54,209)	1	58,936	3,512,800	3,517,528	3,621,835
877,826	456,246	44,661	(1,385,977)	(7,244)	1,587,216
<u>\$ 823,617</u>	<u>\$ 456,247</u>	<u>\$ 103,597</u>	<u>\$ 2,126,823</u>	<u>\$ 3,510,284</u>	<u>\$ 5,209,051</u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Community Development Block Grant Fund**  
**Year Ended December 31, 2010**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Grants and entitlement	\$ 315,000	\$ 367,583	\$ 693,200	\$ 325,617
Miscellaneous	-	-	392	392
	<u>315,000</u>	<u>367,583</u>	<u>693,592</u>	<u>326,009</u>
<b>Expenditures</b>				
Current:				
General government	111,100	116,336	104,695	11,641
Public works	20,000	50,181	80,946	(30,765)
Public service	175,700	191,994	6,856	185,138
Culture and recreation	8,200	9,072	2,210	6,862
Capital outlay	-	-	522,105	(522,105)
	<u>315,000</u>	<u>367,583</u>	<u>716,812</u>	<u>(349,229)</u>
<b>Net Change in Fund Balances</b>	-	-	(23,220)	(23,220)
<b>Fund Balances, Beginning of Year</b>	<u>1,787</u>	<u>1,787</u>	<u>1,787</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 1,787</u></u>	<u><u>\$ 1,787</u></u>	<u><u>\$ (21,433)</u></u>	<u><u>\$ (23,220)</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Police Donations Fund**  
**Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Grants and entitlement	\$ 4,000	\$ 4,000	\$ 2,151	\$ (1,849)
Miscellaneous	2,300	2,300	1,958	(342)
Total revenues	<u>6,300</u>	<u>6,300</u>	<u>4,109</u>	<u>(2,191)</u>
<b>Expenditures</b>				
Current:				
Public works	6,300	6,300	4,054	2,246
Total expenditures	<u>6,300</u>	<u>6,300</u>	<u>4,054</u>	<u>2,246</u>
<b>Net Change in Fund Balances</b>	<u>-</u>	<u>-</u>	<u>55</u>	<u>55</u>
<b>Fund Balances, Beginning of Year</b>	<u>4,029</u>	<u>4,029</u>	<u>4,029</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 4,029</u>	<u>\$ 4,029</u>	<u>\$ 4,084</u>	<u>\$ 55</u>



**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Kline Park Monument Fund**  
**Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Investment income	\$ 25	\$ 25	\$ 8	\$ (17)
Total revenues	<u>25</u>	<u>25</u>	<u>8</u>	<u>(17)</u>
<b>Expenditures</b>				
Current:				
Culture and recreation	<u>395</u>	<u>395</u>	<u>401</u>	<u>(6)</u>
Total expenditures	<u>395</u>	<u>395</u>	<u>401</u>	<u>(6)</u>
<b>Net Change in Fund Balances</b>	<u>(370)</u>	<u>(370)</u>	<u>(393)</u>	<u>(23)</u>
<b>Fund Balances, Beginning of Year</b>	<u>3,312</u>	<u>3,312</u>	<u>3,312</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 2,942</u></u>	<u><u>\$ 2,942</u></u>	<u><u>\$ 2,919</u></u>	<u><u>\$ (23)</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Weed and Seed Fund**  
**Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Investment income	\$ 20	\$ 20	\$ 1	\$ (19)
Total revenues	<u>20</u>	<u>20</u>	<u>1</u>	<u>(19)</u>
<b>Expenditures</b>				
Current:				
Public works	2,741	2,741	5,093	(2,352)
Total expenditures	<u>2,741</u>	<u>2,741</u>	<u>5,093</u>	<u>(2,352)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(2,721)</u>	<u>(2,721)</u>	<u>(5,092)</u>	<u>(2,371)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(1,781)	(1,781)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,781)</u>	<u>(1,781)</u>
<b>Net Change in Fund Balances</b>	(2,721)	(2,721)	(6,873)	(4,152)
<b>Fund Balances, Beginning of Year</b>	<u>6,873</u>	<u>6,873</u>	<u>6,873</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 4,152</u></u>	<u><u>\$ 4,152</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (4,152)</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Domestic Violence Fund**  
**Year Ended December 31, 2010**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Fines, forfeitures and penalties	\$ 2,760	\$ 2,760	\$ 3,685	\$ 925
Total revenues	<u>2,760</u>	<u>2,760</u>	<u>3,685</u>	<u>925</u>
<b>Expenditures</b>				
Current:				
Capital outlay	<u>7,685</u>	<u>7,685</u>	<u>8,840</u>	<u>(1,155)</u>
Total expenditures	<u>7,685</u>	<u>7,685</u>	<u>8,840</u>	<u>(1,155)</u>
<b>Net Change in Fund Balances</b>	<u>(4,925)</u>	<u>(4,925)</u>	<u>(5,155)</u>	<u>(230)</u>
<b>Fund Balances, Beginning of Year</b>	<u>5,155</u>	<u>5,155</u>	<u>5,155</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 230</u></u>	<u><u>\$ 230</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (230)</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Bail Bond Fund**  
**Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Fines, forfeitures and penalties	\$ 8,000	\$ 8,000	\$ 7,851	\$ (149)
Total revenues	<u>8,000</u>	<u>8,000</u>	<u>7,851</u>	<u>(149)</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>8,000</u>	<u>8,000</u>	<u>7,851</u>	<u>(149)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(8,238)</u>	<u>(8,238)</u>	<u>(28,997)</u>	<u>(20,759)</u>
Total other financing sources (uses)	<u>(8,238)</u>	<u>(8,238)</u>	<u>(28,997)</u>	<u>(20,759)</u>
<b>Net Change in Fund Balances</b>	(238)	(238)	(21,146)	(20,908)
<b>Fund Balances, Beginning of Year</b>	<u>21,686</u>	<u>21,686</u>	<u>21,686</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 21,448</u></u>	<u><u>\$ 21,448</u></u>	<u><u>\$ 540</u></u>	<u><u>\$ (20,908)</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Library Fund**  
**Year Ended December 31, 2010**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 243,000	\$ 243,000	\$ 283,444	\$ 40,444
Grants and entitlement	72,000	72,000	80,254	8,254
Investment income	500	500	233	(267)
Total revenues	<u>315,500</u>	<u>315,500</u>	<u>363,931</u>	<u>48,431</u>
<b>Expenditures</b>				
Current:				
Culture and recreation	<u>334,500</u>	<u>334,500</u>	<u>398,165</u>	<u>(63,665)</u>
Total expenditures	<u>334,500</u>	<u>334,500</u>	<u>398,165</u>	<u>(63,665)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(19,000)</u>	<u>(19,000)</u>	<u>(34,234)</u>	<u>(15,234)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total other financing sources (uses)	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	1,000	1,000	(14,234)	(15,234)
<b>Fund Balances, Beginning of Year</b>	<u>40,492</u>	<u>40,492</u>	<u>40,492</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 41,492</u></u>	<u><u>\$ 41,492</u></u>	<u><u>\$ 26,258</u></u>	<u><u>\$ (15,234)</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Court Automation Fund**  
**Year Ended December 31, 2010**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Fines, forfeitures and penalties	\$ 30,550	\$ 30,550	\$ 28,586	\$ (1,964)
Investment income	200	200	52	(148)
Total revenues	<u>30,750</u>	<u>30,750</u>	<u>28,638</u>	<u>(2,112)</u>
<b>Expenditures</b>				
Current:				
General government	<u>5,300</u>	<u>5,300</u>	<u>14,584</u>	<u>(9,284)</u>
Total expenditures	<u>5,300</u>	<u>5,300</u>	<u>14,584</u>	<u>(9,284)</u>
<b>Net Change in Fund Balances</b>	<u>25,450</u>	<u>25,450</u>	<u>14,054</u>	<u>(11,396)</u>
<b>Fund Balances, Beginning of Year</b>	<u>102,045</u>	<u>102,045</u>	<u>102,045</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 127,495</u></u>	<u><u>\$ 127,495</u></u>	<u><u>\$ 116,099</u></u>	<u><u>\$ (11,396)</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**North Texarkana Redevelopment District**  
**Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 8,698	\$ 8,698	\$ 12,699	\$ 4,001
Investment income	32	32	2,863	2,831
Total revenues	<u>8,730</u>	<u>8,730</u>	<u>15,562</u>	<u>6,832</u>
<b>Expenditures</b>				
Current:				
Culture and recreation	26,191	26,191	-	26,191
Total expenditures	<u>26,191</u>	<u>26,191</u>	<u>-</u>	<u>26,191</u>
<b>Net Change in Fund Balances</b>	(17,461)	(17,461)	15,562	33,023
<b>Fund Balances, Beginning of Year</b>	<u>18,447</u>	<u>18,447</u>	<u>18,447</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 986</u>	<u>\$ 986</u>	<u>\$ 34,009</u>	<u>\$ 33,023</u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**YouthBuild Fund**  
**Year Ended December 31, 2010**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Grants and entitlement	\$ 10,040	\$ 10,040	\$ 9,250	\$ (790)
Investment earnings	-	-	1	1
Total revenues	<u>10,040</u>	<u>10,040</u>	<u>9,251</u>	<u>(789)</u>
<b>Expenditures</b>				
Current:				
Police department	<u>134,865</u>	<u>134,865</u>	<u>119,456</u>	<u>15,409</u>
Total expenditures	<u>134,865</u>	<u>134,865</u>	<u>119,456</u>	<u>15,409</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(124,825)</u>	<u>(124,825)</u>	<u>(110,205)</u>	<u>14,620</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>125,000</u>	<u>125,000</u>	<u>107,511</u>	<u>(17,489)</u>
Total other financing sources (uses)	<u>125,000</u>	<u>125,000</u>	<u>107,511</u>	<u>(17,489)</u>
<b>Net Change in Fund Balances</b>	175	175	(2,694)	(2,869)
<b>Fund Balances, Beginning of Year</b>	<u>14</u>	<u>14</u>	<u>14</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 189</u></u>	<u><u>\$ 189</u></u>	<u><u>\$ (2,680)</u></u>	<u><u>\$ (2,869)</u></u>



