

# **City of Texarkana, Arkansas**

## Comprehensive Annual Financial Report

For the Year Ended December 31, 2012

Finance Department

Jessica Hyman  
Finance Director

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**City of Texarkana, Arkansas**  
**Year Ended December 31, 2012**

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## **Introductory Section**

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

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

The Comprehensive Annual Financial Report (CAFR) of the City of Texarkana, Arkansas (the City) for the year ended December 31, 2012, 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 unmodified opinion on the City of Texarkana, Arkansas' financial statements for the year ended December 31, 2012. The independent auditor's report is located at the front of the financial section of this report.

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

### **Profile of the Government**

The City of Texarkana, Arkansas was founded in 1873 and incorporated in 1880 and is located on the Arkansas - Texas state line in the southwest corner of the State of Arkansas. The City is 28 miles south of Oklahoma and 25 miles north of the Louisiana boundary line. The City currently occupies a land area of 42 square miles and serves a population of 30,117. The City of Texarkana, Arkansas is empowered to levy a property tax on real properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the Board of Directors.

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

The City of Texarkana, Arkansas provides a full range of services, including police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events; education; health and social services; planning and zoning; and general administrative services. Water and sewer distribution and collection activities are provided by Texarkana Water Utilities (TWU). The Arkansas activity of the Texarkana Water Utilities is accounted for as if it were part of the operations of the primary government. Texarkana, Arkansas Water Utilities is not a legally separate entity from the City. The Texarkana, Arkansas Water Utilities is included as an enterprise fund of the City with its fiscal year end of September 30, 2012.

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.

### **Local Economy**

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

Many new developments took place in the Crossroads Business Park in 2012 and early 2013. The Holiday Springs Water Park opened in July 2013, and the Holiday Inn and Texarkana Convention Center is expected to open in July or August 2013. Currently, there are three hotels that are open for business as well as the restaurant Copeland's of New Orleans, which is an authentic New Orleans style restaurant. Hampton Inn & Suites is currently under construction with plans to open in late 2013. The completion of all these hotels will put 5 hotels within walking distance to the convention center. Other economic growth in the Crossroads Business Park includes Amigo Juan's Mexican Restaurant that will be opening for business in 2013. Also, the land adjacent to Amigo Juan's Mexican Restaurant has been acquired by a local developer with the intent to build a retail center titled Park Plaza at the Crossroads.

In addition to economic development in the Crossroads Business Park, other economic development within the City in 2012 includes CVS Pharmacy, Wadley Senior Clinic, El Chico's Mexican Restaurant, Randy's BBQ, and the University of Arkansas Community College at Hope – Texarkana. As economic growth and development occurs inside the City of Texarkana, Arkansas, citizens can anticipate a brighter future!

### **Relevant Financial Policies**

The City's financial policies set forth the basic framework for the fiscal management of the City. These include policies for accounting, budgeting, capital improvements, asset management, revenue management, risk management, and fund balance/reserve levels. These policies were developed within the parameters established by applicable provisions of the Arkansas State Statutes and the City of Texarkana, Arkansas City Charter.

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

The annual budget serves as the foundation for the City of Texarkana, Arkansas' financial planning and control. All agencies of the City of Texarkana, Arkansas are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Board of Directors for review prior to December 1. Prior to February 1, the budget is legally enacted through passage of a resolution. The appropriated budget is prepared by fund, function (e.g., public safety), and department, (e.g., police). The City Manager may make transfers of appropriations between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors. The City Charter prohibits budgeting total proposed expenditures in excess of total anticipated revenues and any unencumbered funds from prior years. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and the Public Works Fund, this comparison is presented as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund and the Public Works Funds, with appropriated annual budgets, this comparison is presented in the supplementary information section of this report.

### **Long Term Financial Plans**

On June 1, 2012, the City issued a \$10,300,000 Franchise Fee Secured Refunding Revenue Bond, Series 2012, The Series 2012 Bonds were issued to refund the outstanding Franchise Fee Secured Capital Improvement and Refunding Revenue bonds, Series 2008, fund a debt service reserve, and pay the costs of issuance of the Series 2012 Bonds. By refunding the Series 2008 bonds, the City saved \$683,206.32.

On September 1, 2012, the City issued a \$10,160,000 Capital Improvement and Refunding Limited Tax General Obligation Bonds, Series 2012 that was approved by voters in a special election held June 26, 2012. The Series 2012 Bonds were issued to finance capital improvements consisting generally of street improvements, including street lighting, alleys, sidewalks, roads, bridges, and viaducts; to refund the General Obligation Refunding and Capital Improvement Bonds, Series 2000; and to pay the costs of issuance of the Bonds. Work will continue on these projects in 2013.

At this time, the City has no intent of issuing any additional long term debt.

### **Awards and Acknowledgements**

**Awards:** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Texarkana, Arkansas for its comprehensive annual financial reports (CAFR) for the fiscal year ended December 31, 2011. 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,



Jessica Hyman

Jessica Hyman  
Finance Director

July 31, 2013

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Texarkana  
Arkansas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Mouill*

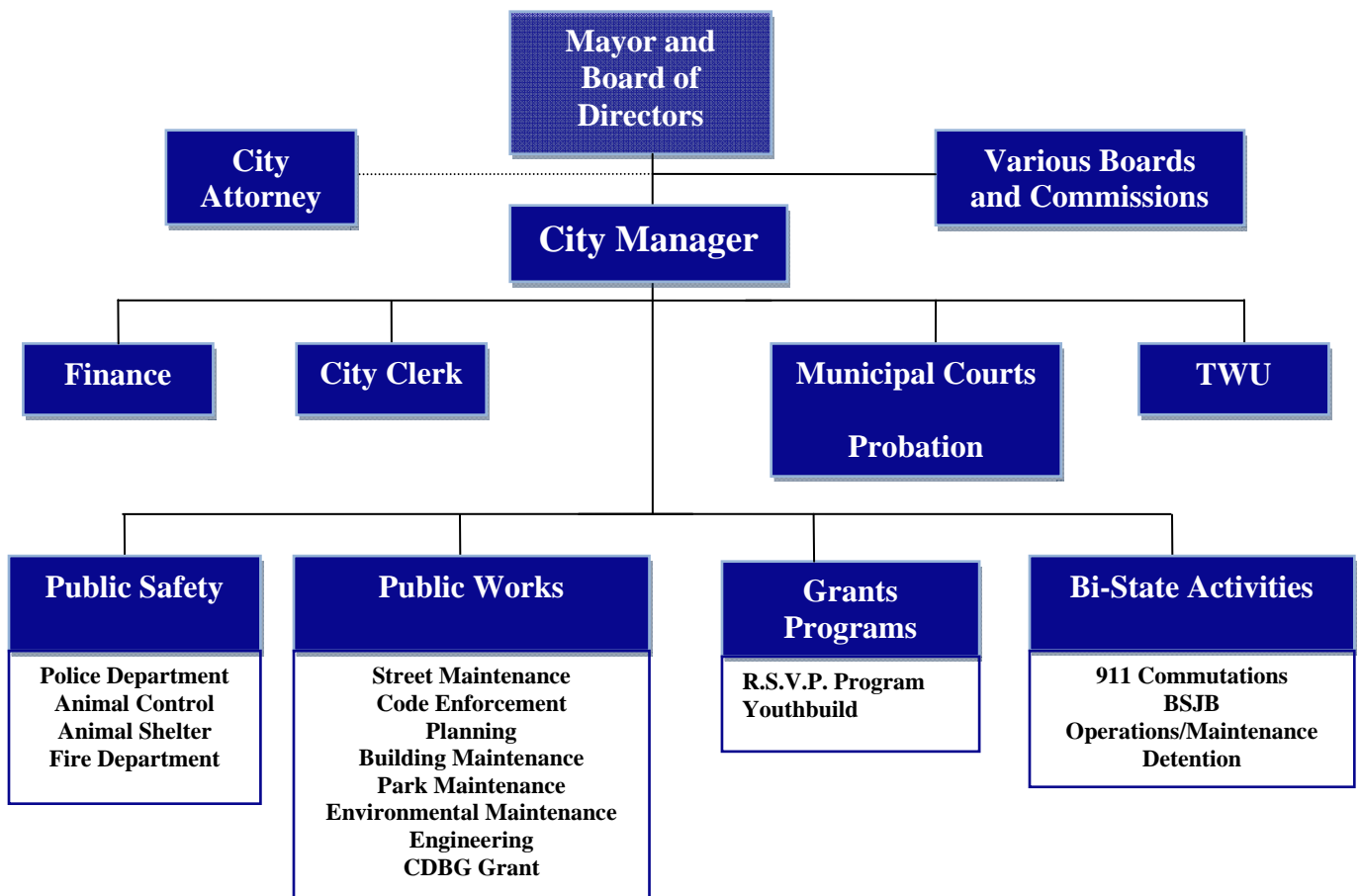
President

*Jeffrey R. Emer*

Executive Director



# 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:**

Jessica Hyman	Interim City Manager
George M. Matteson	City Attorney

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## **Financial Section**

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## Independent Auditor's Report on Financial Statements and Supplementary Information

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Texarkana, Arkansas Water Utilities, enterprise funds of the City, which statements reflect total assets and operating revenues of \$58,952,035 and \$10,202,790, respectively, and represent 100% of the business-type activities' total assets and operating revenues, respectively, at September 30, 2012 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, 2012 is \$11,722,218 which includes a current year increase of \$19,222. We did not audit the financial statements of Texarkana Urban Transit District, a joint venture of the City. The City's investment in Texarkana Urban Transit District reported at December 31, 2012 is \$1,093,706 which includes a current year decrease of \$78,137. The financial statements of these entities were audited by other auditors 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 auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinion***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Texarkana, Arkansas as of December 31, 2012, 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 accordance with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information including the combining fund statements, various special revenue budgetary comparison schedules and 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying information in the introductory and statistical sections 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 not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2013, 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* in considering the City's internal control over financial reporting and compliance.

**BKD, LLP**

Little Rock, Arkansas  
July 31, 2013

# **City of Texarkana, Arkansas**

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

### **December 31, 2012**

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, 2012. 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 \$64,438,478 (net position). Of this amount, \$16,578,579 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position decreased by \$1,832,115.
- As of the close of the current fiscal year, the City of Texarkana, Arkansas' governmental funds reported combined ending fund balances of \$14,973,134.
- At the end of the current fiscal year, unassigned fund balance was \$2,068,121.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general 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 22 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, the Public Works Fund, and the 2012 Franchise Fee Projects Fund, all 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 proprietary funds statements.

**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 4 pension trust funds and 3 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 and fiduciary funds are presented following the required supplementary information on pensions.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Texarkana, Arkansas, assets exceeded liabilities by \$64,438,478 as of December 31, 2012. The largest portion of the City's net position, 65.15% (\$41,984,839), 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. An additional portion of the City's net position represents resources that are subject to restriction on how they may be used. The remaining balance of unrestricted net position, \$16,578,579, may be used to meet the government's ongoing obligation to citizens and creditors. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



**City of Texarkana, Arkansas'**  
**Net Position**

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 33,941,007	\$ 27,669,059	\$ 11,281,322	\$ 10,373,413	\$ 45,222,329	\$ 38,042,472
Capital assets	29,219,310	26,173,599	42,735,717	43,231,332	71,955,027	69,404,931
Other assets	40,621	318,120	4,846,329	5,109,037	4,886,950	5,427,157
Total assets	<u>63,200,938</u>	<u>54,160,778</u>	<u>58,863,368</u>	<u>58,713,782</u>	<u>122,064,306</u>	<u>112,874,560</u>
Long-term liabilities outstanding	37,182,812	26,446,624	14,344,721	14,845,068	51,527,533	41,291,692
Other liabilities	3,099,665	2,698,567	2,998,630	2,613,708	6,098,295	5,312,275
Total liabilities	<u>40,282,477</u>	<u>29,145,191</u>	<u>17,343,351</u>	<u>17,458,776</u>	<u>57,625,828</u>	<u>46,603,967</u>
Net position:						
Net investment in capital assets	14,107,659	13,405,075	27,877,180	27,882,314	41,984,839	41,287,389
Restricted	1,833,731	2,406,273	4,041,329	3,322,117	5,875,060	5,728,390
Unrestricted	6,977,071	9,204,239	9,601,508	10,050,575	16,578,579	19,254,814
Total net position	<u>\$ 22,918,461</u>	<u>\$ 25,015,587</u>	<u>\$ 41,520,017</u>	<u>\$ 41,255,006</u>	<u>\$ 64,438,478</u>	<u>\$ 66,270,593</u>

As of December 31, 2012, the City is able to report positive balances in all three categories of net position, 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, 2012. Governmental activities decreased the City's net position by \$2,097,126. From 2011 to the 2012 revenues increased by \$664,523 and expenses increased by \$2,214,870. The overall increase in revenues (including transfers in) can be directly related to an increase in sales tax and transfers. The decrease in net position can primarily be contributed to the increase in spending for culture and recreation, primarily for the Convention Plaza Drive, the Convention Center Parking, and the Holiday Springs Water Park, and interest expense. Business-type activities increased the City's net position by \$265,011. For the business type activities, the revenues from 2011 to 2012 increased by \$102,829 and expenses (including transfers out) from 2011 to 2012 increased by \$1,408,183 due to an overall increase in operating expenses.

**City of Texarkana, Arkansas'**  
**Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 5,463,368	\$ 5,444,642	\$ 10,202,790	\$ 10,264,791	\$ 15,666,158	\$ 15,709,433
Operating grants and contributions	4,113,562	4,722,269	-	-	4,113,562	4,722,269
Capital grants and contributions	1,309,384	1,028,843	-	78,337	1,309,384	1,107,180
General revenues:						
Property taxes	3,132,701	3,102,615	-	-	3,132,701	3,102,615
Other taxes	11,714,092	11,516,517	-	-	11,714,092	11,516,517
Other revenue	223,664	309,452	299,162	55,995	522,826	365,447
Total revenues	25,956,771	26,124,338	10,501,952	10,399,123	36,458,723	36,523,461
Expenses:						
General administration	2,581,483	2,619,263	-	-	2,581,483	2,619,263
Police department	7,872,806	7,644,104	-	-	7,872,806	7,644,104
Fire department	4,776,959	4,493,231	-	-	4,776,959	4,493,231
Other public safety	3,639,484	3,869,368	-	-	3,639,484	3,869,368
Protective inspection	494,102	467,210	-	-	494,102	467,210
Public works	5,503,577	5,697,414	-	-	5,503,577	5,697,414
Public services	1,252	15,381	-	-	1,252	15,381
Health and welfare	436,639	361,460	-	-	436,639	361,460
Culture and recreation	1,895,921	825,434	-	-	1,895,921	825,434
Interest on long-term debt	1,683,764	678,252	-	-	1,683,764	678,252
Water and sewer	-	-	9,383,771	8,828,758	9,383,771	8,828,758
Total expenses	28,885,987	26,671,117	9,383,771	8,828,758	38,269,758	35,499,875
Increase (decrease) in net position before transfers	(2,929,216)	(546,779)	1,118,181	1,570,365	(1,811,035)	1,023,586
Transfers	832,090	-	(853,170)	-	(21,080)	-
Increase (decrease) in net position	(2,097,126)	(546,779)	265,011	1,570,365	(1,832,115)	1,023,586
Net position - beginning of year	25,015,587	25,562,366	41,255,006	39,684,641	66,270,593	65,247,007
Net position - end of year	\$ 22,918,461	\$ 25,015,587	\$ 41,520,017	\$ 41,255,006	\$ 64,438,478	\$ 66,270,593

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

**Governmental funds** - The focus of the City of Texarkana, Arkansas' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Texarkana, Arkansas' governmental funds reported combined ending fund balances of \$14,973,134.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the General Fund was \$2,068,121. Unassigned fund balance represents approximately 11.16% of the total General Fund expenditures.

For the City's General Fund, from 2011 to 2012, total revenue increased by 0.17% and total expenditures increased by 10.51% due to increase in capital outlay and expenditures for the business park. The City's General Fund balance decreased by \$976,759 and resulted in an ending fund balance of \$2,663,901.

For the City's Public Works Fund, from 2011 to 2012, total revenue increased by 1.58%, total expenditures decreased by 2.84% and the change in total revenue over total expenditures increased by 85.36%. Therefore, the Public Works Fund reported a net increase and change in fund balance of \$330,510 which resulted in an ending fund balance of \$754,047. This is a result of an increase in grant revenue and a decrease in public works expenditures.

The City issued \$10,300,000 Franchise Fee Secured Refunding Revenue Bonds, Series 2012 resulting in a \$9,557,785 fund balance in the City's 2012 Franchise Fee Projects Fund.

The other non-major governmental fund balances decreased by \$2,690,271 resulting in an ending balance of \$1,997,401. The decrease in fund balance is primarily due to capital investments in culture and recreation.

**Proprietary funds** - The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of Texarkana, Arkansas Water Utilities at the end of the year amounted to \$9,279,848. Unrestricted net position of Texarkana, Arkansas Union Water Utilities at the end of the year amounted to \$253,270. The total growth in net position for Texarkana, Arkansas Water Utilities was \$247,527. The decrease in net position for Texarkana, Arkansas Union Water Utilities was \$6,187. Growth in net position is attributable to the dry conditions throughout the summer.

The non-major proprietary net position increased by \$23,671 to an ending balance of \$120,522.

### **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 \$976,759 or ending fund balance of \$2,663,901. Significant variances between the final amended budget and actuals occurred as a result of various factors and reflected a net decrease in fund balance of \$196,783. This is mostly a result of revenue collections being under budget by \$132,267 and expenditures being over budget by \$57,620. The variance in sales tax collections can be contributed to a decrease in the amount of the City's portion of the county sales tax for December 2012. Due to the Police Department's elimination of nonrecurring expenditures as well as their budget conscious approach to spending, their expenditures were under budget by \$78,686 for 2012. Other Public Safety expenditures exceeded the final amount budgeted because the contribution to the Bi-State Justice Center was more than expected. This is partially due to the actual number of inmates housed at the Center that may vary from year to year.

### **Capital Assets**

The City of Texarkana, Arkansas' investment in capital assets for its governmental and business-type activities as of December 31, 2012, amounts to \$71,955,027 (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)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Land	\$ 2,563,907	\$ 2,563,907	\$ 832,616	\$ 798,585	\$ 3,396,523	\$ 3,362,492
Buildings	7,548,023	7,589,078	2,104,919	1,604,889	9,652,942	9,193,967
Improvements other than buildings	1,070,900	855,098	37,194,721	38,823,809	38,265,621	39,678,907
Machinery and equipment	2,290,604	2,152,195	1,756,525	1,724,740	4,047,129	3,876,935
Infrastructure	10,316,801	10,607,115	-	-	10,316,801	10,607,115
Water rights	-	-	536,138	-	536,138	-
Construction in progress	5,429,075	2,406,206	310,798	279,309	5,739,873	2,685,515
<b>Total</b>	<b>\$ 29,219,310</b>	<b>\$ 26,173,599</b>	<b>\$ 42,735,717</b>	<b>\$ 43,231,332</b>	<b>\$ 71,955,027</b>	<b>\$ 69,404,931</b>

Major capital asset additions during 2012 were approximately \$3 million for public works projects. Additional information on the City of Texarkana, Arkansas' capital assets can be found in *Note 3* of this report.

## DEBT ADMINISTRATION

At the end of the current fiscal year, the governmental activities of the City of Texarkana, Arkansas had total bonded debt of \$24,473,491. Of this amount, \$10,413,920 comprises bonded debt backed by the full faith and credit of the government, \$14,059,571 represents bonds secured solely by franchise fees charged to public utilities for the privilege of using the City's streets and right-of-ways. Business-type activities long-term debt of \$14,360,581, represents bonds secured solely by water and sewer revenues.

### General Obligation and Revenue Bonds

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
General obligation bonds	\$ 10,413,920	\$ -	\$ 10,413,920
Revenue bonds	14,059,571	14,360,581	28,420,152
<b>Total</b>	<b>\$ 24,473,491</b>	<b>\$ 14,360,581</b>	<b>\$ 38,834,072</b>

The City has a rating Aa3 from Moody's Investors Service for 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's General Fund 2013 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 2013 and beyond. In addition, the costs of jointly operating the Bi-State Justice Center with other agencies continue to rise.

## **REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors, and creditors with general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: Jessica Hyman, Finance Director, at P.O. Box 2711, Texarkana, Arkansas 75504, call 870.779.4954, or email [jessica.hyman@txkusa.org](mailto:jessica.hyman@txkusa.org).

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# **Basic Financial Statements**

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**City of Texarkana, Arkansas**  
**Statement of Net Position**  
**December 31, 2012**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	RSVP	Arkansas Advertising & Promotion
<b>Assets</b>					
Cash	\$ 3,612,224	\$ 1,652,064	\$ 5,264,288	\$ 30,641	\$ 393,329
Investments	1,191,166	561,510	1,752,676	-	273,485
Accounts receivable, net of allowance					
Property taxes	3,600,715	-	3,600,715	-	-
Accounts	341,680	1,730,935	2,072,615	-	14
Other government agencies	2,119,295	950,380	3,069,675	13,960	-
Accrued interest	-	293	293	-	-
Other	4,084	-	4,084	-	89,781
Due from fiduciary funds	20	-	20	-	-
Due from primary government	-	-	-	-	338
Due from component units	33,951	-	33,951	-	-
Inventories	-	360,919	360,919	-	-
Prepaid items	385,722	8,632	394,354	156	50,000
Restricted assets					
Cash	9,593,396	4,084,880	13,678,276	-	-
Investments	-	164,993	164,993	-	-
Deferred charges	-	1,432,334	1,432,334	-	-
Net investment in direct financing lease:					
Due within one year	-	334,382	334,382	-	-
Due in more than one year	-	4,846,329	4,846,329	-	-
Investment in joint venture	13,058,754	-	13,058,754	-	-
Capital assets - non-depreciable	7,992,982	1,143,414	9,136,396	-	-
Capital assets - depreciable, net	21,226,328	41,592,303	62,818,631	-	-
Net pension assets	40,621	-	40,621	-	-
	<u>63,200,938</u>	<u>58,863,368</u>	<u>122,064,306</u>	<u>44,757</u>	<u>806,947</u>
Total assets					

	Primary Government			Component Units	
	Governmental	Business-Type	Total	RSVP	Arkansas
	Activities	Activities			Advertising & Promotion
<b>Liabilities</b>					
Accounts payable	633,071	594,534	1,227,605	931	246,974
Construction contracts payable	-	210,794	210,794	-	-
Accrued liabilities	575,401	243,575	818,976	2,179	-
Due to other governments	815,479	25,920	841,399	-	-
Due to fiduciary funds	676,072	-	676,072	-	-
Due to primary government	-	-	-	33,951	-
Due to component units	338	-	338	-	-
Customer deposits	-	533,424	533,424	-	-
Capital improvement deposits	-	276,894	276,894	-	-
Other liabilities	1,185	45,755	46,940	-	-
Long-term liabilities					
Due within one year:					
Bonds payable	270,000	1,006,158	1,276,158	-	-
Installment loans payable	45,068	-	45,068	-	-
Obligations under capital leases	16,141	45,693	61,834	-	-
Accrued compensated absences	66,910	15,883	82,793	-	-
Due in more than one year					
Bonds payable	24,203,491	13,354,423	37,557,914	-	-
Installment loans payable	152,086	-	152,086	-	-
Obligations under capital leases	18,261	15,319	33,580	-	-
Accrued compensated absences	2,218,623	233,556	2,452,179	-	-
Net pension and other post-employment obligations	10,590,351	428,536	11,018,887	-	-
Other long-term liabilities	-	312,887	312,887	-	-
Total liabilities	<u>40,282,477</u>	<u>17,343,351</u>	<u>57,625,828</u>	<u>37,061</u>	<u>246,974</u>
<b>Net Position</b>					
Net investment in capital assets	14,107,659	27,877,180	41,984,839	-	-
Restricted					
General administration	63,547	-	63,547	-	-
Police department	10,465	-	10,465	-	-
Fire department	44,648	-	44,648	-	-
Construction	-	1,525,067	1,525,067	-	-
Capital maintenance	-	868,997	868,997	-	-
Culture and recreation	32,422	-	32,422	-	559,973
Debt service	1,682,649	1,647,265	3,329,914	-	-
Unrestricted	<u>6,977,071</u>	<u>9,601,508</u>	<u>16,578,579</u>	<u>7,696</u>	<u>-</u>
Total net position	<u>\$ 22,918,461</u>	<u>\$ 41,520,017</u>	<u>\$ 64,438,478</u>	<u>\$ 7,696</u>	<u>\$ 559,973</u>

**City of Texarkana, Arkansas**  
**Statement of Activities**  
**Year Ended December 31, 2012**

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	Arkansas Advertising & Promotion
<b>Primary Government</b>							RSVP	
Governmental Activities								
General administration	\$ 2,581,483	\$ 537,419	\$ 1,159,465	\$ 1,071,993	\$ 187,394	\$ -	\$ 187,394	
Police department	7,872,806	794,915	480,015	-	(6,597,876)	-	(6,597,876)	
Fire department	4,776,959	1,300	4,394	-	(4,771,265)	-	(4,771,265)	
Other public safety	3,639,484	-	1,501	-	(3,637,983)	-	(3,637,983)	
Protective inspection	494,102	-	-	-	(494,102)	-	(494,102)	
Public works	5,503,577	4,093,054	1,662,284	-	251,761	-	251,761	
Public service	1,252	36,680	719,019	237,391	991,838	-	991,838	
Health and welfare	436,639	-	-	-	(436,639)	-	(436,639)	
Culture and recreation	1,895,921	-	86,884	-	(1,809,037)	-	(1,809,037)	
Interest on long-term debt	1,683,764	-	-	-	(1,683,764)	-	(1,683,764)	
Total governmental activities	<u>28,885,987</u>	<u>5,463,368</u>	<u>4,113,562</u>	<u>1,309,384</u>	<u>(17,999,673)</u>	<u>-</u>	<u>(17,999,673)</u>	
Business-Type Activities								
Water and sewer	9,383,771	10,202,790	-	-	-	819,019	819,019	
Total business-type activities	<u>9,383,771</u>	<u>10,202,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>819,019</u>	<u>819,019</u>	
Total primary government	<u>\$ 38,269,758</u>	<u>\$ 15,666,158</u>	<u>\$ 4,113,562</u>	<u>\$ 1,309,384</u>	<u>(17,999,673)</u>	<u>819,019</u>	<u>(17,180,654)</u>	

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	\$ 211,975	\$ -	\$ 212,152	\$ -			\$ 177	\$ -	
Arkansas Advertising & Promotion	1,931,356	-	-	-			-	(1,931,356)	
Total component units	<u>\$ 2,143,331</u>	<u>\$ -</u>	<u>\$ 212,152</u>	<u>\$ -</u>			<u>177</u>	<u>(1,931,356)</u>	
General revenues									
Property taxes				3,132,701	-	3,132,701	-	-	
Sales taxes				8,987,936	-	8,987,936	-	-	
Franchise taxes				2,649,392	-	2,649,392	-	-	
Other taxes				76,764	-	76,764	-	1,180,304	
Unrestricted investment earnings				59,233	299,162	358,395	-	2,224	
Gain on sale of capital assets				18,426	-	18,426	-	-	
Miscellaneous				146,005	-	146,005	5	16,796	
Transfers				832,090	(853,170)	(21,080)	-	-	
Total general revenues and transfers				<u>15,902,547</u>	<u>(554,008)</u>	<u>15,348,539</u>	<u>5</u>	<u>1,199,324</u>	
Change in Net Position				(2,097,126)	265,011	(1,832,115)	182	(732,032)	
Net Position, Beginning of Year				<u>25,015,587</u>	<u>41,255,006</u>	<u>66,270,593</u>	<u>7,514</u>	<u>1,292,005</u>	
Net Position, End of Year				<u>\$ 22,918,461</u>	<u>\$ 41,520,017</u>	<u>\$ 64,438,478</u>	<u>\$ 7,696</u>	<u>\$ 559,973</u>	

# City of Texarkana, Arkansas

## Balance Sheet

### Governmental Funds

December 31, 2012

	General	Public Works	2012 Franchise Fee Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 1,128,969	\$ 658,127	\$ 9,593,396	\$ 1,825,128	\$ 13,205,620
Investments	1,028,163	-	-	163,003	1,191,166
Receivables					
Property taxes, net of allowance for uncollectible accounts of \$127,265	2,365,449	52,543	-	1,182,723	3,600,715
Accounts	341,680	-	-	-	341,680
Other government agencies	1,620,977	425,618	-	72,700	2,119,295
Other	3,402	2	-	680	4,084
Due from other funds	24,873	10,578	-	2,406	37,857
Due from component units	33,951	-	-	-	33,951
Prepaid items	339,756	45,402	-	564	385,722
Total assets	<u>6,887,220</u>	<u>1,192,270</u>	<u>9,593,396</u>	<u>3,247,204</u>	<u>20,920,090</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	176,095	331,322	35,611	90,043	633,071
Accrued liabilities	260,009	29,940	-	1,277	291,226
Due to other governments	813,065	2,414	-	-	815,479
Due to other funds	678,668	24,357	-	10,884	713,909
Due to component units	338	-	-	-	338
Deferred revenue	2,295,144	49,005	-	1,147,599	3,491,748
Other liabilities	-	1,185	-	-	1,185
Total liabilities	<u>4,223,319</u>	<u>438,223</u>	<u>35,611</u>	<u>1,249,803</u>	<u>5,946,956</u>
<b>Fund Balances</b>					
Nonspendable					
Prepaid items	339,756	45,402	-	564	385,722
Restricted					
General administration	-	-	-	63,547	63,547
Police department	-	-	-	10,512	10,512
Fire department	-	-	-	103,798	103,798
Public works	-	-	9,557,785	64,285	9,622,070
Debt service	-	-	-	1,151,164	1,151,164
Culture and recreation	-	-	-	6,163	6,163
Committed					
Public works	-	277,816	-	-	277,816
Culture and recreation	14,956	-	-	-	14,956
Assigned					
Police department	210,776	-	-	214,670	425,446
Public works	30,292	430,829	-	382,698	843,819
Unassigned	2,068,121	-	-	-	2,068,121
Total fund balances	<u>2,663,901</u>	<u>754,047</u>	<u>9,557,785</u>	<u>1,997,401</u>	<u>14,973,134</u>
Total liabilities and fund balances	<u>\$ 6,887,220</u>	<u>\$ 1,192,270</u>	<u>\$ 9,593,396</u>	<u>\$ 3,247,204</u>	<u>\$ 20,920,090</u>