**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Public Safety Fund**  
**Year Ended December 31, 2010**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Fines, forfeitures and penalties	\$ 250	\$ 250	\$ 312	\$ 62
Total revenues	<u>250</u>	<u>250</u>	<u>312</u>	<u>62</u>
<b>Expenditures</b>				
Current:				
Culture and recreation	969	969	-	969
Total expenditures	<u>969</u>	<u>969</u>	<u>-</u>	<u>969</u>
<b>Net Change in Fund Balances</b>	<u>(719)</u>	<u>(719)</u>	<u>312</u>	<u>1,031</u>
<b>Fund Balances, Beginning of Year</b>	<u>1,113</u>	<u>1,113</u>	<u>1,113</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 394</u></u>	<u><u>\$ 394</u></u>	<u><u>\$ 1,425</u></u>	<u><u>\$ 1,031</u></u>

## **FIDUCIARY FUNDS**

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

## **TRUST FUNDS**

**Trust Funds** account for assets held in the Public Employee Retirement System, Water Utilities Employee Retirement System, the Firemen's Pension and Relief Fund, Policemen's Pension and Relief Fund, and the Municipal Judges 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 Assets**  
**Pension Trust Funds**  
**December 31, 2010**

	City Employee Retirement System	Utilities Employee Retirement System	Firefighter's Relief and Pension	Police Relief and Pension	Municipal Judges Pension	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 338,350	\$ 178,132	\$ 415,516	\$ 132,957	\$ 2,286	\$ 1,067,241
Investments						
Equities	-	-	2,423,862	1,859,288	-	4,283,150
U. S. government obligations	1,255,935	672,975	-	-	-	1,928,910
Corporate bonds and notes	732,416	373,823	1,099,109	1,201,917	-	3,407,265
Mutual funds and other investments	2,409,812	1,369,642	1,948,433	2,319,627	-	8,047,514
Interest receivable	15,245	7,942	14,205	16,467	-	53,859
Due from other funds	-	-	360,900	360,900	-	721,800
	<u>4,751,758</u>	<u>2,602,514</u>	<u>6,262,025</u>	<u>5,891,156</u>	<u>2,286</u>	<u>19,509,739</u>
<b>Liabilities</b>						
Accounts payable	1,915	1,211	10,179	9,548	-	22,853
Due to other funds	-	-	4,235	4,235	2,286	10,756
	<u>1,915</u>	<u>1,211</u>	<u>14,414</u>	<u>13,783</u>	<u>2,286</u>	<u>33,609</u>
<b>Net Assets</b>						
Net assets held in trust	<u>\$ 4,749,843</u>	<u>\$2,601,303</u>	<u>\$ 6,247,611</u>	<u>\$ 5,877,373</u>	<u>\$ -</u>	<u>\$ 19,476,130</u>

**City of Texarkana, Arkansas**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
**Year Ended December 31, 2010**

	City Employee Retirement System	Utilities Employee Retirement System	Firefighter's Relief and Pension	Police Relief and Pension	Municipal Judges Pension	Total
<b>Additions</b>						
Contributions						
Employer	\$ 141,876	\$ -	\$ 600,286	\$ 674,987	\$ -	\$ 1,417,149
Employee	-	-	7,514	7,106	-	14,620
Intergovernmental	-	-	137	197,628	4,964	202,729
Other	72	38	30,809	34,339	-	65,258
Total contributions	<u>141,948</u>	<u>38</u>	<u>638,746</u>	<u>914,060</u>	<u>4,964</u>	<u>1,699,756</u>
Investment income (loss)						
Net increase in fair value of investments	303,841	173,042	465,976	393,147	-	1,336,006
Interest and dividends	130,235	66,845	133,734	138,575	2	469,391
	<u>434,076</u>	<u>239,887</u>	<u>599,710</u>	<u>531,722</u>	<u>2</u>	<u>1,805,397</u>
Less investment expense	-	-	38,931	43,049	-	81,980
Net investment income (loss)	<u>434,076</u>	<u>239,887</u>	<u>560,779</u>	<u>488,673</u>	<u>2</u>	<u>1,723,417</u>
Total additions	<u>576,024</u>	<u>239,925</u>	<u>1,199,525</u>	<u>1,402,733</u>	<u>4,966</u>	<u>3,423,173</u>
<b>Deductions</b>						
Benefits paid directly to participants	566,074	70,127	921,185	1,218,434	-	2,775,820
Administrative expenses	21,906	20,413	4,235	4,235	-	50,789
Total deductions	<u>587,980</u>	<u>90,540</u>	<u>925,420</u>	<u>1,222,669</u>	<u>-</u>	<u>2,826,609</u>
<b>Transfers Out</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,186)</u>	<u>(16,186)</u>
<b>Change in Net Assets</b>	<u>(11,956)</u>	<u>149,385</u>	<u>274,105</u>	<u>180,064</u>	<u>(11,220)</u>	<u>580,378</u>
<b>Net Assets Held in Trust, Beginning of Year</b>	<u>4,761,799</u>	<u>2,451,918</u>	<u>5,973,506</u>	<u>5,697,309</u>	<u>11,220</u>	<u>18,895,752</u>
<b>Net Assets Held in Trust, End of Year</b>	<u>\$ 4,749,843</u>	<u>\$2,601,303</u>	<u>\$ 6,247,611</u>	<u>\$ 5,877,373</u>	<u>\$ -</u>	<u>\$ 19,476,130</u>

**City of Texarkana, Arkansas**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**Year Ended December 31, 2010**

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
<b>Police Bond Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 55,045	\$ 1,370,846	\$ 1,287,651	\$ 138,240
Interest receivables	3,556	-	-	3,556
Due from other government	2,585	1,800	2,585	1,800
Total assets	<u>61,186</u>	<u>1,372,646</u>	<u>1,290,236</u>	<u>143,596</u>
<b>Liabilities</b>				
Accounts payable	410	78,868	79,183	95
Escrow deposits	60,776	1,652,629	1,569,904	143,501
Total liabilities	<u>61,186</u>	<u>1,731,497</u>	<u>1,649,087</u>	<u>143,596</u>
Net assets	<u>\$ -</u>	<u>\$ (358,851)</u>	<u>\$ (358,851)</u>	<u>\$ -</u>
<b>Drug Seizure Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 40,556	\$ 3,948	\$ 3,929	\$ 40,575
Total assets	<u>40,556</u>	<u>3,948</u>	<u>3,929</u>	<u>40,575</u>
<b>Liabilities</b>				
Escrow deposits	40,556	19	-	40,575
Total liabilities	<u>40,556</u>	<u>19</u>	<u>-</u>	<u>40,575</u>
Net assets	<u>\$ -</u>	<u>\$ 3,929</u>	<u>\$ 3,929</u>	<u>\$ -</u>
<b>Operations Cash Outfunds</b>				
<b>Assets</b>				
Investments	\$ -	\$ 52,262	\$ -	\$ 52,262
Total assets	<u>-</u>	<u>52,262</u>	<u>-</u>	<u>52,262</u>
<b>Liabilities</b>				
Accounts payable	-	52,262	-	52,262
Total liabilities	<u>-</u>	<u>52,262</u>	<u>-</u>	<u>52,262</u>
Net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Agency Funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 95,601	\$ 1,374,794	\$ 1,291,580	\$ 178,815
Investments	-	52,262	-	52,262
Interest receivables	3,556	-	-	3,556
Due from other government	2,585	1,800	2,585	1,800
Total assets	<u>101,742</u>	<u>1,428,856</u>	<u>1,294,165</u>	<u>236,433</u>
<b>Liabilities</b>				
Accounts payable	410	131,130	79,183	52,357
Escrow deposits	101,332	1,652,648	1,569,904	184,076
Total liabilities	<u>101,742</u>	<u>1,783,778</u>	<u>1,649,087</u>	<u>236,433</u>
Net assets	<u>\$ -</u>	<u>\$ (354,922)</u>	<u>\$ (354,922)</u>	<u>\$ -</u>

# **Statistical Section**

# 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.

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 <b>Financial Trends (Tables 1-6)</b>	
These schedules contain trend information to assist the reader in understanding how the City’s financial performance and well-being have changed over time. ....	94
 <b>Revenue Capacity (Tables 7-11)</b>	
These schedules contain information to help the reader assess the City’s most significant revenue sources, local sales taxes and property taxes. ....	100
 <b>Debt Capacity (Tables 12-16)</b>	
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. ....	106
 <b>Demographic and Economic Information (Tables 17-18)</b>	
These schedules offer demographic and economic indicators to assist the reader in understanding the environment within which the City’s financial activities take place. ....	111
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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. ....	113

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**City of Texarkana, Arkansas**  
**Net Assets by Component**  
**Last Eight Years**  
**(Accrual Basis of Accounting)**

**Table 1**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities:								
Invested in capital assets, net of related debt	\$ 9,575,862	\$ 11,953,431	\$ 11,043,566	\$ 10,714,377	\$ 12,150,105	\$ 12,628,280	\$ 13,412,023	\$ 12,850,864
Restricted	-	1,440,802	2,450,392	1,475,048	1,702,413	1,553,237	1,669,627	2,225,926
Unrestricted	<u>12,533,831</u>	<u>9,313,438</u>	<u>7,619,885</u>	<u>8,346,737</u>	<u>6,787,161</u>	<u>8,574,892</u>	<u>9,379,180</u>	<u>10,485,576</u>
Total governmental activities net assets	<u>22,109,693</u>	<u>22,707,671</u>	<u>21,113,843</u>	<u>20,536,162</u>	<u>20,639,679</u>	<u>22,756,409</u>	<u>24,460,830</u>	<u>25,562,366</u>
Business-type activities:								
Invested in capital assets, net of related debt	19,829,959	21,185,202	22,168,781	23,687,992	25,562,213	26,459,527	27,822,325	28,029,483
Restricted	2,858,957	3,677,998	4,017,436	3,643,673	2,738,995	2,758,082	2,381,952	2,442,605
Unrestricted (deficit)	<u>10,029,232</u>	<u>8,329,109</u>	<u>8,889,937</u>	<u>8,856,493</u>	<u>8,644,045</u>	<u>8,175,084</u>	<u>7,752,605</u>	<u>9,212,553</u>
Total business-type activities net assets	<u>32,718,148</u>	<u>33,192,309</u>	<u>35,076,154</u>	<u>36,188,158</u>	<u>36,945,253</u>	<u>37,392,693</u>	<u>37,956,882</u>	<u>39,684,641</u>
Primary government								
Invested in capital assets, net of related debt	29,405,821	33,138,633	33,212,347	34,402,369	37,712,318	39,087,807	41,234,348	40,880,347
Restricted	2,858,957	5,118,800	6,467,828	5,118,721	4,441,408	4,311,319	4,051,579	4,668,531
Unrestricted	<u>22,563,063</u>	<u>17,642,547</u>	<u>16,509,822</u>	<u>17,203,230</u>	<u>15,431,206</u>	<u>16,749,976</u>	<u>17,131,785</u>	<u>19,698,129</u>
Total primary government net assets	<u>\$ 54,827,841</u>	<u>\$ 55,899,980</u>	<u>\$ 56,189,997</u>	<u>\$ 56,724,320</u>	<u>\$ 57,584,932</u>	<u>\$ 60,149,102</u>	<u>\$ 62,417,712</u>	<u>\$ 65,247,007</u>

Notes: The City began to report accrual information when it implemented GASB Statement 34 in year 2003.

**City of Texarkana, Arkansas**  
**Change in Net Assets**  
**Last Eight Years**  
**(Accrual Basis of Accounting)**

**Table 2**

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Expenses</b>								
Governmental activities:								
Current:								
General government	\$ 1,114,891	\$ 1,059,023	\$ 1,407,079	\$ 1,255,727	\$ 1,739,355	\$ 1,450,206	\$ 1,512,480	\$ 2,085,755
Police department	7,396,277	7,063,610	8,867,001	7,971,429	9,895,008	9,019,326	8,710,432	12,410,163
Fire department	3,047,468	3,214,346	3,287,670	3,886,301	4,115,477	4,024,467	4,291,551	5,626,796
Protective inspection	280,188	294,775	307,023	342,576	5,094	417,558	368,400	467,872
Public works	4,431,518	4,638,902	4,660,574	4,908,533	1,867,201	5,856,532	5,208,513	5,723,499
Public services	209,431	306,248	133,339	853,754	4,213,906	120,566	117,720	6,518
Health	103,093	94,290	102,236	95,579	99,395	241,428	286,166	347,763
Culture and recreation	633,945	721,617	433,470	642,139	389,957	672,415	693,057	895,119
Administrative and general	1,256,411	1,329,263	1,196,944	1,147,060	1,624,299	1,320,080	1,384,283	-
Interest on long-term debt	683,880	745,223	715,427	686,043	662,566	669,030	672,631	1,172,912
Total governmental activities expenses	<u>19,157,102</u>	<u>19,467,297</u>	<u>21,110,763</u>	<u>21,789,141</u>	<u>24,612,258</u>	<u>23,791,608</u>	<u>23,245,233</u>	<u>28,736,397</u>
Business-type activities:								
Water and sewer	<u>6,674,616</u>	<u>7,214,089</u>	<u>7,477,816</u>	<u>7,786,552</u>	<u>8,206,231</u>	<u>8,791,428</u>	<u>8,881,682</u>	<u>8,631,993</u>
Total business-type activities expenses	<u>6,674,616</u>	<u>7,214,089</u>	<u>7,477,816</u>	<u>7,786,552</u>	<u>8,206,231</u>	<u>8,791,428</u>	<u>8,881,682</u>	<u>8,631,993</u>
Total primary government expenses	<u>25,831,718</u>	<u>26,681,386</u>	<u>28,588,579</u>	<u>29,575,693</u>	<u>32,818,489</u>	<u>32,583,036</u>	<u>32,126,915</u>	<u>37,368,390</u>
<b>Program Revenues</b>								
Governmental activities:								
Charges for services	4,133,020	4,286,983	4,742,018	4,985,729	5,223,203	5,638,025	5,525,130	5,416,351
Operating grants and contributions	3,155,249	3,354,223	3,491,860	3,709,035	3,490,318	5,216,175	4,749,140	4,423,291
Capital grants and contributions	14,366	195,484	226,431	589,867	929,494	531,767	336,363	2,246,130
Total governmental activities program revenues	<u>7,302,635</u>	<u>7,836,690</u>	<u>8,460,309</u>	<u>9,284,631</u>	<u>9,643,015</u>	<u>11,385,967</u>	<u>10,610,633</u>	<u>12,085,772</u>
Business-type activities:								
Charges for services	6,190,113	7,062,424	7,861,937	8,196,268	7,979,139	8,513,068	8,933,472	10,141,700
Capital grants and contributions	16,045	-	785,122	53,553	502,690	532,005	450,021	43,157
Total business-type activities program revenues	<u>6,206,158</u>	<u>7,062,424</u>	<u>8,647,059</u>	<u>8,249,821</u>	<u>8,481,829</u>	<u>9,045,073</u>	<u>9,383,493</u>	<u>10,184,857</u>
Total primary government program revenues	<u>\$ 13,508,793</u>	<u>\$ 14,899,114</u>	<u>\$ 17,107,368</u>	<u>\$ 17,534,452</u>	<u>\$ 18,124,844</u>	<u>\$ 20,431,040</u>	<u>\$ 19,994,126</u>	<u>\$ 22,270,629</u>