See Notes to Financial Statements

**City of Texarkana, Arkansas**  
**Balance Sheet (Continued)**  
**Governmental Funds**  
**December 31, 2012**

**Total fund balances - total governmental funds** \$ 14,973,134

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 29,219,310

Net pension assets are not available to pay for current-period expenditures and, therefore are not reported in the funds. 40,621

The City's equity investment in joint ventures is not a financial resource and is, therefore, not reported in the funds. 13,058,754

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. 3,491,748

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

Accrued interest payable (284,175)

Accrued compensated absences (2,285,533)

Net pension and other post-employment obligations (10,590,351)

Bonds payable, net of deferred issuance cost (24,473,491)

Installment loans payable and obligations under capital lease (231,556)

**Total net position - governmental activities** \$ 22,918,461

**City of Texarkana, Arkansas**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended December 31, 2012**

	General	Public Works	2012 Franchise Fee Projects	Other Governmental Funds	Total
<b>Revenues</b>					
Property taxes	\$ 2,024,348	\$ 85,970	\$ -	\$ 1,054,829	\$ 3,165,147
Sales taxes	8,987,936	-	-	-	8,987,936
Other taxes	76,764	-	-	-	76,764
Utility franchise	2,649,392	-	-	-	2,649,392
Licenses and permits	37,471	204,868	-	-	242,339
Fines, forfeitures and penalties	703,209	-	-	49,091	752,300
Charges for services	383,051	3,785,339	-	-	4,168,390
Grants and entitlements	515,106	251,800	-	1,545,502	2,312,408
Intergovernmental	1,508,897	1,361,602	-	65,354	2,935,853
Investment income	6,032	837	1,233	51,131	59,233
Miscellaneous	127,800	177,034	-	113,994	418,828
	<u>17,020,006</u>	<u>5,867,450</u>	<u>1,233</u>	<u>2,879,901</u>	<u>25,768,590</u>
<b>Expenditures</b>					
Current:					
General government	2,054,833	-	-	301,771	2,356,604
Police department	7,106,575	-	-	-	7,106,575
Fire department	4,413,736	-	-	-	4,413,736
Other public safety	2,608,193	-	-	200,000	2,808,193
Protective inspection	-	456,482	-	-	456,482
Public works	-	4,152,325	-	119,019	4,271,344
Public services	-	-	-	785	785
Health and welfare	395,843	-	-	-	395,843
Culture and recreation	970,850	275,876	-	442,420	1,689,146
Capital outlay	925,920	445,721	84,248	3,323,694	4,779,583
Debt service:					
Principal retirement	50,728	-	-	1,720,000	1,770,728
Interest and fiscal charges	7,043	-	-	965,748	972,791
	<u>18,533,721</u>	<u>5,330,404</u>	<u>84,248</u>	<u>7,073,437</u>	<u>31,021,810</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(1,513,715)</u>	<u>537,046</u>	<u>(83,015)</u>	<u>(4,193,536)</u>	<u>(5,253,220)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,059,304	87,853	9,640,800	2,009,161	12,797,118
Transfers out	(804,207)	(294,389)	-	(10,866,432)	(11,965,028)
Proceeds from issuance of debt	281,859	-	-	-	281,859
Refunding bonds issued	-	-	-	20,460,000	20,460,000
Premium on refunding bonds issued	-	-	-	298,491	298,491
Payment to refunded bond escrow agent	-	-	-	(10,397,955)	(10,397,955)
	<u>536,956</u>	<u>(206,536)</u>	<u>9,640,800</u>	<u>1,503,265</u>	<u>11,474,485</u>
<b>Net Change in Fund Balances</b>	(976,759)	330,510	9,557,785	(2,690,271)	6,221,265
<b>Fund Balances, Beginning of Year</b>	<u>3,640,660</u>	<u>423,537</u>	<u>-</u>	<u>4,687,672</u>	<u>8,751,869</u>
<b>Fund Balances, End of Year</b>	<u>\$ 2,663,901</u>	<u>\$ 754,047</u>	<u>\$ 9,557,785</u>	<u>\$ 1,997,401</u>	<u>\$ 14,973,134</u>

See Notes to Financial Statements



**City of Texarkana, Arkansas**  
**Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Governmental Funds**  
**Year Ended December 31, 2012**

**Net change in fund balances - total governmental funds** \$ 6,221,265

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset purchases	4,779,583
Contributed assets by Arkansas A&P	471,783
Capital outlay items not capitalized	(104,215)
Loss on disposal of capital assets	(16,432)
Depreciation expense	(2,085,008)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (210,007)

Losses from the change in the equity investment in joint ventures do not use current financial resources are not reported as expenditures in the funds. (73,595)

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. (9,535,047)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

This is the net change in these items this year.

Accrued interest	(47,593)
Accrued compensated absences	(193,393)
Net pension and other post-employment obligations (assets)	<u>(1,304,467)</u>

**Change in net position of governmental activities** \$ (2,097,126)

**City of Texarkana, Arkansas**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balances – Budget and Actual – General Fund**  
**Year Ended December 31, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 2,312,799	\$ 2,033,000	\$ 2,024,348	\$ (8,652)
Sales taxes	8,648,399	9,103,000	8,987,936	(115,064)
Other taxes	83,000	81,000	76,764	(4,236)
Utility franchise	2,775,619	2,628,003	2,649,392	21,389
Licenses and permits	33,182	38,620	37,471	(1,149)
Fines, forfeitures and penalties	691,396	689,510	703,209	13,699
Charges for services	406,206	380,050	383,051	3,001
Grants and entitlements	518,727	544,215	515,106	(29,109)
Intergovernmental	1,369,496	1,526,747	1,508,897	(17,850)
Investment income	7,321	6,521	6,032	(489)
Miscellaneous	54,180	121,607	127,800	6,193
<b>Total revenues</b>	<u>16,900,325</u>	<u>17,152,273</u>	<u>17,020,006</u>	<u>(132,267)</u>
<b>Expenditures</b>				
Current:				
General government	2,034,829	2,060,647	2,054,833	5,814
Police department	7,269,005	7,185,261	7,106,575	78,686
Fire department	4,476,508	4,420,147	4,413,736	6,411
Other public safety	2,404,674	2,479,797	2,608,193	(128,396)
Health and welfare	425,864	401,135	395,843	5,292
Culture and recreation	46,929	969,900	970,850	(950)
Capital outlay	315,173	907,075	925,920	(18,845)
Debt service:				
Principal retirement	69,000	45,719	50,728	(5,009)
Interest and fiscal charges	2,945	6,420	7,043	(623)
<b>Total expenditures</b>	<u>17,044,927</u>	<u>18,476,101</u>	<u>18,533,721</u>	<u>(57,620)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(144,602)</u>	<u>(1,323,828)</u>	<u>(1,513,715)</u>	<u>(189,887)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of debt	233,449	281,859	281,859	-
Transfers in	473,425	1,064,945	1,059,304	(5,641)
Transfers out	(856,766)	(802,952)	(804,207)	(1,255)
<b>Total other financing sources (uses)</b>	<u>(149,892)</u>	<u>543,852</u>	<u>536,956</u>	<u>(6,896)</u>
<b>Net Change in Fund Balances</b>	(294,494)	(779,976)	(976,759)	(196,783)
<b>Fund Balances, Beginning of Year</b>	<u>3,640,660</u>	<u>3,640,660</u>	<u>3,640,660</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 3,346,166</u>	<u>\$ 2,860,684</u>	<u>\$ 2,663,901</u>	<u>\$ (196,783)</u>

**City of Texarkana, Arkansas**  
**Statement of Revenues, Expenditures and Changes in Fund**  
**Balances – Budget and Actual - Public Works Fund**  
**Year Ended December 31, 2012**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 90,731	\$ 91,195	\$ 85,970	\$ (5,225)
Licenses and permits	145,700	206,675	204,868	(1,807)
Charges for services	3,981,235	3,787,199	3,785,339	(1,860)
Grants and entitlements	125,449	251,799	251,800	1
Intergovernmental	1,275,622	1,380,000	1,361,602	(18,398)
Investment income	700	800	837	37
Miscellaneous	120,100	170,889	177,034	6,145
	<u>5,739,537</u>	<u>5,888,557</u>	<u>5,867,450</u>	<u>(21,107)</u>
<b>Total revenues</b>				
<b>Expenditures</b>				
Current:				
Protective inspection	525,632	460,890	456,482	4,408
Public works	4,727,465	4,255,586	4,152,325	103,261
Culture and recreation	314,974	285,898	275,876	10,022
Capital outlay	125,449	509,377	445,721	63,656
	<u>5,693,520</u>	<u>5,511,751</u>	<u>5,330,404</u>	<u>181,347</u>
<b>Total expenditures</b>				
<b>Excess of Revenues Over Expenditures</b>				
	<u>46,017</u>	<u>376,806</u>	<u>537,046</u>	<u>160,240</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	88,000	88,000	87,853	(147)
Transfers out	(289,672)	(290,000)	(294,389)	(4,389)
	<u>(201,672)</u>	<u>(202,000)</u>	<u>(206,536)</u>	<u>(4,536)</u>
<b>Total other financing sources (uses)</b>				
<b>Net Change in Fund Balances</b>				
	(155,655)	174,806	330,510	155,704
<b>Fund Balances, Beginning of Year</b>				
	<u>423,537</u>	<u>423,537</u>	<u>423,537</u>	<u>-</u>
<b>Fund Balances, End of Year</b>				
	<u>\$ 267,882</u>	<u>\$ 598,343</u>	<u>\$ 754,047</u>	<u>\$ 155,704</u>

**City of Texarkana, Arkansas**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**September 30, 2012**

	<b>Texarkana Water Utilities</b>			<b>Total Enterprise Funds</b>
	<b>Water Utilities</b>	<b>Union Utilities</b>	<b>Mandeville Utilities (Non Major)</b>	
<b>Assets</b>				
<b>Current assets</b>				
Cash	\$ 1,379,121	\$ 210,644	\$ 62,299	\$ 1,652,064
Investments	519,243	42,267	-	561,510
Receivables:				
Accounts (net of allowance for uncollectible of \$73,045, \$2,047, and \$530)	1,656,734	58,908	15,293	1,730,935
Accrued interest	293	-	-	293
Due from other funds	88,660	5	2	88,667
Due from other governments	950,367	11	2	950,380
Inventories	360,919	-	-	360,919
Prepaid items	8,597	28	7	8,632
Net investment in direct financing leases - current	334,382	-	-	334,382
	<u>5,298,316</u>	<u>311,863</u>	<u>77,603</u>	<u>5,687,782</u>
Total current assets				
<b>Noncurrent assets</b>				
Restricted assets				
Cash	3,777,174	182,187	125,519	4,084,880
Investments	66,370	98,623	-	164,993
	<u>3,843,544</u>	<u>280,810</u>	<u>125,519</u>	<u>4,249,873</u>
Total restricted assets				
Capital assets (net of accumulated depreciation)				
Land	817,170	13,749	1,697	832,616
Buildings	2,103,543	1,045	331	2,104,919
Improvements other than buildings	34,863,309	2,582,996	284,554	37,730,859
Machinery and equipment	1,749,479	5,378	1,668	1,756,525
Construction in progress	310,471	247	80	310,798
	<u>39,843,972</u>	<u>2,603,415</u>	<u>288,330</u>	<u>42,735,717</u>
Net capital assets				
Other assets				
Deferred charges	1,331,764	89,036	11,534	1,432,334
Net investment in direct financing leases - noncurrent	4,846,329	-	-	4,846,329
	<u>6,178,093</u>	<u>89,036</u>	<u>11,534</u>	<u>6,278,663</u>
Total other assets				
Total noncurrent assets	<u>49,865,609</u>	<u>2,973,261</u>	<u>425,383</u>	<u>53,264,253</u>
Total assets	<u>\$ 55,163,925</u>	<u>\$ 3,285,124</u>	<u>\$ 502,986</u>	<u>\$ 58,952,035</u>

	<b>Texarkana Water Utilities</b>			<b>Total Enterprise Funds</b>
	<b>Water Utilities</b>	<b>Union Utilities</b>	<b>Mandeville Utilities (Non Major)</b>	
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 592,254	\$ 1,759	\$ 521	\$ 594,534
Construction contracts payable	210,794	-	-	210,794
Accrued liabilities	98,275	4,392	170	102,837
Accrued interest payable	96,497	38,932	5,309	140,738
Due to other funds	6	82,337	6,324	88,667
Due to other governments	-	23,480	2,440	25,920
Other payables	42,934	1,958	863	45,755
Compensated absences - current portion	15,883	-	-	15,883
Bonds payable - current portion	814,124	169,692	22,342	1,006,158
Capital lease obligation - current portion	45,693	-	-	45,693
	<u>1,916,460</u>	<u>322,550</u>	<u>37,969</u>	<u>2,276,979</u>
Total current liabilities				
<b>Noncurrent liabilities</b>				
Customer deposits	493,699	30,167	9,558	533,424
Capital improvement deposits	276,894	-	-	276,894
Contracts payable	312,887	-	-	312,887
Compensated absences	233,556	-	-	233,556
Net pension obligation	424,130	3,535	871	428,536
Revenue bonds	10,576,453	2,443,904	334,066	13,354,423
Capital lease obligation	15,319	-	-	15,319
	<u>12,332,938</u>	<u>2,477,606</u>	<u>344,495</u>	<u>15,155,039</u>
Total noncurrent liabilities				
Total liabilities	<u>14,249,398</u>	<u>2,800,156</u>	<u>382,464</u>	<u>17,432,018</u>
<b>Net Position</b>				
Net investment in captial assets	27,955,439	(10,181)	(68,078)	27,877,180
Restricted for construction	1,525,067	-	-	1,525,067
Restricted for capital maintenance	705,063	55,182	108,752	868,997
Restricted for debt service	1,449,110	186,697	11,458	1,647,265
Unrestricted	9,279,848	253,270	68,390	9,601,508
	<u>40,914,527</u>	<u>484,968</u>	<u>120,522</u>	<u>41,520,017</u>
Total net position				