**City of Texarkana, Arkansas**  
**Change in Net Assets (Continued)**  
**Last Eight Years**  
**(Accrual Basis of Accounting)**

**Table 2**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Net (Expense)/Revenue</b>								
Governmental activities	\$ (11,854,467)	\$ (11,630,607)	\$ (12,650,454)	\$ (12,504,510)	\$ (14,969,243)	\$ (12,405,641)	\$ (12,634,600)	\$ (16,650,625)
Business-type activities	(468,458)	(151,665)	1,169,243	463,269	275,598	253,645	501,811	1,552,864
Total primary government net expense	<u>(12,322,925)</u>	<u>(11,782,272)</u>	<u>(11,481,211)</u>	<u>(12,041,241)</u>	<u>(14,693,645)</u>	<u>(12,151,996)</u>	<u>(12,132,789)</u>	<u>(15,097,761)</u>
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental activities:								
Property taxes	2,634,328	1,894,876	2,161,145	2,681,575	3,082,134	2,666,864	3,025,209	3,453,940
Sales taxes	6,444,674	6,261,789	6,643,321	6,742,640	6,983,665	8,505,726	8,229,227	8,417,648
Franchise taxes	1,440,786	1,481,445	1,813,993	2,067,971	2,327,790	2,694,776	2,568,201	2,726,391
Other taxes	59,254	33,971	51,893	54,301	68,339	52,032	125,195	136,636
Unrestricted investment earnings	49,111	48,931	64,596	66,608	112,427	75,282	35,744	27,651
Gain(loss) on sale of capital assets	161,593	(5,743)	-	-	-	-	25,936	-
Miscellaneous	30,013	561,485	17,561	187,815	54,864	310,036	102,837	153,869
Transfers	-	-	109,425	125,919	198,466	217,655	226,672	-
Total governmental activities	<u>10,819,759</u>	<u>10,276,754</u>	<u>10,861,934</u>	<u>11,926,829</u>	<u>12,827,685</u>	<u>14,522,371</u>	<u>14,339,021</u>	<u>14,916,135</u>
Business-type activities:								
Unrestricted investment earnings	405,871	620,497	646,300	772,782	658,790	403,158	282,956	414,316
Gain on sale of capital assets	9,357	5,329	1,339	-	-	-	-	1,178
Miscellaneous	580,721	-	-	-	-	737	-	-
Transfers	-	-	(89,483)	(124,047)	(177,293)	(210,100)	(220,578)	(240,599)
Total business-type activities	<u>995,949</u>	<u>625,826</u>	<u>558,156</u>	<u>648,735</u>	<u>481,497</u>	<u>193,795</u>	<u>62,378</u>	<u>174,895</u>
Total primary government general revenues and other changes in net assets	<u>11,815,708</u>	<u>10,902,580</u>	<u>11,420,090</u>	<u>12,575,564</u>	<u>13,309,182</u>	<u>14,716,166</u>	<u>14,401,399</u>	<u>15,091,030</u>
<b>Change in Net Assets</b>								
Governmental activities	(1,034,708)	(1,353,853)	(1,788,520)	(577,681)	(2,141,558)	2,116,730	1,704,421	(1,734,490)
Business-type activities	527,491	474,161	1,727,399	1,112,004	757,095	447,440	564,189	1,727,759
Total primary government changes in net assets	<u>\$ (507,217)</u>	<u>\$ (879,692)</u>	<u>\$ (61,121)</u>	<u>\$ 534,323</u>	<u>\$ (1,384,463)</u>	<u>\$ 2,564,170</u>	<u>\$ 2,268,610</u>	<u>\$ (6,731)</u>

Notes: The City began to report accrual information when it implemented GASB Statement 34 in year 2003.

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

**Table 3**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Function/ Program</b>								
Governmental activities:								
General government	\$ 1,844,845	\$ 1,994,100	\$ 1,177,415	\$ 1,266,513	\$ 1,890,416	\$ 2,190,034	\$ 2,148,483	\$ 3,566,739
Police department	1,790,412	1,879,942	1,975,257	1,974,700	1,722,870	1,606,344	1,536,513	1,105,987
Fire department	47,792	121,792	55,640	75,861	82,524	14,942	16,416	3,981
Public works	2,963,719	3,088,254	4,705,044	5,138,254	5,212,358	6,221,028	5,062,825	5,405,150
Public services	593,531	668,239	441,066	662,462	542,406	1,270,098	1,747,617	962,988
Health	-	-	105,887	-	-	-	-	-
Culture and recreation	62,336	84,363	-	166,841	192,441	83,521	98,779	80,254
Subtotal governmental activities	<u>7,302,635</u>	<u>7,836,690</u>	<u>8,460,309</u>	<u>9,284,631</u>	<u>9,643,015</u>	<u>11,385,967</u>	<u>10,610,633</u>	<u>11,125,099</u>
Business-type activities:								
Water and sewer	<u>6,206,158</u>	<u>7,062,424</u>	<u>8,647,059</u>	<u>8,249,821</u>	<u>8,481,829</u>	<u>9,045,073</u>	<u>9,383,493</u>	<u>10,184,857</u>
Subtotal business-type activities	<u>6,206,158</u>	<u>7,062,424</u>	<u>8,647,059</u>	<u>8,249,821</u>	<u>8,481,829</u>	<u>9,045,073</u>	<u>9,383,493</u>	<u>10,184,857</u>
Total primary government	<u>\$ 13,508,793</u>	<u>\$ 14,899,114</u>	<u>\$ 17,107,368</u>	<u>\$ 17,534,452</u>	<u>\$ 18,124,844</u>	<u>\$ 20,431,040</u>	<u>\$ 19,994,126</u>	<u>\$ 21,309,956</u>

Notes: The City began to report accrual information when it implemented GASB Statement 34 in year 2003.

(1) Effective January 1, 2003, the City implemented GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (as amended by Statement No. 37). This table will ultimately contain information for ten fiscal years.

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

**Table 4**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>General Fund</b>								
Reserved	\$ 58,302	\$ 58,302	\$ -	\$ -	\$ -	\$ -	\$ 20,837	\$ 291,361
Unreserved, designated	-	-	-	-	-	876,277	1,691,943	1,744,280
Unreserved	<u>1,360,257</u>	<u>950,865</u>	<u>1,720,984</u>	<u>2,155,175</u>	<u>2,744,213</u>	<u>2,941,100</u>	<u>3,142,175</u>	<u>2,000,819</u>
Total general fund	<u>\$ 1,418,559</u>	<u>\$ 1,009,167</u>	<u>\$ 1,720,984</u>	<u>\$ 2,155,175</u>	<u>\$ 2,744,213</u>	<u>\$ 3,817,377</u>	<u>\$ 4,854,955</u>	<u>\$ 4,036,460</u>
<b>All Other Governmental Funds</b>								
Reserved	\$ 262,185	\$ 262,185	\$ 250,746	\$ -	\$ -	\$ -	\$ 6,428	\$ 30,738
Unreserved, reported in:								
Special revenue fund	425,974	412,697	459,832	665,935	263,715	245,982	399,160	367,851
Debt service fund	1,290,738	1,296,545	1,372,923	1,377,347	1,404,969	1,335,009	1,368,202	1,537,546
Capital projects fund	3,183,782	1,127,518	896,821	1,169,144	1,283,652	3,013,168	(7,244)	3,510,284
Unreserved, designated for, reported in:								
Special revenue fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,639</u>	<u>108,775</u>	<u>147,625</u>	<u>139,042</u>
Total all other governmental funds	<u>\$ 5,162,679</u>	<u>\$ 3,098,945</u>	<u>\$ 2,980,322</u>	<u>\$ 3,212,426</u>	<u>\$ 3,032,975</u>	<u>\$ 4,702,934</u>	<u>\$ 1,914,171</u>	<u>\$ 5,585,461</u>