**City of Texarkana, Arkansas**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended September 30, 2012**

	<b>Texarkana Water Utilities</b>			<b>Total Enterprise Funds</b>
	<b>Water Utilities</b>	<b>Union Utilities</b>	<b>Mandeville Utilities (Non Major)</b>	
<b>Operating Revenues</b>				
Water sales	\$ 4,055,824	\$ 445,789	\$ 101,274	\$ 4,602,887
Water connection fees	2,875	575	25	3,475
Sewer charges	4,347,970	-	-	4,347,970
Penalties and service charges	465,297	26,580	6,122	497,999
Other income	742,494	5,648	2,317	750,459
	<u>9,614,460</u>	<u>478,592</u>	<u>109,738</u>	<u>10,202,790</u>
Total operating revenues				
<b>Operating Expenses</b>				
Administrative	120,512	-	-	120,512
Finance	485,103	8,695	2,668	496,466
Customer service	330,349	32,119	8,030	370,498
Water production	1,028,234	65,075	24,386	1,117,695
Waster distribution	535,617	111,936	11,079	658,632
Sewer collection	507,652	-	-	507,652
Wastewater treatment	1,523,752	-	-	1,523,752
Environmental service	86,865	-	-	86,865
Engineer design	283,654	-	-	283,654
Geographical information systems	139,187	-	-	139,187
Composting	162,006	-	-	162,006
Operations administration	98,727	-	-	98,727
Service center	362,046	-	-	362,046
Safety/security	33,728	-	-	33,728
Field service	204,881	21,512	5,409	231,802
Construction oversight	330,406	-	-	330,406
Depreciation	1,699,643	144,812	20,940	1,865,395
Other expenses	319,594	14,302	1,844	335,740
	<u>8,251,956</u>	<u>398,451</u>	<u>74,356</u>	<u>8,724,763</u>
Total operating expenses				
<b>Operating Income</b>	<u>1,362,504</u>	<u>80,141</u>	<u>35,382</u>	<u>1,478,027</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	298,893	188	81	299,162
Interest expense	(560,088)	(86,510)	(11,790)	(658,388)
Other, net	(612)	(6)	(2)	(620)
	<u>(261,807)</u>	<u>(86,328)</u>	<u>(11,711)</u>	<u>(359,846)</u>
Total nonoperating revenues (expenses)				
<b>Income (Loss) Before Transfers</b>	1,100,697	(6,187)	23,671	1,118,181
<b>Transfers Out</b>	<u>(853,170)</u>	<u>-</u>	<u>-</u>	<u>(853,170)</u>
<b>Changes in Net Position</b>	247,527	(6,187)	23,671	265,011
<b>Net Position, Beginning of Year</b>	<u>40,667,000</u>	<u>491,155</u>	<u>96,851</u>	<u>41,255,006</u>
<b>Net Position, End of Year</b>	<u>\$ 40,914,527</u>	<u>\$ 484,968</u>	<u>\$ 120,522</u>	<u>\$ 41,520,017</u>

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**City of Texarkana, Arkansas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended September 30, 2012**

	<b>Texarkana Water Utilities</b>			<b>Total Enterprise Funds</b>
	<b>Water Utilities</b>	<b>Union Utilities</b>	<b>Mandeville Utilities (Non Major)</b>	
<b>Operating Activities</b>				
Cash received from customers	\$ 9,043,345	\$ 478,918	\$ 111,853	\$ 9,634,116
Cash paid to suppliers	(3,739,800)	(201,292)	(52,933)	(3,994,025)
Cash paid to employees	(2,225,474)	33,603	(8,322)	(2,200,193)
Net cash provided by operating activities	<u>3,078,071</u>	<u>311,229</u>	<u>50,598</u>	<u>3,439,898</u>
<b>Noncapital Financing Activities</b>				
Transfers to other funds	(853,170)	-	-	(853,170)
Net cash used for noncapital financing activities	<u>(853,170)</u>	<u>-</u>	<u>-</u>	<u>(853,170)</u>
<b>Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(396,101)	740	230	(395,131)
Payment of bonds/capital lease/interfund loans	(516,476)	(164,317)	(21,635)	(702,428)
Interest paid on bonds/capital leases/interfund loans	(242,833)	(88,958)	(12,112)	(343,903)
Capital improvement deposits paid	(564,909)	-	-	(564,909)
Capital improvement deposits received	155,731	-	-	155,731
Interest received on capital improvement deposits	1,598	28	7	1,633
Net cash used for capital and related financing activities	<u>(1,562,990)</u>	<u>(252,507)</u>	<u>(33,510)</u>	<u>(1,849,007)</u>
<b>Investing Activities</b>				
Purchase of investments	(940,912)	(140,940)	-	(1,081,852)
Proceeds from sale and maturities of investments	939,429	140,863	-	1,080,292
Interest received on investments	5,350	74	52	5,476
Net cash provided by (used in) investing activities	<u>3,867</u>	<u>(3)</u>	<u>52</u>	<u>3,916</u>
<b>Increase in Cash</b>	665,778	58,719	17,140	741,637
<b>Cash, Beginning of Year</b>	<u>4,490,517</u>	<u>334,112</u>	<u>170,678</u>	<u>4,995,307</u>
<b>Cash, End of Year</b>	<u>\$ 5,156,295</u>	<u>\$ 392,831</u>	<u>\$ 187,818</u>	<u>\$ 5,736,944</u>

See Notes to Financial Statements



	<b>Texarkana Water Utilities</b>			<b>Total Enterprise Funds</b>
	<b>Water Utilities</b>	<b>Union Utilities</b>	<b>Mandeville Utilities (Non Major)</b>	
<b>Cash of Proprietary Funds, as presented, on the</b>				
<b>"Statement of Net Assets - Proprietary Funds" is as follows:</b>				
Cash	\$ 1,379,121	\$ 210,644	\$ 62,299	\$ 1,652,064
Restricted cash	3,777,174	182,187	125,519	4,084,880
	<u>\$ 5,156,295</u>	<u>\$ 392,831</u>	<u>\$ 187,818</u>	<u>\$ 5,736,944</u>
 <b>Reconciliation of operating income to cash flows from operating activities</b>				
Operating income	\$ 1,362,504	\$ 80,141	\$ 35,382	\$ 1,478,027
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	1,699,643	144,812	20,940	1,865,395
Amortization of bond issuance	19,560	7,103	854	27,517
Millwood expense	(12,316)	-	-	(12,316)
(Increase) decrease in customer accounts receivable	65,057	4,243	1,785	71,085
(Increase) decrease in due from other funds	(579,043)	445	134	(578,464)
(Increase) decrease in inventory	217,109	-	-	217,109
(Increase) decrease in prepaid expenses	2,038	(2)	-	2,036
Increase (decrease) in accounts payable	121,243	(785)	(76)	120,382
Increase (decrease) in other accrued expenses	173,049	540	135	173,724
Increase (decrease) in due to other funds	(151)	72,987	(9,428)	63,408
Increase (decrease) in deferred revenue and deposits	9,378	1,745	872	11,995
	<u>\$ 3,078,071</u>	<u>\$ 311,229</u>	<u>\$ 50,598</u>	<u>\$ 3,439,898</u>

**City of Texarkana, Arkansas**  
**Statement of Fiduciary Net Position – Fiduciary Funds**  
**December 31, 2012**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,033,857	\$ 180,371
Investments		
Equities	5,219,111	-
U. S. government obligations	670,439	-
Corporate bonds and notes	1,914,958	-
Mutual funds and other investments	8,686,135	-
Interest receivable	40,625	3,556
Due from other funds	675,842	230
Due from other governments	-	2,315
	<u>19,240,967</u>	<u>186,472</u>
<b>Liabilities</b>		
Accounts payable	239,984	-
Escrow deposits	-	186,472
Due to other funds	20	-
	<u>240,004</u>	<u>186,472</u>
<b>Net Postion</b>		
Net position held in trust	<u>\$ 19,000,963</u>	<u>\$ -</u>

**City of Texarkana, Arkansas**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended December 31, 2012**

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions	
Employer	\$ 1,121,653
Employee	20,147
Intergovernmental	354,040
Other	68,188
	1,564,028
Investment income	
Net increase in fair value of investments	1,067,026
Interest and dividends	455,251
	1,522,277
Less investment expense	75,494
	1,446,783
Net investment income	1,446,783
Total additions	3,010,811
<b>Deductions</b>	
Benefits paid directly to participants	2,363,505
Administrative expenses	102,663
	2,466,168
Total deductions	2,466,168
<b>Change in Net Position</b>	544,643
<b>Net Position Held in Trust, Beginning of Year</b>	18,456,320
<b>Net Position Held in Trust, End of Year</b>	\$ 19,000,963

# City of Texarkana, Arkansas

## Notes to Financial Statements

December 31, 2012

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

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

#### **Reporting Entity**

The accompanying government-wide financial statements present the financial statements of the City of Texarkana and its component 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, 2012 totaled \$1,180,304. The Commission does not have separately issued financial statements.

# City of Texarkana, Arkansas

## Notes to Financial Statements

December 31, 2012

**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 as of December 31, 2011 consisted of \$1,126,843 by Texarkana, Arkansas and \$993,325 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 \$11,722,218 at December 31, 2011, 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

# **City of Texarkana, Arkansas**

## **Notes to Financial Statements**

### **December 31, 2012**

and criminal justice agencies. The annual budget is underwritten by the participating entities 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 in the Bi-State Justice Center is reported in the City's governmental activities as a joint venture. The City's equity interest at December 31, 2012 was \$242,830. 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 Highway and Transportation Department; and two representatives for the Texas Department of Transportation. The TUTS may receive federal, state, and local funding for metropolitan transportation planning for the integrated network of federal, state, and local roads and highways. The City has an ongoing financial responsibility of the TUTS since its continued existence depends on continued funding by the City. The City's equity interest at December 31, 2012 was \$0.

#### ***Texarkana Urban Transit District (TUTD)***

The City of Texarkana, Arkansas is a participant with three other cities in the TUTD. The purpose of the TUTD is to provide public transportation services within the Texarkana urban area. The TUTD is a political subdivision district under the laws of the State of Texas as defined by Chapter 458 of the Texas Transportation code and Chapter 791 of the Texas Government Code. Composition of the Transit District Board is as follows; the City of Texarkana, Arkansas – three members, one of whom is an elected official; the City of Texarkana, Texas – three members, one of whom is an elected official; the City of Wake Village, Texas – two members, one of whom is an elected official; and the City of Nash, Texas – two members, one of whom is an elected official. The TUTD receives federal, state, and local funding, as well as user charges generated by the public transportation system. The City has an ongoing financial responsibility for the TUTD since the TUTD's continued existence depends on continued funding by the City.

The City of Texarkana, Arkansas' net investment in the TUTD is reported in the City's governmental activities as a joint venture. The City's interest at December 31, 2012 was \$1,093,706.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2012

#### ***Jointly Governed Organizations***

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

#### ***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.

##### **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.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2012

The City reports the following major governmental funds:

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

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

The 2012 *Franchise Fee Projects Fund* accounts for the receipts and disbursements of the proceeds of the 2012 Capital Improvement and Refunding Limited Tax General Obligations Bonds. These funds are used to finance capital improvements.

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 financial resources that are restricted, committed or assigned to the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

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



# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2012

*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 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

# **City of Texarkana, Arkansas**

## **Notes to Financial Statements**

### **December 31, 2012**

funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, federal funds, local funds and investment earnings. Other revenues are considered to be measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences and obligations for worker's compensation and other post-employment benefits, which are recognized as expenditures when payment is due. Pension expenditures are recognized when contributed to a plan or when expected to be liquidated with expendable available financial resources.

#### ***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, 2012, cash equivalents consisted primarily of money market accounts with brokers.

Pursuant to legislation enacted in 2010, the FDIC fully insured all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions. This legislation expired on December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the \$250,000 limit on FDIC insurance per covered institution.

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

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

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

#### ***Inventories***

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

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2012**

***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 position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

***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

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2012**

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

***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 earned in the government-wide and proprietary fund financial statements. In governmental funds, a liability for these amounts is reported only as payments come due each period upon the occurrence of relevant events such as employee resignations and retirements. General revenues are used to liquidate the liability for compensated absences from the fund in which the employee retired.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2012

#### ***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 60 days of year-end. Deferred revenue consists mainly of unavailable property taxes for government funds only.

#### ***Net Position***

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

#### ***Fund Balance - Governmental Funds***

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

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

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

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

*Assigned* - Assigned fund balances are intended to be used by the City for specific purposes as determined by the City Manager. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

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

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2012

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

#### ***Restricted by Enabling Legislation***

The government-wide Statement of Net Position reports \$559,973 of restricted net position 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, Domestic Violence, Bail Bond, Court Automation, Library, 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.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2012**

Comparison of budgeted and actual amounts in the accompanying financial statements and supplementary information 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	\$ 250,768	\$ 240,580	\$ 4,694	\$ (3,994)	\$ 10,888
Police Donations	15,185	8,059	(6,520)	6,271	6,877
Kline Park Monument	4	415	-	2,524	2,113
N. Texarkana Redevelopment District	42,663	74,373	-	59,412	27,702
Domestic Violence	1,740	1,693	-	-	47
Bail Bond	8,172	-	(7,852)	980	1,300
Court Administration	38,862	61,961	-	84,533	61,434
Library	367,804	437,868	30,000	66,323	26,259
Public Safety	347	-	-	1,941	2,288
Total Special Revenue Funds with budgets	<u>725,545</u>	<u>824,949</u>	<u>20,322</u>	<u>217,990</u>	<u>138,908</u>
<b>Special Revenue Funds without budgets:</b>					
Front Street Project	<u>6,163</u>	<u>2,358</u>	<u>-</u>	<u>2,358</u>	<u>6,163</u>
Total Special Revenue Funds without budgets	<u>6,163</u>	<u>2,358</u>	<u>-</u>	<u>2,358</u>	<u>6,163</u>
Total Special Revenue Funds	<u>\$ 731,708</u>	<u>\$ 827,307</u>	<u>\$ 20,322</u>	<u>\$ 220,348</u>	<u>\$ 145,071</u>

***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, 2012:

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. 65, *Items Previously Reported as Assets and Liabilities*, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of GASB 65 are effective for periods beginning after December 15, 2012, and would be applied on a prospective basis.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2012**

GASB Statement No. 66, *Technical Corrections - 2012*, enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. GASB 66 amends both GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of GASB 66 are effective for periods beginning after December 15, 2012, and would be applied on a prospective basis.

GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, will improve financial reporting by state and local governmental pension plans and will replace the provisions of Statement No. 25 *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement No. 50, *Pension Disclosures— an amendment of GASB Statements No. 25 and No. 27* as they relate to pensions that are administered through trusts, or equivalent arrangements, that meet certain criteria. This Statement established standards for financial reporting of separately issued financial reports and specifies the required approach to measuring the liability of employer(s) and certain nonemployer contributing entities. This Statement also details the required note disclosures for defined contribution pension plans administered through trusts that meet certain criteria. The provisions of GASB 67 are effective for financial statements for fiscal years beginning after June 15, 2013.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, will amend the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*, as they relate to governmental employers that account for pensions provided through trusts, or equivalent arrangements, that meet certain criteria. The statement further includes guidance for accounting for participating employers in single-employer and multiple-employer defined benefit pension plans, cost-sharing plans, defined contribution plans and plans with insured benefits. The note disclosure and required supplementary information requirements for employers whose employees are provided with defined benefit pensions through qualified trusts also are addressed. Finally, the statement includes guidance on accounting for special funding situations where an entity other than the employer government is legally responsible for plan contributions. The Statement also requires employers participating in cost-sharing multiple-employer plans to recognize their proportional share of the plan's collective net pension liability, pension expense and deferred outflows of resources and deferred inflows of resources in the employer's financial statements. The pension expense will no longer be based on the contractually required contribution or contributions actually made, but will be actuarially determined. This will result in the pension expense and liability being recognized as benefits are earned by employees, and is expected to increase current pension expense along with the recognition of the proportional share of the net pension liability. Note disclosures and required supplementary information would also be expanded. The requirements of GASB 68 are effective for financial statements for fiscal years beginning after June 15, 2014.



**City of Texarkana, Arkansas**  
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GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term, "government combinations," includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. GASB 69 is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

The effect of these statements on the City has not been determined.

**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, 2012, none of the City's bank balances were exposed to custodial credit risk.

***Investments***

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

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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, 2012, 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	\$ 68,828	\$ -	\$ -	\$ -	\$ 68,828
U.S. government obligations	1,118,335	516,724	182,677	94,611	324,323
Corporate bonds	1,914,958	754,433	687,377	419,052	54,096
Money market mutual funds	2,627,385	2,627,385	-	-	-
Bond mutual funds	4,179,427	-	2,500,354	1,679,073	-
		<u>\$ 3,898,542</u>	<u>\$ 3,370,408</u>	<u>\$ 2,192,736</u>	<u>\$ 447,247</u>
Equity mutual funds	4,506,708				
Corporate stocks	<u>5,219,111</u>				
	<u>\$ 19,634,752</u>				

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.

**City of Texarkana, Arkansas**  
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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, 2012, 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	AAAf/Aaa
Corporate Bonds	S&P/Moody’s	Baa1 to Aa3/A- to AA+

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, 2012, 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**  
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**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	\$ 19,926,730	\$ 697,255
Cash on hand	3,622	200
Investments	19,634,752	-
	<u>\$ 39,565,104</u>	<u>\$ 697,455</u>
 Included in the following statement of net assets captions		
Cash	\$ 5,264,288	\$ 423,970
Investments	1,752,676	273,485
Restricted cash	13,678,276	-
Restricted investments	164,993	-
 Included in the following fiduciary net asset captions		
Cash and cash equivalents - Agency Funds	180,371	-
Cash and cash equivalents - Pension Trust Funds	2,033,857	-
Investments-Pension Trust Funds		
Equities	5,219,111	-
U.S. government obligations	670,439	-
Corporate bonds and notes	1,914,958	-
Mutual funds and other investments	8,686,135	-
	<u>\$ 39,565,104</u>	<u>\$ 697,455</u>

**City of Texarkana, Arkansas**  
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**Note 3: Capital Assets**

Capital asset activity in the governmental activities for the year ended December 31, 2012, was as follows:

<b>Governmental Activities</b>	<b>Balance, December 31, 2011</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance December 31, 2012</b>
Capital assets, non-depreciable:				
Land	\$ 2,563,907	\$ -	\$ -	\$ 2,563,907
Construction in progress	2,406,206	4,434,761	(1,411,892)	5,429,075
Total capital assets, non-depreciable	<u>4,970,113</u>	<u>4,434,761</u>	<u>(1,411,892)</u>	<u>7,992,982</u>
Capital assets, depreciable				
Buildings	21,030,416	17,261	488,436	21,536,113
Improvements other than buildings	5,709,692	24,932	206,489	5,941,113
Machinery and equipment	6,823,406	670,193	(36,777)	7,456,822
Infrastructure	33,372,126	-	566,147	33,938,273
Total capital assets, depreciable	<u>66,935,640</u>	<u>712,386</u>	<u>1,224,295</u>	<u>68,872,321</u>
Less accumulated depreciation				
Buildings	13,441,338	546,752	-	13,988,090
Improvements other than buildings	4,854,594	61,605	(45,982)	4,870,217
Machinery and equipment	4,671,210	620,190	(125,182)	5,166,218
Infrastructure	22,765,011	856,457	-	23,621,468
Total accumulated depreciation	<u>45,732,153</u>	<u>2,085,004</u>	<u>(171,164)</u>	<u>47,645,993</u>
Total capital assets, depreciable	<u>21,203,487</u>	<u>(1,372,618)</u>	<u>1,395,459</u>	<u>21,226,328</u>
Total governmental activities, net	<u>\$ 26,173,600</u>	<u>\$ 3,062,143</u>	<u>\$ (16,433)</u>	<u>\$ 29,219,310</u>

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Capital asset activity in the business-type activities for the year ended September 30, 2012, was as follows:

<b>Business-Type Activities</b>	<b>Balance September 30, 2011</b>	<b>Additions and Transfers, Net</b>	<b>Retirements and Transfers, Net</b>	<b>Balance September 30, 2012</b>
Capital Assets, non-depreciable				
Land	\$ 830,651	\$ -	\$ 1,965	\$ 832,616
Construction in progress	<u>279,309</u>	<u>979,496</u>	<u>(948,007)</u>	<u>310,798</u>
Total capital assets, non-depreciable	<u>1,109,960</u>	<u>979,496</u>	<u>(946,042)</u>	<u>1,143,414</u>
Capital assets, depreciable				
Buildings and improvements	4,321,572	-	-	4,321,572
Improvements other than buildings	59,301,258	-	469,212	59,770,470
Machinery and equipment	6,434,794	11,091	306,266	6,752,151
Property under capital leases	-	-	-	-
Water rights	<u>363,500</u>	<u>539,511</u>	<u>(363,500)</u>	<u>539,511</u>
Total capital assets, depreciable	<u>70,421,124</u>	<u>550,602</u>	<u>411,978</u>	<u>71,383,704</u>
Less accumulated depreciation				
Buildings and improvements	2,134,949	81,704	-	2,216,653
Improvements other than buildings	21,091,247	1,484,502	-	22,575,749
Machinery and equipment	4,710,056	295,816	(10,246)	4,995,626
Water rights	<u>363,500</u>	<u>3,373</u>	<u>(363,500)</u>	<u>3,373</u>
Total accumulated depreciation	<u>28,299,752</u>	<u>1,865,395</u>	<u>(373,746)</u>	<u>29,791,401</u>
Total capital assets, depreciable	<u>42,121,372</u>	<u>(1,314,793)</u>	<u>785,724</u>	<u>41,592,303</u>
Total business-type activities, net	<u>\$ 43,231,332</u>	<u>\$ (335,297)</u>	<u>\$ (160,318)</u>	<u>\$ 42,735,717</u>

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

**Governmental Activities**

General government	
General government	\$ 93,307
Police department	684,552
Fire department	207,235
Public inspection	7,377
Public works	983,718
Health	16,729
Culture and recreation	92,086
	<u>2,085,004</u>
Total depreciation expense – governmental activities	<u>\$ 2,085,004</u>

**Business-Type Activities**

Water and sewer	<u>\$ 1,865,395</u>
Total depreciation expense - business-type activities	<u>\$ 1,865,395</u>

**Note 4: Construction Projects**

At December 31, 2012, the City had the following commitments with respect to unfinished capital projects. These projects are being funded with grant funds, bond proceeds and franchise fees.

Project	Project Authorization	Expended Through December 31, 2012	Required Future Financing
Cooper Tire Improvements	\$ 1,333,333	\$ 1,058,939	\$ 274,394
Nix Creek Trail Improvement - Jefferson	17,827	-	17,827
Park PI/Kniffin Drainage Improvement	135,875	13,193	122,682
Nix Creek Dredging - Drainage Improvements	137,587	19,622	117,965
Traffic Signale - State Line	50,500	20,208	30,292
Jefferson Park	100,000	700	99,300
Draughn/College Street Improvements	37,852	2,357	35,495
Ivy Creek Channel Improvements	219,137	20,220	198,917
Nix Creek Bank Improvements	250,597	23,404	227,193
County Avenue Repairs	910,881	23,020	887,861
Arkansas Boulevard	1,471,756	46,246	1,425,510
E. 24th Street Repairs	291,438	11,661	279,777
Texarkana Recreation Center	40,000	32,877	7,123
Firing Range	41,605	17,492	24,113
Holiday Springs Water Park	600,000	555,519	44,481
	<u>\$ 5,638,388</u>	<u>\$ 1,845,458</u>	<u>\$ 3,792,930</u>
Total	<u>\$ 5,638,388</u>	<u>\$ 1,845,458</u>	<u>\$ 3,792,930</u>

**City of Texarkana, Arkansas**  
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**Note 5: Long-term Liabilities**

Changes in long-term liabilities in the governmental activities for the year ended December 31, 2012 and for the business-type activities for the year ended September 30, 2012, were as follows:

<b>Governmental Activities</b>	<b>Balance December 31, 2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2012</b>	<b>Amounts Due in One Year</b>
Bonds payable					
Revenue bonds	\$ 13,510,000	\$ 10,300,000	\$ 9,795,000	\$ 14,015,000	\$ -
Add issuance premiums	-	44,571	-	44,571	-
	<u>13,510,000</u>	<u>10,344,571</u>	<u>9,795,000</u>	<u>14,059,571</u>	<u>-</u>
General obligation bonds	1,660,000	10,160,000	1,660,000	10,160,000	270,000
Add issuance premiums	-	253,920	-	253,920	-
	<u>1,660,000</u>	<u>10,413,920</u>	<u>1,660,000</u>	<u>10,413,920</u>	<u>270,000</u>
Bonds payable, net	15,170,000	20,758,491	11,455,000	24,473,491	270,000
Notes payable	-	233,449	36,295	197,154	45,068
Capital lease obligation	-	48,835	14,433	34,402	16,141
Compensated absences	2,092,140	1,169,148	975,755	2,285,533	66,910
Net pension and other post-employment obligations	9,563,383	1,026,968	-	10,590,351	-
Total governmental activities long-term liabilities	<u>\$ 26,825,523</u>	<u>\$ 23,236,891</u>	<u>\$ 12,481,483</u>	<u>\$ 37,580,931</u>	<u>\$ 398,119</u>

<b>Business-Type Activities</b>	<b>Balance September 30, 2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30, 2012</b>	<b>Amounts Due in One Year</b>
Bonds payable					
Revenue bonds	\$ 15,578,661	\$ -	\$ 971,677	\$ 14,606,984	\$ 1,006,158
Less deferred issuance discounts	(333,204)	-	(86,801)	(246,403)	-
Bonds payable, net	15,245,457	-	884,876	14,360,581	1,006,158
Capital lease obligation	103,558	12,314	54,860	61,012	45,693
Compensated absences	195,211	261,131	206,903	249,439	15,883
Net pension obligation	328,815	540,307	440,586	428,536	-
Total business-type activities long-term liabilities	<u>\$ 15,873,041</u>	<u>\$ 813,752</u>	<u>\$ 1,587,225</u>	<u>\$ 15,099,568</u>	<u>\$ 1,067,734</u>



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**Governmental Activities**

**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.

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

The net proceeds of \$10,377,633 (including a \$44,571 premium and after payment of \$223,653 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2008 franchise fee bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The City advance refunded the 2008 Series franchise fee bonds to reduce its total debt service payments over 26 years by \$1,380,524 and to obtain an economic gain (difference between the present values of the debt service payment on the old and new debt) of \$683,206.

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

**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%.

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*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%.

**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements (net of deferred issuance costs) to pay principal and interest on revenue bonds and notes payable, outstanding at December 31, 2012 for governmental activities and September 30, 2012 for business-type activities.

Year	Primary Government			
	Governmental Activities		Business-Type Activities	
	General Obligation Bonds and Revenue Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 270,000	\$ 863,797	\$ 1,006,158	\$ 539,141
2014	480,000	887,744	1,041,336	501,763
2015	570,000	877,103	1,082,222	463,077
2016	585,000	865,018	1,123,843	422,855
2017	595,000	851,259	1,166,229	381,070
2018-2022	3,270,000	3,977,161	5,980,394	1,231,342
2023-2027	3,895,000	3,324,329	3,206,802	237,111
2028-2032	4,785,000	2,460,464	-	-
2033-2037	5,795,000	1,428,470	-	-
2038-2040	3,930,000	321,435	-	-
	<u>\$ 24,175,000</u>	<u>\$ 15,856,780</u>	<u>\$ 14,606,984</u>	<u>\$ 3,776,359</u>

**City of Texarkana, Arkansas**  
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	<b>Notes Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ 45,068	\$ 5,112
2014	46,365	3,816
2015	47,698	2,483
2016	49,066	1,115
2017	8,957	59
	\$ 197,154	\$ 12,585

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, 2012, the City met the statutory limitation for its general bonded indebtedness, leaving a sufficient legal debt margin. Also, for the governmental activities, net pension obligations and other post-employment obligations have historically been the responsibility of the General Fund.

**City of Texarkana, Arkansas**  
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**Note 6: Interfund Balances and Transfers**

Interfund receivables and payables as of December 31, 2012, are as follows:

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General Fund	\$ 24,873	\$ 678,668
Public Works	10,578	24,357
Non-major governmental funds	2,406	10,884
Total governmental funds	37,857	713,909
Texarkana, Arkansas Water Utilities	88,660	6
Texarkana, Arkansas Union Water Utilities	5	82,337
Non-major proprietary funds	2	6,324
Total proprietary funds	88,667	88,667
Fiduciary Funds:		
Pension trust funds	675,842	20
Agency funds	230	-
Total fiduciary funds	676,072	20
Total	\$ 802,596	\$ 802,596

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.

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

	<b>Receivables</b>	<b>Payables</b>
Primary Government		
General Fund	\$ 33,951	\$ 338
Total primary government	33,951	338
Component Units		
Arkansas Advertising & Promotion	338	-
RSVP	-	33,951
Total component units	338	33,951
Total	\$ 34,289	\$ 34,289

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, 2012, are as follows:

<b>Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>
General	\$ 1,059,304	\$ 804,207
Public Works	87,853	294,389
2012 Franchise Fee Projects	9,640,800	-
Other Nonmajor Governmental Funds	2,009,161	10,866,432
Total governmental funds	12,797,118	11,965,028

Transfers recorded in the Statement of Revenues, Expenditures and Changes in Net Assets Proprietary Funds as of September 30, 2012, are as follows:

Proprietary Funds		
Texarkana, Arkansas Water Utilities	-	853,170
	\$ 12,797,118	\$ 12,818,198

The difference in the transfer out of \$21,080 is due to the different year end of Texarkana, Arkansas Water Utilities.

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**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 \$622,733 for 2012.

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

A water system agreement entered into on December 1, 1982 and amended on October 15, 1985 between the two Cities provides for the sale of water taken from the Millwood Reservoir and processed in the Millwood Water Treatment Facilities. The agreement provides that the previous existing contract shall remain in full force as it relates to water taken from the Texarkana Reservoir. The agreement further provides that the City of Texarkana, Arkansas will sell treated water to the City of Texarkana, Texas at the cost per one thousand gallons of water supplied to it as shall be computed to be the cost to Texarkana, Arkansas. The Texas Utilities made total transfers to the Arkansas Utilities for water purchases of \$567,380 for 2012.