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

**Table 5**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Revenues</b>								
Property taxes	\$ 2,502,845	\$ 2,605,255	\$ 2,811,427	\$ 2,775,689	\$ 2,677,534	\$ 2,662,211	\$ 2,967,244	\$ 3,076,924
Sales taxes	6,444,674	6,261,789	6,643,321	6,742,640	6,983,665	8,505,726	8,229,227	8,417,648
Other taxes	59,254	33,971	51,893	54,301	68,339	52,032	125,194	136,636
Utility franchise	1,440,786	1,481,445	1,813,993	2,067,971	2,327,790	2,694,776	2,568,201	2,726,391
Licenses and permits	181,420	155,810	154,079	190,145	202,439	333,753	199,428	184,973
Fines, forfeitures and penalties	844,704	1,013,059	850,669	864,732	858,745	950,226	837,383	753,442
Charges for services	3,106,895	3,118,235	3,587,105	3,771,373	3,917,320	4,048,377	4,129,069	4,187,783
Grants and entitlements	905,600	1,424,618	1,253,651	1,931,897	1,537,728	2,237,208	1,539,456	2,722,402
Intergovernmental	2,067,804	2,239,541	2,507,032	2,678,653	3,104,345	2,647,534	2,735,212	2,891,491
Investment income	49,111	48,932	64,620	66,619	112,428	74,683	35,384	27,651
Miscellaneous	191,605	64,538	34,647	160,095	54,863	342,153	172,285	446,488
Total revenues	<u>17,794,698</u>	<u>18,447,193</u>	<u>19,772,437</u>	<u>21,304,115</u>	<u>21,845,196</u>	<u>24,548,679</u>	<u>23,538,083</u>	<u>25,571,829</u>
<b>Expenditures</b>								
Current:								
General government	1,006,337	988,717	1,332,817	1,168,885	1,658,606	1,352,128	1,417,749	1,885,204
Police department	5,916,935	6,386,147	6,729,259	7,248,114	7,275,671	7,883,830	7,922,633	9,469,492
Fire department	2,858,912	3,011,863	3,194,086	3,598,544	3,804,405	4,014,694	4,074,334	4,843,559
Protective inspection	276,697	289,220	301,381	337,179	395,301	415,423	368,400	433,139
Public works	3,862,929	3,967,649	4,366,197	4,111,168	4,124,504	4,291,986	4,184,913	4,536,705
Public services	205,887	300,781	98,691	508,881	194,040	124,860	126,444	6,856
Health and welfare	82,896	74,064	82,144	80,838	84,449	226,482	271,220	312,181
Culture and recreation	461,886	535,075	257,371	509,286	250,754	536,355	629,001	777,069
Administrative and general	1,186,008	1,344,388	1,236,504	1,094,650	1,297,117	1,264,712	1,237,304	-
Capital outlay	1,863,032	2,661,691	524,543	1,035,608	1,785,138	2,535,651	3,861,897	2,600,254
Debt service:								
Principal retirement	480,181	615,501	569,543	634,543	732,307	742,874	749,414	822,448
Interest and fiscal charges	683,880	745,223	715,427	686,043	662,566	669,030	672,631	723,961
Bond issuance costs	-	-	-	-	-	415,186	-	129,073
Total expenditures	<u>18,885,580</u>	<u>20,920,319</u>	<u>19,407,963</u>	<u>21,013,739</u>	<u>22,264,858</u>	<u>24,473,211</u>	<u>25,515,940</u>	<u>26,539,941</u>
Excess (deficiency) of revenues over expenditures	<u>(1,090,882)</u>	<u>(2,473,126)</u>	<u>364,474</u>	<u>290,376</u>	<u>(419,662)</u>	<u>75,468</u>	<u>(1,977,857)</u>	<u>(968,112)</u>

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

**Table 5**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Other Financing Sources (Uses)</b>								
Transfers in	\$ 902,951	\$ 808,656	\$ 1,226,533	\$ 1,490,421	\$ 1,648,093	\$ 11,010,122	\$ 1,326,554	\$ 5,848,062
Transfers out	(902,951)	(808,656)	(1,117,108)	(1,364,502)	(1,449,627)	(10,792,467)	(1,099,882)	(5,848,062)
Proceeds from issuance of debt	-	-	-	250,000	-	-	-	3,820,907
Refunding bonds issued	-	-	-	-	-	10,290,000	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	(7,840,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>109,425</u>	<u>375,919</u>	<u>198,466</u>	<u>2,667,655</u>	<u>226,672</u>	<u>3,820,907</u>
Net change in fund balances	<u><u>\$ (1,090,882)</u></u>	<u><u>\$ (2,473,126)</u></u>	<u><u>\$ 473,899</u></u>	<u><u>\$ 666,295</u></u>	<u><u>\$ (221,196)</u></u>	<u><u>\$ 2,743,123</u></u>	<u><u>\$ (1,751,185)</u></u>	<u><u>\$ 2,852,795</u></u>
Debt Service as a percentage of noncapital expenditures	6.8%	7.5%	6.8%	6.6%	6.8%	6.4%	6.6%	6.5%

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

**Table 6**

<b>Fiscal Year</b>	<b>Property</b>	<b>Sales and Use</b>	<b>Other</b>	<b>Utility Franchise</b>	<b>Total</b>
2003	\$ 2,502,845	\$ 6,444,674	\$ 59,254	\$ 1,440,786	\$ 10,447,559
2004	2,605,255	6,261,789	33,971	1,481,445	10,382,460
2005	2,811,427	6,643,321	51,893	1,813,993	11,320,634
2006	2,775,689	6,742,640	54,301	2,067,971	11,640,601
2007	2,677,534	6,983,665	68,339	2,327,790	12,057,328
2008	2,662,211	8,505,726	52,032	2,694,776	13,914,745
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
Percentage change from 2003 to current year	22.94%	30.61%	130.59%	89.23%	37.43%



**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
2002	2001	\$ 135,196,599	\$ 80,460,188	\$ 215,656,787	0.1050	\$ 2,264,396	\$ 1,078,284	\$ 539,142	\$ 215,657	\$ 215,657	\$ 215,657
2003	2002	141,302,304	81,810,350	223,112,654	0.1050	2,342,683	1,115,563	557,782	223,113	223,113	223,113
2004	2003	143,501,127	83,661,385	227,162,512	0.1050	2,385,206	1,135,813	567,906	227,163	227,163	227,163
2005	2004	151,657,956	84,992,218	236,650,174	0.1050	2,484,827	1,183,251	591,625	236,650	236,650	236,650
2006	2005	156,740,998	87,477,142	244,218,140	0.1050	2,564,290	1,221,091	610,545	244,218	244,218	244,218
2007	2006	162,582,912	87,983,284	250,566,196	0.1050	2,630,945	1,252,831	626,415	250,566	250,566	250,566
2008	2007	179,393,386	92,575,725	271,969,111	0.1050	2,855,676	1,359,846	679,923	271,969	271,969	271,969
2009	2008	192,542,695	98,702,928	291,245,623	0.1050	3,058,079	1,456,228	728,114	291,246	291,246	291,246
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	216,916,045	93,647,265	310,563,310	0.1050	3,260,915	1,552,817	776,408	310,563	310,563	310,563

Note:

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

Source - Miller County Tax Records per the Assessor's Office.

**City of Texarkana, Arkansas**  
**Property Tax Rates and Tax Levies of Direct and Overlapping Government**  
**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				
<b>Real Property Tax Rates:</b>										
2001	\$ 5.00	\$ 2.50	\$ 1.00	\$ 1.00	\$ 1.00	\$ 10.50	\$ 38.90	\$ 5.50	\$ 54.90	
2002	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2003	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2004	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2005	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2006	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2007	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2008	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2009	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2010	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
<b>Personal Property Tax Rates:</b>										
2001	\$ 5.00	\$ 2.50	\$ 1.00	\$ 1.00	\$ 1.00	\$ 10.50	\$ 38.90	\$ 5.50	\$ 54.90	
2002	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2003	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2004	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2005	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2004	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2007	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2008	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2009	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2010	5.00	2.50	1.00	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, 2010**

The City of Texarkana, Arkansas's largest own-source revenue is sales taxes. Sales taxes primarily come from two 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-half 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. Per the agreement, the City of Texarkana receives forty-five percent of the county sales tax collections. In 2010, the city sales tax generated revenue of \$6,247,209. The City's portion of the county sales tax generated revenue of \$2,168,439.

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	2010			2001		
	Rank	2009 Assessed Valuation (1) (2)	Percentage of Total Assessed Valuation	Rank	2000 Assessed Valuation (1) (3)	Percentage of Total Assessed Valuation
BAC Tax Services Corp	1	\$ 18,281,668	6.62%			
Wells Fargo Home Mortgage	2	12,551,870	4.55%			
Southwest AR Electric Co-Op	3	7,427,840	2.69%			
Chase Home Finance LLC	4	7,200,270	2.61%			
Cooper Tire and Rubber Co.	5	6,592,201	2.39%	1	\$ 20,358,700	9.93%
BancorpSouth Bank	6	5,306,563	1.92%			
Natural Gas Pipe Line Co.	7	5,233,590	1.90%			
Regions Mtg	8	4,816,487	1.75%			
Union Pacific System	9	4,488,240	1.63%			
CitiMortgage Inc	10	3,941,943	1.43%			
Truman Arnold				2	3,090,240	1.51%
Southwestern Electric Power Co				3	2,925,800	1.43%
M & FC Property, Inc./Smith-Blair Inc.				4	1,852,250	0.90%
The Links of Texarkana				5	1,690,040	0.82%
General Telephone				6	1,514,390	0.74%
Groach Associates				7	1,447,150	0.71%
Unifreeze Services Partnership				8	1,421,990	0.69%
Martin Marietta Materials				9	1,305,750	0.64%
Buhrman Pharr Hardware				10	1,042,400	0.51%
Total principal taxpayers		<u>\$ 75,840,672</u>	<u>11.01%</u>		<u>\$ 36,648,710</u>	<u>17.87%</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, 2000

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

**Table 10**

<b>Fiscal Year</b>	<b>Tax Roll Year</b>	<b>Total Tax Levy(2)(3)</b>	<b>Current Taxes Collected(1)</b>	<b>Percent of Current Taxes Collected</b>	<b>Delinquent Taxes Collected(1)</b>	<b>Total Tax Collections</b>	<b>Percent Total Tax Collections to Tax Levy(3)</b>	<b>Outstanding Delinquent Taxes</b>	<b>Percent Delinquent Taxes to Tax Levy</b>
2001	2000	\$ 2,152,855	\$ 1,891,900	87.88%	\$ 229,705	\$ 2,121,605	98.55%	\$ 1,292,875	60.05%
2002	2001	2,264,396	1,886,510	83.31%	280,489	2,166,999	95.70%	1,390,272	61.40%
2003	2002	2,342,683	2,031,106	86.70%	159,278	2,190,384	93.50%	1,542,571	65.85%
2004	2003	2,385,206	2,145,264	89.94%	149,698	2,294,962	96.22%	605,716	25.39%
2005	2004	2,484,827	2,216,262	89.19%	262,245	2,478,507	99.75%	356,590	14.35%
2006	2005	2,564,290	2,237,887	87.27%	250,289	2,488,176	97.03%	325,678	12.70%
2007	2006	2,630,945	2,320,724	88.21%	209,947	2,530,671	96.19%	264,397	10.05%
2008	2007	2,855,676	2,300,836	80.57%	269,195	2,570,031	90.00%	284,626	9.97%
2009	2008	3,058,079	2,566,653	83.93%	305,441	2,872,095	93.92%	309,965	10.14%
2010	2009	2,985,290	2,594,276	86.90%	381,880	2,976,156	99.69%	143,315	4.80%
2011	2010	3,260,915	-	0.00%	-	-	0.00%	-	0.00%

- (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**

<b>Year</b>	<b>City Direct Rate</b>	<b>Miller County Rate</b>
2001	1.50%	1.50% (1)
2002	1.50%	1.50%
2003	1.50%	1.50%
2004	1.50%	1.50%
2005	1.50%	1.50%
2006	1.50%	1.50%
2007	1.5%/2.5% (2)	1.50%
2008	2.50% (3)	1.50%
2009	2.50%	1.50%
2010	2.50%	1.50%

Source: Arkansas Department of Finance and Administration

(1) The rate changed effective 10/01/2000.

(2) The rate changed effective 07/01/2007.

(3) The rate changed effective 01/01/2008.

**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	Water Revenue Bonds	Capital Leases			
2001	\$ 5,225,000	\$5,490,000	\$ -	\$ 21,961,812	\$ 1,955,261	\$ 34,632,073	7.64%	\$ 1,309
2002	5,120,000	9,390,000	316,354	20,976,609	1,831,073	37,634,036	8.31%	1,423
2003	4,910,000	9,220,000	216,173	20,226,056	1,816,009	36,388,238	8.03%	1,376
2004	4,635,000	8,980,000	115,672	21,027,180	1,425,119	36,182,971	7.99%	1,368
2005	4,355,000	8,730,000	76,017	22,428,153	1,009,798	36,598,968	8.08%	1,384
2006	4,020,000	8,470,000	286,474	21,480,301	705,230	34,962,005	7.72%	1,322
2007	3,645,000	8,195,000	204,167	19,165,798	511,414	31,721,379	6.20%	1,062
2008	3,235,000	10,360,000	156,293	18,148,484	315,969	32,215,746	6.25%	1,071
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

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**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Assessed Value (2)</b>	<b>Gross Bonded Debt (3)</b>	<b>Debt Service Monies Available</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt per Capita</b>
2001	26,448	\$ 205,033,780	\$ 5,225,000	\$ 477,180	\$ 4,747,820	2.32%	\$ 180
2002	26,448	215,656,787	5,120,000	602,127	4,517,873	2.09%	171
2003	26,448	223,112,654	4,910,000	635,112	4,274,888	1.92%	162
2004	26,448	227,162,512	4,635,000	633,180	4,001,820	1.76%	151
2005	26,448	236,650,174	4,355,000	688,535	3,666,465	1.55%	139
2006	26,448	244,218,140	4,020,000	714,736	3,305,264	1.35%	125
2007	29,856	250,566,196	3,645,000	733,385	2,911,615	1.16%	98
2008	30,087	271,969,111	3,235,000	739,275	2,495,725	0.92%	83
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

Notes:

(1) Source - Bureau of Census

(2) Source - Miller County Tax Records

(3) Gross bonded debt consists of General Obligation bonds only

*Unaudited – See Accompanying Auditors' Report*



**City of Texarkana, Arkansas**  
**Direct and Overlapping Governmental Activities Debt**  
**December 31, 2010**

**Table 14**

<b>Jurisdiction</b>	<b>Gross Bonded Debt</b>	<b>Percentage of Debt Applicable to City of Texarkana</b>	<b>Amount Applicable to City of Texarkana</b>
Direct:			
City of Texarkana, Arkansas	\$ 2,230,000 (1)	100.00%	<u>\$ 2,230,000</u>
Overlapping:			
Miller County	2,615,000 (2)	70.25%	1,837,038
Texarkana, Arkansas School District	21,705,826 (3)	79.42%	<u>17,238,767</u>
Subtotal - Overlapping debt			<u>19,075,805</u>
Total direct and overlapping			<u><u>\$21,305,805</u></u>
Per capita overlapping debt			<u><u>\$ 712.12</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) Includes Governmental Fund bonds only