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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 2012, the Texas Utilities made total transfers to the Arkansas Utilities for debt service of \$440,079. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease transaction between the Cities.

**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 2012, the Arkansas Utilities made transfers to the Texas Utilities for debt service in the amounts of \$31,447. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease between the Utilities.

**City of Texarkana, Arkansas**  
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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 2012, the Texas Utilities made transfers to the Arkansas Utilities for debt service in the amounts of \$109,639. The effective transfer of assets pursuant to this agreement has been recorded as a capital lease between the Utilities.

**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

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

#### ***Millwood Reservoir***

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

On May 14, 1986, in anticipation of the start-up of the Millwood Water Treatment Plant, the City of Texarkana, Arkansas entered into an agreement with Southwest Arkansas Water District to take 5 MGD of the 50 MGD reserved in Millwood Reservoir. The contract specifies a monthly payment of \$793 representing principal and interest for the 5 MGD with the final payment being due in 2016. Since 1986, the monthly payments to the water district for water used have included principal and interest on the 5 MGD being taken and interest only on the remaining 45 MGD reserved along with the districts monthly operating costs. Payment was made to the water district for water used from the reservoir totaling \$179,275 for fiscal year 2012. These amounts are included in Water Production costs of the Arkansas Utilities and Texas Utilities based on the contract percentages of 55% and 45%, respectively. Due to anticipated needs for additional water from Millwood, the City of Texarkana, Arkansas on July 2, 2012, entered into a new contract with the Water District to take an additional 10 MGD. Texarkana, Texas was not a party to this contract, so Texarkana, Arkansas anticipates paying all the costs of this addition unless a revised agreement is reached with Texarkana, Texas in the future. The Corp of Engineers determined the cost of this additional water to be \$539,511, plus interest, payment in 43 monthly payments beginning July 2012 and ending January 2016. Total deferred charges at September 30, 2013 were \$536,139. Amortization of the deferred charges, which began in fiscal year ending September 30, 2012, the year of purchase, was made over 40 years. In the fiscal year 2012 budget a new restricted account, the Millwood Water Rights account, was set up to receive transfers from the Arkansas Revenue account to pay the monthly cost of the additional 10 MGD as well as to accumulate funds to pay the projected principal cost of \$1,888,451 for the remaining 35 MGD in January 2016. A total of \$495,000 was transferred to the Millwood Water rights account during fiscal year 2012.

# City of Texarkana, Arkansas

## Notes to Financial Statements

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#### **Note 10: Mandeville and Union Acquisitions**

Since 1994, the City of Texarkana, Arkansas through its water department, Texarkana Water Utilities, has operated the Mandeville and Union water corporations under terms of operating agreements with the corporations. The non-profit corporations were initially established to provide water to mostly rural customers located east of the city limits of Texarkana, Arkansas. The Mandeville system serves approximately 336 customers and Union serves 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.

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 4 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 and the District Judges' division of Arkansas Public Employees Retirement System (APERS), a statewide cost-sharing multiple-employer public retirement system. The assets of the plans are maintained in legally separate trusts and each plan's assets may be used only for the payment of benefits to the members of that plan or their beneficiaries in accordance with the terms of the plan.

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

**B. Membership Information**

Membership of each plan consisted of the following at December 31, 2012:

	<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	31	12	36	47
Active plan members	29	47	-	-
Terminated members	41	20	-	-
Transitioned members	41	-	-	-
Members on Deferred Retirement Option Plan (DROP)	-	-	1	-
<b>Total</b>	<b>142</b>	<b>79</b>	<b>37</b>	<b>47</b>

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
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**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 Position</b>					
	<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>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 520,970	\$ 340,194	\$ 521,099	\$ 651,593	\$ 2,033,856
Investments	4,125,454	2,507,854	5,416,798	4,440,538	16,490,644
Receivables	6,034	9,965	12,080	12,546	40,625
Due from other funds	-	-	337,921	337,921	675,842
Total assets	<u>4,652,458</u>	<u>2,858,013</u>	<u>6,287,898</u>	<u>5,442,598</u>	<u>19,240,967</u>
<b>Liabilities</b>					
Accounts payable	13,068	207,848	10,262	8,806	239,984
Due to other funds	-	-	-	20	20
Total liabilities	<u>13,068</u>	<u>207,848</u>	<u>10,262</u>	<u>8,826</u>	<u>240,004</u>
<b>Net Position</b>					
Net position held in trust for pension benefits	<u>\$ 4,639,390</u>	<u>\$ 2,650,165</u>	<u>\$ 6,277,636</u>	<u>\$ 5,433,772</u>	<u>\$ 19,000,963</u>
<b>Statement of Changes in Fiduciary Net Position</b>					
<b>Additions</b>					
Contributions	\$ 150,540	\$ 45	\$ 412,393	\$ 1,001,050	\$ 1,564,028
Net investment income	334,896	256,852	469,774	385,261	1,446,783
Total additions	<u>485,436</u>	<u>256,897</u>	<u>882,167</u>	<u>1,386,311</u>	<u>3,010,811</u>
<b>Deductions</b>					
Benefits paid directly to participants	285,342	131,992	601,114	1,345,057	2,363,505
Administrative expenses and other	67,709	25,954	4,500	4,500	102,663
Total deductions	<u>353,051</u>	<u>157,946</u>	<u>605,614</u>	<u>1,349,557</u>	<u>2,466,168</u>
<b>Change in Net Position</b>	132,385	98,951	276,553	36,754	544,643
<b>Net Position Held in Trust For Pension Benefits, Beginning of Year</b>	<u>4,507,005</u>	<u>2,551,214</u>	<u>6,001,083</u>	<u>5,397,018</u>	<u>18,456,320</u>
<b>Net Position Held in Trust For Pension Benefits, End of Year</b>	<u>\$ 4,639,390</u>	<u>\$ 2,650,165</u>	<u>\$ 6,277,636</u>	<u>\$ 5,433,772</u>	<u>\$ 19,000,963</u>

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

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

Contributions to the TAPERS are funded by the City of Texarkana, Arkansas. The annual contribution is guided by an annual cost valuation based on the frozen entry age cost method. However, since there is no longer any initial unfunded accrued liability, it is equivalent to the aggregate method. The Annual Required Contribution (ARC) is defined based on the aggregate cost method. Because this method does not identify or separately amortize unfunded actuarial accrued liabilities, information about funded status and funding progress is presented using the entry age actuarial cost method and the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan. Administrative costs are financed from the trust. Employer contributions for the year ended December 31, 2012, were \$136,379.

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

Federated Auto Cash Mgmt TR #75	\$ 510,305
Goldman Sachs Strategic Income	239,667
JP Morgan Core Bond Fund 3717 CI A	317,956
PIMCO Total Return Fund 35	314,173
Ishares Russell Midcap Growth Index Fund	287,938
Ishares Russell 1000 Growth Index Fund	233,144
Maingate MLP Fund CI I	239,549

As of June 30, 2012, the most recent actuarial valuation date, the TAPERS was 58% funded. The actuarial accrued liability for benefits was \$7,907,950, and the actuarial value of assets was \$4,580,632, resulting in an unfunded entry age accrued liability (UEAAL) of \$3,327,318. The covered payroll (annual payroll of active employees covered by the plan) was \$1,172,390 and the ratio of the UEAAL to the covered payroll was 284%.

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.

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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 2012. Participant contributions are returned without interest if the participant terminates covered employment. Administrative costs are financed by the Policemen’s Fund. Total 2012 contributions to the Policemen’s Fund were \$1,001,050. The City’s share of contributions was \$1,001,050 and included \$454,271 in property taxes and \$173,659 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:

Federated Auto Cash Management TR#75	\$ 651,593
Blackrock Core Bond Portfolio	267,734
Maingate MLP Fund CI I	408,169
Ishares Russell 1000 Growth Index Fund	365,434
JP Morgan Core Bond Fd 3717 CI A	261,813

As of December 31, 2011, the most recent actuarial valuation date, the PPRF was 29% funded. The actuarial accrued liability for benefits was \$17,594,611, and the actuarial value of assets was \$5,072,237, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,522,374. There is no covered payroll 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 ***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.

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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 2012. The participants contributed 7% of their salaries in 2012. 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 2012 contributions to the FRPF were \$412,393. The City's share of contributions was \$404,764 and included \$297,639 in property taxes and \$32,650 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:

Federated Auto Cash Management TR#75	\$ 519,989
Blackrock Low Duration Bond Fund	544,064
Goldman Sachs Strategic Income Fd 3716	322,499
Ishares Russell Midcap Value Index Fund	369,264
Ishares Russell Midcap Growth Index Fund	506,796
Ishares Russell 1000 Growth Index Fund	453,191
Maingate MLP Fund C1 I	440,766

As of December 31, 2011, the most recent actuarial valuation date, the FRPF was 69% funded. The actuarial accrued liability for benefits was \$8,216,775, and the actuarial value of assets was \$5,676,304 resulting in an unfunded actuarial accrued liability (UAAL) of \$2,540,471. There is no covered payroll 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.



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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 were minimal contributions to the plan for the year ended December 31, 2012.

The asset concentrations of over 5% are as follows:

Federated US Treas Cash Resvs Instl Svc	\$ 340,194
Eaton Vance Large Cap Value Fund CI A	143,463
I Shares S + P 500/Barra Growth	351,114
MFS Value Fund CI A	261,677

As of June 30, 2012, the most recent actuarial valuation date, the TWAUERS Plan was 208% funded. The actuarial accrued liability for benefits was \$1,256,000, and the actuarial value of assets was \$2,610,761.

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>2012 Annual Pension Cost and Net Pension Obligation (Asset)</b>				
	<b>Firefighters Fund</b>	<b>Police Fund</b>	<b>TAPERS Plan</b>	<b>TWAUERS Plan</b>	<b>TMRS Plan</b>
Annual required contributions	\$ 572,814	\$ 2,823,487	\$ 680,000	\$ -	\$ 443,861
Interest on net pension obligation (asset)	(13,239)	404,182	81,503	23,692	15,348
Adjustment to annual required contribution	(59,699)	1,822,662	131,118	37,152	13,193
Annual pension cost	619,274	1,405,007	630,385	(13,460)	446,016
Contributions made	355,235	846,280	155,265	-	410,748
Increase (decrease) in net pension obligation (asset)	(264,039)	(558,727)	(475,120)	(13,460)	(35,268)
Net pension obligation(asset), beginning of the year	(264,770)	8,083,643	1,358,379	(53,350)	219,246
Net pension obligation (asset), end of the year	\$ (731)	\$ 8,642,370	\$ 1,833,499	\$ (39,890)	\$ 254,514

**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, 2011. 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 2011 was 5 years.

***Three-Year Trend Information***

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Police Fund	12/31/2010	\$ 1,857,993	30%	\$ 7,298,925
	12/31/2011	1,540,765	49%	8,089,401
	12/31/2012	1,405,007	60%	8,642,370
Firefighters Fund	12/31/2010	\$ 802,462	40%	\$ (517,809)
	12/31/2011	653,714	61%	(264,770)
	12/31/2012	619,274	47%	(731)
TAPERS	12/31/2010	\$ 415,418	33%	\$ 931,028
	12/31/2011	568,873	25%	1,358,379
	12/31/2012	630,385	25%	1,833,499

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2012

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

APERS 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 for the District Judges division for the years ending December 31, 2012, 2011 and 2010, were \$38,877, \$41,492, and 39,624, respectively, equal to the required contributions for each year.

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

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

*Funding policy.* 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 12.13% for participating policemen and 16.23% for participating firemen. City contributions to the plan for the years ended December 31, 2012, 2011 and 2010 were approximately \$1,060,217, \$884,205, and \$822,682, respectively, and were equal to 100 percent of the required contributions for each year. The contribution requirements of employers and employees and the amendments of those requirements are established by the LOPFI Board of Trustees, and shall be based on the actuary's determination of the rate required to fund the Plan.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2012

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, 2011, the most recent actuarial valuation date, the Plan was 75% funded based on the actuarial valuation performed under the original fund structure. The actuarial accrued liability for benefits was \$30,022,659 and the actuarial value of assets was \$22,638,642 resulting in an unfunded actuarial accrued liability (UAAL) of \$7,384,017. The covered payroll (annual payroll of active employees covered by the plan) was \$6,239,126 and the ratio of the UAAL to the covered payroll was 118%.

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, 2012**

**Three-Year Trend Information**

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
TMRS	9/30/2010	\$ 391,649	79%	\$ 143,777
	9/30/2011	420,623	82%	219,246
	9/30/2012	446,016	92%	254,514

**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	Texas Municipal Retirement System
Actuarial valuation date	12/31/2011	12/31/2011	6/30/2012	6/30/2012	12/31/2011
Actuarial cost method	Entry age normal	Entry age normal	Aggregate	Aggregate	Projected unit credit
Amortization method	Level percent closed	Level percent closed	Not applicable	Not applicable	Level percent open
Remaining amortization period	5 years	5 years	Not applicable	Not applicable	30 years
Asset valuation method	Market	Market	Market	Market	10-year smoothed market
Actuarial assumptions:					
Investment rate of return*	5%	5%	6%	6%	(1)
Projected salary increases*	4.2-8.0%	4.2-8.0%	3.0%	N/A	Varies by age and service
*Includes inflation at	4%	4%	2%	2%	3%
Cost-of-living adjustments	None	None	None	None	2.1%

(1) Investment rate of return 7.5% before restructuring and 7.0% after restructuring

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note 12: Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City's plan was amended effective July 15, 1997 to provide that all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

The City has delegated administrative and investment responsibilities to a third party administrator, ICMA Retirement Corporation, and as such, the plan assets do not meet the requirements for inclusion in the City's financial statements as December 31, 2012.

**Note 13: Other Post-employment 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.

*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, 2012, there are 16 retirees participating in the post-employment health benefit program. Participant contributions totaled \$127,532 in 2012.

**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2012**

*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	\$ 127,593
Interest on net OPEB obligation	6,358
Adjustment to annual required contribution	<u>(7,539)</u>
Annual OPEB Cost	126,412
Total annual contribution	<u>(127,532)</u>
Decrease in net OPEB obligation	(1,120)
Net OPEB obligation – beginning of year	<u>115,602</u>
Net OPEB obligation – end of year	<u>\$ 114,482</u>

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

Normal cost	\$ 40,120
Interest	6,652
Amortization cost	<u>80,821</u>
Annual required contribution (ARC)	<u>\$ 127,593</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/12	\$ 126,412	100.9%	\$ 114,482
12/31/11	\$ 127,104	47.3%	\$ 115,602
12/31/10	\$ 85,324	43.0%	\$ 48,645

*Funded Status and Funding Progress:* As of December 31, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,265,589, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,265,589.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2012

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.