(2) Source - Miller County Treasurer's Office

(3) Source - Texarkana Arkansas School District

**City of Texarkana, Arkansas**  
**Legal Debt Margin Information**  
**Last Ten Years**

**Table 15**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Assessed value of real and personal property	<u>\$ 205,033,780</u>	<u>\$ 215,656,787</u>	<u>\$ 223,112,654</u>	<u>\$ 227,162,512</u>	<u>\$ 236,650,174</u>	<u>\$ 251,174,664</u>	<u>\$ 223,112,345</u>	<u>\$ 244,977,875</u>	<u>\$259,154,261</u>	<u>\$ 284,313,368</u>
Debt limit - 25% of assessed value of real and personal property	<u>\$ 51,258,445</u>	<u>\$ 53,914,197</u>	<u>\$ 55,778,164</u>	<u>\$ 56,790,628</u>	<u>\$ 59,162,544</u>	<u>\$ 62,793,666</u>	<u>\$ 55,778,086</u>	<u>\$ 61,244,469</u>	<u>\$ 64,788,565</u>	<u>\$ 71,078,342</u>
Total general obligation bonded debt	32,676,812	35,486,609	34,356,056	34,642,180	35,513,153	33,970,301	31,005,798	32,043,484	29,819,366	32,026,507
Less amount available in										
Debt service fund	(477,180)	(602,127)	(635,112)	(633,180)	(688,535)	(714,736)	(733,385)	(739,275)	(776,213)	(801,562)
Governmental fund revenue bonds	(5,490,000)	(9,390,000)	(9,220,000)	(8,980,000)	(8,730,000)	(8,470,000)	(8,195,000)	(10,360,000)	(10,145,000)	(13,700,000)
Proprietary fund revenue bonds	<u>(21,961,812)</u>	<u>(20,976,609)</u>	<u>(20,226,056)</u>	<u>(21,027,180)</u>	<u>(22,428,153)</u>	<u>(21,480,301)</u>	<u>(19,165,798)</u>	<u>(18,148,484)</u>	<u>(16,909,366)</u>	<u>(16,096,507)</u>
Total amount of debt applicable to debt limit	<u>4,747,820</u>	<u>4,517,873</u>	<u>4,274,888</u>	<u>4,001,820</u>	<u>3,666,465</u>	<u>3,305,264</u>	<u>2,911,615</u>	<u>2,795,725</u>	<u>1,988,787</u>	<u>1,428,438</u>
Legal debt margin	<u>\$ 46,510,625</u>	<u>\$ 49,396,324</u>	<u>\$ 51,503,276</u>	<u>\$ 52,788,808</u>	<u>\$ 55,496,079</u>	<u>\$ 59,488,402</u>	<u>\$ 52,866,471</u>	<u>\$ 58,448,744</u>	<u>\$ 62,799,778</u>	<u>\$ 69,649,904</u>

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

**Table 16**

<b>Fiscal Year Ended 30-Sep</b>	<b>Gross Revenue(1)</b>	<b>Operating Expenses (2)</b>	<b>Net Revenue Available For Debt Service</b>	<b>Debt Service Requirements (3)</b>	<b>Coverage</b>
2001	\$ 6,855,453	\$ 4,335,735	\$ 2,519,718	\$ 2,022,524	1.25
2002	7,599,669	4,263,933	3,335,736	2,353,831	1.42
2003	7,883,498	4,309,014	3,574,484	2,139,295	1.67
2004	7,819,971	4,528,171	3,291,800	2,391,470	1.38
2005	9,050,696	4,839,384	4,211,312	2,493,447	1.69
2006	9,426,514	5,166,488	4,260,026	2,603,884	1.64
2007	9,013,114	5,463,317	3,549,797	1,547,289	2.29
2008	9,209,957	6,142,251	3,067,706	1,908,030	1.61
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

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**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (3)</b>	<b>Median Age (1)</b>	<b>Per Capita Income(1)</b>	<b>Unemployment Rate(2)</b>
2001	26,448	\$ 453,054,240	34.8	\$ 17,130	4.9%
2002	26,448	453,054,240	34.8	17,130	5.6%
2003	26,448	453,054,240	34.8	17,130	6.1%
2004	26,448	453,054,240	34.8	17,130	5.7%
2005	26,448	453,054,240	34.8	17,130	5.2%
2006	29,856	511,433,280	37.5	17,130	5.1%
2007	29,856	511,433,280	37.5	17,130	4.6%
2008	30,087	515,390,310	37.5	17,130	4.7%
2009	30,087	515,390,310	37.5	17,130	6.2%
2010	29,919	597,991,053	37.3	19,987	7.1%

Notes:

(1) Source - U.S. Census Bureau

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

(3) Personal Income is a calculation of per capita 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**

<b>Employer</b>	<b>2010</b>			<b>2001</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total MSA Employment (1)</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total MSA Employment (2)</b>
Red River Army Depot & Tenants	6,000	1	10.64%	2,500	1	4.60%
Christus St. Michael Health Care	1,883	2	3.34%	1,600	3	2.95%
Cooper Tire & Rubber	1,600	3	2.84%	2,000	2	3.68%
Domtar/Georgia Pacific	1,300	4	2.30%	1,400	4	2.58%
Wal-Mart/Sam's	1,100	5	1.95%	795	8	1.46%
Texarkana Texas ISD	1,100	5	1.95%	800	7	1.47%
International Paper	960	6	1.70%	1,000	6	1.84%
Texarkana AR ISD	785	7	1.39%	800	7	1.47%
Wadley Regional Medical Ctr	778	8	1.38%	1,200	5	2.21%
Southern Refrigerated Transport	750	9	1.33%	-		0.00%
City of Texarkana, Texas	600	10	1.06%	562	10	1.03%
West Corporation	-		0.00%	600	9	1.10%
<b>Total</b>	<b>16,856</b>		<b>29.89%</b>	<b>13,257</b>		<b>24.41%</b>

Source:  
Chamber of Commerce  
Texas Workforce Commission LMI Tracer

Notes:  
(1) MSA employment for 2010 is 56,400  
(2) MSA employment for 2001 is 54,300

**City of Texarkana, Arkansas**  
**Full-time Equivalent City Government Employees by Function**  
**Last Six Years**

**Table 19**

	2005	2006	2007	2008	2009	2010
General government						
Administration	6	6	2	3	3	4
Finance	7	5	7	8	8	8
City Clerk	0	0	3	3	3	3
Courts	5	5	5	4	4	4
Police department						
Police General	69	70	73	72	70	71
Police Housing	2	2	2	3	3	3
Cops in School	2	2	2	2	2	1
Police Narcotics	5	5	5	5	5	5
Police Support	9	9	9	9	10	10
Police Animal	2	2	1	2	2	2
Probation	3	3	3	3	3	3
Fire department						
Fire	59	59	57	59	59	59
Public works						
Street	15	14	16	14	17	18
Environmental	5	4	5	3	3	3
Engineering	0	1	1	1	1	1
Planning	2	1	2	2	2	2
Code Enforcement	5	6	6	6	6	6
Parks and recreation	3	3	3	3	4	6
Building maintenance	2	1	2	2	2	2
Public services						
HCD	2	2	3	3	1	1
RSVP - Arkansas	1	1	1	1	1	1
RSVP - Texas	1	1	1	1	1	1
VISTA	1	0	0	0	0	0
Other						
Bi-State Maintenance	6	11	14	13	13	13
Bi-State CRC	1	1	1	1	1	1
Animal Shelter	0	0	0	11	7	8
<b>Total</b>	<b>213</b>	<b>214</b>	<b>224</b>	<b>234</b>	<b>231</b>	<b>236</b>

Notes: Information for years prior to 2004 not available. Include vacant positions but not frozen positions

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

**Table 20**

<b>Function/Program</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Public safety</b>										
<b>Police</b>										
Uniformed employees	78	78	78	82	82	82	90	91	89	90
<b>Fire</b>										
Firefighters	52	56	57	57	57	57	56	58	58	58
<b>Public works</b>										
Building permits issued	1,483	1,680	1,992	1,638	1,637	1,861	1,758	3,679	1,944	477
Building permits (\$)	\$38,520,422	\$22,379,985	\$13,125,809	\$32,743,147	\$23,924,752	\$25,890,212	\$20,074,686	\$29,546,718	\$16,535,562	\$20,492,129
<b>Water</b>										
Average daily consumption (millions of gallons)	4.250	4.110	4.300	4.380	3.987	5.063	6.728	5.147	4.846	3.675
Raw water production (millions of gallons)	4.540	4.430	4.330	4.415	4.088	5.254	7.010	5.373	5.056	4.056

Source: Various City Departments

**City of Texarkana, Arkansas**  
**Capital Asset Statistics by Function**  
**Last Ten Years**

**Table 21**

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety											
Police											
Stations	1	1	1	1	1	1	1	1	1	1	1
Total units	62	61	64	63	66	68	72	96	96	96	82
Fire											
Stations	4	4	5	5	5	5	5	5	5	5	5
Public works											
Streets (miles)	280	280	283	284	287	289	290	290	290	291	291
Recreation											
Number of parks	12	12	12	13	13	13	16	16	16	16	20
Acres	352	352	356	238	238	238	361	280	280	280	281
Pools	1	1	1	1	1	1	1	1	1	1	1
Ball Fields	10	10	11	11	11	11	11	12	12	12	12
Tennis courts:											
Lighted	0	0	0	3	3	3	3	3	3	3	3
Unlighted	8	8	5	2	2	2	3	3	3	3	3
Community centers	4	4	4	4	4	4	4	4	4	4	4
Soccer fields	1	1	0	0	0	0	0	0	0	0	0
Walking/biking trails (miles)	0	0	0	2.3	2.3	2.3	3.65	3.65	3.65	3.65	5.2
Utilities											
Plant capacity											
(million gallon average per day)	15	15	15	15	15	15	15	15	15	15	15
Water mains (miles)	284	253	289	289	383	415	410	417	424	412	409
Number of water meters	9,759	9,896	10,021	10,419	10,195	9,942	10,095	10,167	10,217	10,203	10,184
Sewer mains (miles)	226	181	188	188	200	203	209	211	213	216	216
Number of fire hydrants	914	904	1,044	1,044	1,192	1,332	1,361	1,372	1,384	1,392	1,427
Number of Mandeville water meters							341	337	339	333	328
Number of Union water meters							1,053	1,080	1,088	1,107	1,129

\* Information not available

Source: Various City Departments



## **Other Required Report**

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## 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, 2010.

- (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 the City's compliance with those requirements. 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 and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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 for the year ended December 31, 2010.

This report is intended solely for the information and use of the Audit Committee, 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*

July 5, 2011

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## **Single Audit Section**

**City of Texarkana, Arkansas**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2010**

Cluster/Program	Federal Agency/Pass Through Entity	CFDA Number	Grant Expenditures
Grants for Public Works and Economic Development Facilities	U.S. Department of Commerce	11.300	\$ 926,465
Community Development Block Grant	U.S. Department of Housing and Urban Development	14.218	630,203
Community Development Block Grant-ARRA	U.S. Department of Housing and Urban Development	14.253	85,221
	<b>CDBG cluster total</b>		<u>715,424</u>
Youthbuild	U.S. Department of Housing and Urban Development	17.274	9,250
Organized Crime/Narcotic Program ARRA	U.S. Department of Justice/Arkansas Department of Finance and Administration	16.738	22,366
Organized Crime/Narcotic Program (10-11)	U.S. Department of Justice/Arkansas Department of Finance and Administration	16.738	70,665
Byrne Justice Assistance Grant(JAG)	U.S. Department of Justice	16.738	65,192
	<b>JAG cluster total</b>		<u>158,223</u>
Organized Crime/Narcotic Program (09-10)	U.S. Department of Justice/Arkansas Department of Finance and Administration	16.803	77,200
Byrne Justice Assistance Grant (JAG)	U.S. Department of Justice	16.804	108,006
Victim Justice and Assistance Grants	U.S. Department of Justice/Arkansas Department of Finance and Administration	16.588	48,079
VOCA Crime Victim Assistance (10-11)	U.S. Department of Justice/Arkansas Department of Finance and Administration	16.575	35,328
Bulletproof Vest Partnership Program Grant	U.S. Department of Justice	16.607	2,151
Cops Hiring Recovery Program Grant	U.S. Department of Justice	16.710	151,431
Alcohol Traffic Safety & Drunk Driving Prevention Incentive Grant	U.S. Department of Transportation/Arkansas State Highway and Transportation Department	20.601	45,694
State and Community Highway Safety	U.S. Department of Transportation/Arkansas State Highway and Transportation Department	20.600	24,551
	<b>Highway Safety cluster total</b>		<u>70,245</u>
Retired Senior Volunteer Program-AR	Corporation for National and Community Service	94.002	62,368
Syphilis Elimination Project	Center for Disease Control/Arkansas Department of Health	93.977	22,068
CLG/AHPP Certified Local Government Grant	National Parks Service	15.904	12,966
CLG/AHPP Real Estate Transfer Tax Funds	National Parks Service	15.904	1,779
Total Federal Assistance			<u><u>\$ 2,400,983</u></u>

**City of Texarkana, Arkansas**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2010**

***Notes to Schedule***

1. This schedule includes the federal awards activity of the City of Texarkana, Arkansas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based on an  
Audit of the Financial Statements Performed in Accordance with  
*Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Texarkana, Arkansas as of and for the year ended December 31, 2010, which collectively comprise its basic financial statements and have issued our report thereon dated July 5, 2011, contained an explanatory paragraph regarding a change in accounting principles and contained a reference to the reports of other accountants. 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. Other accountants audited the financial statements of the Texarkana, Arkansas Water Utilities and the Texarkana Airport Authority, as described in our report on the City of Texarkana, Arkansas's financial statements. This report does not include the results of the other accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those accountants.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.



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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-1, to be a material weaknesses.

### **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*.

We noted certain matters that we reported to the City's management in a separate letter dated July 5, 2011.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

July 5, 2011

## **Independent Accountants' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

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

### **Compliance**

We have audited the compliance of the City of Texarkana, Arkansas (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the compliance of the City of Texarkana, Arkansas based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Texarkana, Arkansas complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2010.

### **Internal Control Over Compliance**

The management of the City of Texarkana, Arkansas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

The Honorable Mayor and Members of the City Council  
City of Texarkana, Arkansas  
Page 2

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

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

This report is intended solely for the information and use of the Mayor, City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

July 5, 2011



**City of Texarkana, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2010**

7. The City's major programs were:

Cluster/Program	CFDA Number
Community Development Block Grant	14.218
Investments for Public Works and Economic Development Facilities	11.300

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.

9. The City qualified as a low-risk auditee as that term is defined in OMB Circular A-133?  Yes  No

**City of Texarkana, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2010**

**Findings Required to be Reported by *Government Auditing Standards***

Reference Number	Finding	Questioned Costs
2010-1	<p><b>Criteria or Specific Requirement</b>  Management is responsible for the propriety and completeness of the information in the financial statements.</p> <p><b>Condition</b>  The City did not properly record property tax revenues which were levied during fiscal year 2009 and accrued interest on long-term debt in accordance with generally accepted accounting principles.GAAP.</p> <p><b>Context</b>  According to generally accepted accounting principles, property tax revenues are to be accrued in the period in which the levy occurs even if an enforceable legal claim arises in a subsequent period. Per Arkansas State Statute 14-14-904, the county quorum court levies the municipal property taxes at its regular November meeting each year. The City incorrectly used the following February for the levy date. Additionally, interest on outstanding long term debt was not accrued through the balance sheet date. This caused a misstatement to the financial statements concerning property tax revenues and accrued interest which was not identified by the City’s internal control.</p> <p><b>Effect</b>  Potentially material misstatements in the financial statements due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p><b>Cause</b>  The controls currently in place are not adequate or are not functioning effectively.</p> <p><b>Recommendation</b>  Management should evaluate the costs versus the benefits of additional monitoring and implement those changes it deems appropriate for which benefits are determined to exceed costs.</p>	None

**City of Texarkana, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2010**

**Findings Required to be Reported by *Government Auditing Standards* (Continued)**

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
2010-1	<p><b>Views of Responsible Officials and Planned Corrective Actions</b> This finding is a result of a misinterpretation of the property tax levy date and when the property tax should be recognized. Management, as well as the appropriate staff, is now aware of when these should be recognized. The error has been corrected and will be recorded appropriately in all future years.</p>	

**City of Texarkana, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2010**

**Findings Required to be Reported by OMB Circular A-133**

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
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No matters are reportable.



**City of Texarkana, Arkansas**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2010**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
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No matters are reportable.