*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, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 10.0% initially, reduced by decrements to an ultimate rate of 5.0% after nine years. Both rates include a 5.5 percent inflation assumption. 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).

*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.



**City of Texarkana, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2012**

*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 net OPEB obligation:

Normal costs	\$ 40,559
Amortization of UAAL	<u>35,912</u>
Annual required contribution	76,471
Interest on prior year net OPEB obligation	4,613
Annual required contribution adjustment	<u>(6,669)</u>
Annual OPEB cost	74,415
Total annual contribution	<u>(9,963)</u>
Increase in net OPEB obligation	64,452
Net OPEB obligation – beginning of year	<u>109,570</u>
Net OPEB obligation – end of year	<u>\$ 174,022</u>

The TWU’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/12	\$ 74,415	13.39%	\$ 174,022
9/30/11	\$ 52,319	6.92%	\$ 109,570
9/30/10	\$ 47,529	22.05%	\$ 60,870

*Funded Status and Funding Progress:* As of October 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$627,544, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$627,544.

# City of Texarkana, Arkansas

## Notes to Financial Statements

### December 31, 2012

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.

*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, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 7.50% initially, reduced by decrements to an ultimate rate of 4.50% after six years and salary increases of 4%. Both healthcare cost trend rates include a 2.75% inflation assumption. 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 14: Risk Management**

##### ***Insurance Coverage***

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

# **City of Texarkana, Arkansas**

## **Notes to Financial Statements**

### **December 31, 2012**

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

There have been no significant reductions in coverage from 2011 to 2012; nor have settlement amounts exceeded insurance coverage for each of the past three years.

#### **Note 15: Property Taxes**

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

In the governmental funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2012, property taxes receivable and related deferred revenues of \$3,474,779 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.

#### **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 questioned costs, if any. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

# **City of Texarkana, Arkansas**

## **Notes to Financial Statements**

### **December 31, 2012**

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

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

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

## **Required Supplementary Information**

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**City of Texarkana, Arkansas**  
**Defined Benefit Pension Plans – Required Supplementary Information**  
**Schedules of Employer Contributions**  
**Year Ended December 31, 2012**

	Year Ended	Annual Required Contribution	Percentage Contributed
Police Relief and Pension Fund	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%
	12/31/11	2,821,547	27%
	12/31/12	2,823,487	30%
Firefighters Relief and Pension Fund	12/31/07	34,201	1119%
	12/31/08	7,937	4732%
	12/31/09	213,452	164%
	12/31/10	626,483	51%
	12/31/11	562,851	71%
	12/31/12	572,814	62%
Texarkana, Arkansas Public Employee Retirement System	12/31/07	280,000	45%
	12/31/08	225,000	67%
	12/31/09	310,000	44%
	12/31/10	462,000	29%
	12/31/11	621,000	23%
	12/31/12	680,000	N/A

**City of Texarkana, Arkansas**  
**Defined Benefit Pension Plans – Required Supplementary Information**  
**Schedules of Funding Progress**  
**Year Ended December 31, 2012**

	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	12/31/05	\$ 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%
	12/31/10	5,559,288	18,073,059	12,513,771	31%	-	N/A
	12/31/11	5,072,237	17,594,611	12,522,374	29%	-	N/A
Firefighters Relief and Pension Fund	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%	-	N/A
	12/31/08	5,279,707	6,254,651	974,944	84%	-	N/A
	12/31/09	5,945,122	8,723,621	2,778,499	68%	-	N/A
	12/31/10	5,929,525	8,425,810	2,496,285	70%	-	N/A
	12/31/11	5,676,304	8,216,775	2,540,471	69%	-	N/A
Texarkana, Arkansas Public Employees Retirement System (TAPERS)	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%
	6/30/11	4,796,000	8,610,000	3,814,000	56%	2,167,045	176%
	6/30/12	4,580,632	7,907,950	3,327,318	58%	1,172,390	284%
Texarkana, Arkansas Water Utilities Employees Retirement System (TWAUERS)	6/30/07	2,827,000	1,366,000	(1,461,000)	207%	-	N/A
	6/30/08	2,602,000	1,268,000	(1,334,000)	205%	-	N/A
	6/30/09	2,266,000	1,275,000	(991,000)	178%	-	N/A
	6/30/10	2,396,000	1,363,000	(1,033,000)	176%	-	N/A
	6/30/11	2,643,000	1,283,000	(1,360,000)	206%	-	N/A
	6/30/12	2,610,761	1,256,000	(1,354,761)	208%	-	N/A
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%
	(1) 12/31/10	13,035,637	22,047,441	9,011,804	59%	5,992,610	150%
	(2) 12/31/10	20,704,900	28,429,377	7,724,477	73%	5,992,610	129%
	12/31/11	22,638,642	30,022,659	7,384,017	75%	6,239,126	118%

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.

- (1) Actuarial valuation performed under the original fund structure.  
(2) Actuarial valuation performed under the new fund structure.



**City of Texarkana, Arkansas**  
**Required Supplemental Information**  
**Other Postemployment Benefit Plans**  
**Schedule of Funding Progress**  
**Year Ended December 31, 2012**

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>						
12/31/2010	-0-	\$ 667,765	\$ 667,765	0%	N/A	N/A
12/31/2011	-0-	\$ 1,239,234	\$ 1,239,234	0%	N/A	N/A
12/31/2012	-0-	\$ 1,265,589	\$ 1,265,589	0%	N/A	N/A
<b>Proprietary Funds</b>						
10/1/2010	-0-	\$ 426,596	\$ 426,596	0%	\$ 6,242,307*	6.83%
10/1/2011	-0-	\$ 480,963	\$ 480,963	0%	\$ 6,101,086*	7.88%
10/1/2012	-0-	\$ 627,544	\$ 627,544	0%	\$ 6,394,749*	9.81%

\*TWU combined covered payroll

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 10.0% initially reduced by decrements to an ultimate rate of 5.0% 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) an annual healthcare cost trend rate of 10.0% initially reduced by decrements to an ultimate rate of 5.0% after eleven years, and (b) mortality rates based on the RP-2000 Combined Male/Female Mortality, projected to 2017 using scale AA and (c) salary increases of 4.0%. The unfunded actuarial accrued liability is being amortized using level dollar amount over 30 years on an open basis.

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## **Nonmajor Governmental Funds**

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## NONMAJOR GOVERNMENTAL FUNDS

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

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

**Police 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.

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

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

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

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

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

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

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

## NONMAJOR GOVERNMENTAL FUNDS

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

**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.

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

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

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 Projects** – 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.

**2008 Franchise Fee Projects** – 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.

## **NONMAJOR GOVERNMENTAL FUNDS**

**2010 Franchise Fee Projects** – 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.

**City of Texarkana, Arkansas**  
**Combining Balance Sheet**  
**Governmental Funds – Nonmajor (Continued)**  
**December 31, 2012**

	<u>Special Revenue</u>				
	<u>Community Development Block Grant</u>	<u>Police Donations</u>	<u>Kline Park Monument</u>	<u>Front Street Project</u>	<u>Domestic Violence</u>
<b>Assets</b>					
Cash	\$ 10,949	\$ 7,834	\$ 2,148	\$ 6,163	\$ 47
Receivables (net of allowance)					
Property taxes	-	-	-	-	-
Other government agencies	20,697	-	-	-	-
Other	-	-	-	-	-
Due from other funds	441	-	-	-	-
Prepaid items	564	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 32,651</u>	<u>\$ 7,834</u>	<u>\$ 2,148</u>	<u>\$ 6,163</u>	<u>\$ 47</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 10,559	\$ -	\$ 35	\$ -	\$ -
Accrued liabilities	1,277	-	-	-	-
Due to other funds	9,927	957	-	-	-
Deferred revenue	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>21,763</u>	<u>957</u>	<u>35</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>					
Nonspendable					
Prepaid items	564	-	-	-	-
Restricted					
General administration	-	-	2,113	-	-
Police department	-	6,877	-	-	47
Fire department	-	-	-	-	-
Public works	10,324	-	-	-	-
Debt Service	-	-	-	-	-
Culture and recreation	-	-	-	6,163	-
Assigned					
Police department	-	-	-	-	-
Public works	-	-	-	-	-
Unassigned	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>10,888</u>	<u>6,877</u>	<u>2,113</u>	<u>6,163</u>	<u>47</u>
Total liabilities and fund balances	<u>\$ 32,651</u>	<u>\$ 7,834</u>	<u>\$ 2,148</u>	<u>\$ 6,163</u>	<u>\$ 47</u>



<b>Special Revenue</b>					
<b>Bail Bond</b>	<b>Library</b>	<b>Court Automation</b>	<b>North Texarkana Redevelopment District</b>	<b>Public Safety</b>	<b>Total</b>
\$ 620	\$ 42,779	\$ 62,603	\$ 27,702	\$ 2,288	\$ 163,133
-	337,921	-	-	-	337,921
-	-	-	-	-	20,697
680	-	-	-	-	680
-	-	-	-	-	441
-	-	-	-	-	564
<u>\$ 1,300</u>	<u>\$ 380,700</u>	<u>\$ 62,603</u>	<u>\$ 27,702</u>	<u>\$ 2,288</u>	<u>\$ 523,436</u>
\$ -	\$ 28,177	\$ 1,169	\$ -	\$ -	\$ 39,940
-	-	-	-	-	1,277
-	-	-	-	-	10,884
-	326,264	-	-	-	326,264
-	354,441	1,169	-	-	378,365
-	-	-	-	-	564
-	-	61,434	-	-	63,547
1,300	-	-	-	2,288	10,512
-	-	-	-	-	-
-	26,259	-	27,702	-	64,285
-	-	-	-	-	-
-	-	-	-	-	6,163
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,300</u>	<u>26,259</u>	<u>61,434</u>	<u>27,702</u>	<u>2,288</u>	<u>145,071</u>
<u>\$ 1,300</u>	<u>\$ 380,700</u>	<u>\$ 62,603</u>	<u>\$ 27,702</u>	<u>\$ 2,288</u>	<u>\$ 523,436</u>

**City of Texarkana, Arkansas**  
**Combining Balance Sheet**  
**Governmental Funds – Nonmajor (Continued)**  
**December 31, 2012**

	Debt Service					Total
	2000 Cap Imp & Refunding Limited Tax GO Bonds	2008 Franchise Fee Revenue	2010 Franchise Fee Revenue	2012 Franchise Fee Refunding Revenue	2012 Cap Imp & Refunding Limited Tax GO Bonds	
<b>Assets</b>						
Cash	\$ -	\$ 9	\$ 55,377	\$ 516,724	\$ 386,909	\$ 959,019
Investments	-	-	129,000	8,883	25,120	163,003
Receivables (net of allowance)						
Property taxes	-	-	-	-	844,802	844,802
Other government agencies	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 184,377</u>	<u>\$ 525,607</u>	<u>\$ 1,256,831</u>	<u>\$ 1,966,824</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	815,660	815,660
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>815,660</u>	<u>815,660</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>815,660</u>	<u>815,660</u>
<b>Fund Balances</b>						
Nonspendable						
Prepaid items	-	-	-	-	-	-
Restricted						
General administration	-	-	-	-	-	-
Police department	-	-	-	-	-	-
Fire department	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Debt service	-	9	184,377	525,607	441,171	1,151,164
Culture and recreation	-	-	-	-	-	-
Assigned						
Police department	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>9</u>	<u>184,377</u>	<u>525,607</u>	<u>441,171</u>	<u>1,151,164</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 184,377</u>	<u>\$ 525,607</u>	<u>\$ 1,256,831</u>	<u>\$ 1,966,824</u>

**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>
\$ 702,976	\$ -	\$ -	\$ -	\$ 702,976	\$ 1,825,128
-	-	-	-	-	163,003
-	-	-	-	-	1,182,723
52,003	-	-	-	52,003	72,700
-	-	-	-	-	680
1,965	-	-	-	1,965	2,406
-	-	-	-	-	564
<u>\$ 756,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 756,944</u>	<u>\$ 3,247,204</u>
\$ 50,103	\$ -	\$ -	\$ -	\$ 50,103	\$ 90,043
-	-	-	-	-	1,277
-	-	-	-	-	10,884
5,675	-	-	-	5,675	1,147,599
<u>55,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,778</u>	<u>1,249,803</u>
-	-	-	-	-	564
-	-	-	-	-	63,547
-	-	-	-	-	10,512
103,798	-	-	-	103,798	103,798
-	-	-	-	-	64,285
-	-	-	-	-	1,151,164
-	-	-	-	-	6,163
214,670	-	-	-	214,670	214,670
382,698	-	-	-	382,698	382,698
-	-	-	-	-	-
<u>701,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>701,166</u>	<u>1,997,401</u>
<u>\$ 756,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 756,944</u>	<u>\$ 3,247,204</u>

**City of Texarkana, Arkansas**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds – Nonmajor (Continued)**  
**Year Ended December 31, 2012**

	<b>Special Revenue</b>				
	<b>Community Development Block Grant</b>	<b>Police Donations</b>	<b>Kline Park Monument</b>	<b>Front Street Project</b>	<b>Domestic Violence</b>
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Fines, forfeitures and penalties	-	-	-	-	1,740
Grants and entitlements	237,391	5,588	-	-	-
Investment income	-	-	4	-	-
Miscellaneous	13,377	9,597	-	6,163	-
Total revenues	<u>250,768</u>	<u>15,185</u>	<u>4</u>	<u>6,163</u>	<u>1,740</u>
<b>Expenditures</b>					
Current					
General government	66,226	-	-	-	-
Other public safety	-	-	-	-	-
Public works	110,960	8,059	-	-	-
Public services	785	-	-	-	-
Cultural and recreation	-	-	415	2,358	1,693
Capital outlay	62,609	-	-	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>240,580</u>	<u>8,059</u>	<u>415</u>	<u>2,358</u>	<u>1,693</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>10,188</u>	<u>7,126</u>	<u>(411)</u>	<u>3,805</u>	<u>47</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from issuance of debt	-	-	-	-	-
Transfers in	4,694	-	-	-	-
Transfers out	-	(6,520)	-	-	-
Refunding bonds issued	-	-	-	-	-
Premium on refunding bonds issued	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	<u>4,694</u>	<u>(6,520)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances (Deficits)</b>	14,882	606	(411)	3,805	47
<b>Fund Balances (Deficits), Beginning of Year</b>	<u>(3,994)</u>	<u>6,271</u>	<u>2,524</u>	<u>2,358</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 10,888</u>	<u>\$ 6,877</u>	<u>\$ 2,113</u>	<u>\$ 6,163</u>	<u>\$ 47</u>

**Special Revenue**

<b>Bail Bond</b>	<b>Library</b>	<b>Court Automation</b>	<b>North Texarkana Redevelopment District</b>	<b>Public Safety</b>	<b>Total</b>
\$ -	\$ 289,192	\$ -	\$ 42,656	\$ -	\$ 331,848
8,172	-	38,832	-	347	49,091
-	78,484	-	-	-	321,463
-	128	30	7	-	169
-	-	-	-	-	29,137
<u>8,172</u>	<u>367,804</u>	<u>38,862</u>	<u>42,663</u>	<u>347</u>	<u>731,708</u>
-	-	5,390	-	-	71,616
-	-	-	-	-	-
-	-	-	-	-	119,019
-	-	-	-	-	785
-	437,868	-	-	-	442,334
-	-	56,571	74,373	-	193,553
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>437,868</u>	<u>61,961</u>	<u>74,373</u>	<u>-</u>	<u>827,307</u>
<u>8,172</u>	<u>(70,064)</u>	<u>(23,099)</u>	<u>(31,710)</u>	<u>347</u>	<u>(95,599)</u>
-	-	-	-	-	-
-	30,000	-	-	-	34,694
(7,852)	-	-	-	-	(14,372)
-	-	-	-	-	-
-	-	-	-	-	-
<u>(7,852)</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,322</u>
320	(40,064)	(23,099)	(31,710)	347	(75,277)
980	66,323	84,533	59,412	1,941	220,348
<u>\$ 1,300</u>	<u>\$ 26,259</u>	<u>\$ 61,434</u>	<u>\$ 27,702</u>	<u>\$ 2,288</u>	<u>\$ 145,071</u>

**City of Texarkana, Arkansas**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds – Nonmajor (Continued)**  
**Year Ended December 31, 2012**

	Debt Service					Total
	2000 Cap Imp & Refunding Limited Tax GO Bonds	2008 Franchise Fee Revenue	2010 Franchise Fee Revenue	2012 Franchise Fee Refunding Revenue	2012 Cap Imp & Refunding Limited Tax GO Bonds	
<b>Revenues</b>						
Property taxes	\$ 307,041	\$ -	\$ -	\$ -	\$ 415,940	\$ 722,981
Fines, forfeitures and penalties	-	-	-	-	-	-
Grants and entitlements	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Investment income	62	30	8	24,277	25,232	49,609
Miscellaneous	-	2,625	-	253	-	2,878
Total revenues	<u>307,103</u>	<u>2,655</u>	<u>8</u>	<u>24,530</u>	<u>441,172</u>	<u>775,468</u>
<b>Expenditures</b>						
Current						
General government	-	-	-	-	-	-
Other public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Public services	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal retirement	1,660,000	-	-	60,000	-	1,720,000
Interest and fiscal charges	90,567	234,048	173,059	304,784	163,290	965,748
Total expenditures	<u>1,750,567</u>	<u>234,048</u>	<u>173,059</u>	<u>364,784</u>	<u>163,290</u>	<u>2,685,748</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(1,443,464)</u>	<u>(231,393)</u>	<u>(173,051)</u>	<u>(340,254)</u>	<u>277,882</u>	<u>(1,847,908)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	609,831	273,387	171,926	919,245	-	1,974,389
Transfers out	-	(590,429)	-	-	(10,250,631)	(10,841,060)
Refunding bonds issued	-	-	-	10,300,000	10,160,000	20,460,000
Premium on refunding bonds issued	-	-	-	44,571	253,920	298,491
Payment to refunded bond escrow agent	-	-	-	(10,397,955)	-	(10,397,955)
Total other financing sources (uses)	<u>609,831</u>	<u>(317,042)</u>	<u>171,926</u>	<u>865,861</u>	<u>163,289</u>	<u>1,493,865</u>
<b>Net Change in Fund Balances (Deficits)</b>	(833,633)	(548,435)	(1,125)	525,607	441,171	(416,415)
<b>Fund Balances (Deficits), Beginning of Year</b>	833,633	548,444	185,502	-	-	1,567,579
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 184,377</u>	<u>\$ 525,607</u>	<u>\$ 441,171</u>	<u>\$ 1,151,164</u>

**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 Fund</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,054,829
-	-	-	-	-	49,091
1,224,039	-	-	-	1,224,039	1,545,502
65,354	-	-	-	65,354	65,354
476	9	33	835	1,353	51,131
81,979	-	-	-	81,979	113,994
<u>1,371,848</u>	<u>9</u>	<u>33</u>	<u>835</u>	<u>1,372,725</u>	<u>2,879,901</u>
230,155	-	-	-	230,155	301,771
200,000	-	-	-	200,000	200,000
-	-	-	-	-	119,019
-	-	-	-	-	785
-	-	86	-	86	442,420
862,374	83,680	103,746	2,080,341	3,130,141	3,323,694
-	-	-	-	-	1,720,000
-	-	-	-	-	965,748
<u>1,292,529</u>	<u>83,680</u>	<u>103,832</u>	<u>2,080,341</u>	<u>3,560,382</u>	<u>7,073,437</u>
<u>79,319</u>	<u>(83,671)</u>	<u>(103,799)</u>	<u>(2,079,506)</u>	<u>(2,187,657)</u>	<u>(4,193,536)</u>
-	-	78	-	78	2,009,161
(11,000)	-	-	-	(11,000)	(10,866,432)
-	-	-	-	-	20,460,000
-	-	-	-	-	298,491
-	-	-	-	-	(10,397,955)
<u>(11,000)</u>	<u>-</u>	<u>78</u>	<u>-</u>	<u>(10,922)</u>	<u>1,503,265</u>
68,319	(83,671)	(103,721)	(2,079,506)	(2,198,579)	(2,690,271)
<u>632,847</u>	<u>83,671</u>	<u>103,721</u>	<u>2,079,506</u>	<u>2,899,745</u>	<u>4,687,672</u>
<u>\$ 701,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 701,166</u>	<u>\$ 1,997,401</u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Community Development Block Grant Fund**  
**Year Ended December 31, 2012**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Grants and entitlements	\$ 289,364	\$ 623,892	\$ 237,391	\$ (386,501)
Miscellaneous	-	3,703	13,377	9,674
Total revenues	<u>289,364</u>	<u>627,595</u>	<u>250,768</u>	<u>(376,827)</u>
<b>Expenditures</b>				
Current:				
General government	101,458	84,172	66,226	17,946
Public works	34,605	60,843	110,960	(50,117)
Public services	153,301	64,154	785	63,369
Capital outlay	-	443,376	62,609	380,767
Total expenditures	<u>289,364</u>	<u>652,545</u>	<u>240,580</u>	<u>411,965</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>(24,950)</u>	<u>10,188</u>	<u>35,138</u>
<b>Other Financing Sources</b>				
Transfers in	-	-	4,694	4,694
Total other financing sources	<u>-</u>	<u>-</u>	<u>4,694</u>	<u>4,694</u>
<b>Net Change in Fund Balances (Deficits)</b>	-	(24,950)	14,882	39,832
<b>Fund Balances (Deficits), Beginning of Year</b>	<u>(3,994)</u>	<u>(3,994)</u>	<u>(3,994)</u>	<u>-</u>
<b>Fund Balances (Deficits), End of Year</b>	<u><u>\$ (3,994)</u></u>	<u><u>\$ (28,944)</u></u>	<u><u>\$ 10,888</u></u>	<u><u>\$ 39,832</u></u>



**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Police Donations Fund**  
**Year Ended December 31, 2012**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Grants and entitlements	\$ 13,090	\$ 5,588	\$ 5,588	\$ -
Miscellaneous	2,100	10,152	9,597	(555)
<b>Total revenues</b>	<u>15,190</u>	<u>15,740</u>	<u>15,185</u>	<u>(555)</u>
<b>Expenditures</b>				
Current:				
Public safety	15,190	7,600	8,059	(459)
<b>Total expenditures</b>	<u>15,190</u>	<u>7,600</u>	<u>8,059</u>	<u>(459)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>8,140</u>	<u>7,126</u>	<u>(1,014)</u>
<b>Other Financing Uses</b>				
Transfers out	-	(7,800)	(6,520)	1,280
<b>Total other financing uses</b>	<u>-</u>	<u>(7,800)</u>	<u>(6,520)</u>	<u>1,280</u>
<b>Net Change in Fund Balances</b>	-	340	606	266
<b>Fund Balances, Beginning of Year</b>	<u>6,271</u>	<u>6,271</u>	<u>6,271</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 6,271</u></u>	<u><u>\$ 6,611</u></u>	<u><u>\$ 6,877</u></u>	<u><u>\$ 266</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Kline Park Monument Fund**  
**Year Ended December 31, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Investment income	\$ 5	\$ 5	\$ 4	\$ (1)
Total revenues	<u>5</u>	<u>5</u>	<u>4</u>	<u>(1)</u>
<b>Expenditures</b>				
Current:				
Culture and recreation	<u>400</u>	<u>400</u>	<u>415</u>	<u>(15)</u>
Total expenditures	<u>400</u>	<u>400</u>	<u>415</u>	<u>(15)</u>
<b>Net Change in Fund Balances</b>	(395)	(395)	(411)	(16)
<b>Fund Balances, Beginning of Year</b>	<u>2,524</u>	<u>2,524</u>	<u>2,524</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 2,129</u></u>	<u><u>\$ 2,129</u></u>	<u><u>\$ 2,113</u></u>	<u><u>\$ (16)</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Domestic Violence Fund**  
**Year Ended December 31, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Fines, forfeitures and penalties	\$ 3,300	\$ 1,900	\$ 1,740	\$ (160)
Total revenues	<u>3,300</u>	<u>1,900</u>	<u>1,740</u>	<u>(160)</u>
<b>Expenditures</b>				
Current:				
Culture and recreation	<u>3,300</u>	<u>1,900</u>	<u>1,693</u>	<u>207</u>
Total expenditures	<u>3,300</u>	<u>1,900</u>	<u>1,693</u>	<u>207</u>
<b>Net Change in Fund Balances</b>	-	-	47	47
<b>Fund Balances, Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47</u>	<u>\$ 47</u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Bail Bond Fund**  
**Year Ended December 31, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Fines, forfeitures and penalties	\$ 7,882	\$ 7,540	\$ 8,172	\$ 632
Total revenues	<u>7,882</u>	<u>7,540</u>	<u>8,172</u>	<u>632</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues Over Expenditures</b>	<u>7,882</u>	<u>7,540</u>	<u>8,172</u>	<u>632</u>
<b>Other Financing Uses</b>				
Transfers out	<u>(7,882)</u>	<u>(7,540)</u>	<u>(7,852)</u>	<u>(312)</u>
Total other financing uses	<u>(7,882)</u>	<u>(7,540)</u>	<u>(7,852)</u>	<u>(312)</u>
<b>Net Change in Fund Balances</b>	-	-	320	320
<b>Fund Balances, Beginning of Year</b>	<u>980</u>	<u>980</u>	<u>980</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 980</u></u>	<u><u>\$ 980</u></u>	<u><u>\$ 1,300</u></u>	<u><u>\$ 320</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Court Automation Fund**  
**Year Ended December 31, 2012**

	<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	\$ 30,000	\$ 39,820	\$ 38,832	\$ (988)
Investment income	55	30	30	-
Total revenues	<u>30,055</u>	<u>39,850</u>	<u>38,862</u>	<u>(988)</u>
<b>Expenditures</b>				
Current:				
General government	15,000	18,000	5,390	12,610
Capital outlay	<u>15,055</u>	<u>63,150</u>	<u>56,571</u>	<u>6,579</u>
Total expenditures	<u>30,055</u>	<u>81,150</u>	<u>61,961</u>	<u>19,189</u>
<b>Net Change in Fund Balances</b>	-	(41,300)	(23,099)	18,201
<b>Fund Balances, Beginning of Year</b>	<u>84,533</u>	<u>84,533</u>	<u>84,533</u>	-
<b>Fund Balances, End of Year</b>	<u><u>\$ 84,533</u></u>	<u><u>\$ 43,233</u></u>	<u><u>\$ 61,434</u></u>	<u><u>\$ 18,201</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**North Texarkana Redevelopment District**  
**Year Ended December 31, 2012**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 13,200	\$ 37,270	\$ 42,656	\$ 5,386
Investment income	3,000	5	7	2
Total revenues	<u>16,200</u>	<u>37,275</u>	<u>42,663</u>	<u>5,388</u>
<b>Expenditures</b>				
Current:				
Capital outlay	16,200	74,373	74,373	-
Total expenditures	<u>16,200</u>	<u>74,373</u>	<u>74,373</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	-	(37,098)	(31,710)	5,388
<b>Fund Balances, Beginning of Year</b>	<u>59,412</u>	<u>59,412</u>	<u>59,412</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 59,412</u></u>	<u><u>\$ 22,314</u></u>	<u><u>\$ 27,702</u></u>	<u><u>\$ 5,388</u></u>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Library Fund**  
**Year Ended December 31, 2012**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 289,541	\$ 288,000	\$ 289,192	\$ 1,192
Grants and entitlement	82,188	78,500	78,484	(16)
Investment income	100	100	128	28
<b>Total revenues</b>	<b>371,829</b>	<b>366,600</b>	<b>367,804</b>	<b>1,204</b>
<b>Expenditures</b>				
Current:				
Culture and recreation	401,728	448,301	437,868	10,433
<b>Total expenditures</b>	<b>401,728</b>	<b>448,301</b>	<b>437,868</b>	<b>10,433</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(29,899)</b>	<b>(81,701)</b>	<b>(70,064)</b>	<b>11,637</b>
<b>Other Financing Sources</b>				
Transfers in	30,000	30,000	30,000	-
<b>Total other financing sources</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>101</b>	<b>(51,701)</b>	<b>(40,064)</b>	<b>11,637</b>
<b>Fund Balances, Beginning of Year</b>	<b>66,323</b>	<b>66,323</b>	<b>66,323</b>	<b>-</b>
<b>Fund Balances, End of Year</b>	<b>\$ 66,424</b>	<b>\$ 14,622</b>	<b>\$ 26,259</b>	<b>\$ 11,637</b>

**City of Texarkana, Arkansas**  
**Budgetary Comparison Schedule**  
**Public Safety Fund**  
**Year Ended December 31, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Fines, forfeitures and penalties	\$ 500	\$ 365	\$ 347	\$ (18)
Total revenues	<u>500</u>	<u>365</u>	<u>347</u>	<u>(18)</u>
<b>Expenditures</b>				
Current:				
Culture and recreation	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	-	365	347	(18)
<b>Fund Balances, Beginning of Year</b>	<u>1,941</u>	<u>1,941</u>	<u>1,941</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 1,941</u></u>	<u><u>\$ 2,306</u></u>	<u><u>\$ 2,288</u></u>	<u><u>\$ (18)</u></u>



# **Fiduciary Funds**

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## **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 City Employee Retirement System, Water Utilities Employee Retirement System, the Firemen's Relief and Pension Fund, and the Policemen's Relief and Pension Fund. Fund trustees must act in accordance with the specific purposes and terms of these retirement plans.

## **AGENCY FUNDS**

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

**City of Texarkana, Arkansas**  
**Combining Statement of Fiduciary Net Position**  
**Pension Trust Funds**  
**December 31, 2012**

	<b>City Employee Retirement System</b>	<b>Water Utilities Employee Retirement System</b>	<b>Firemen's Relief and Pension</b>	<b>Policemen's Relief and Pension</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 520,971	\$ 340,194	\$ 521,099	\$ 651,593	\$ 2,033,857
Investments					
Equities	1,474,162	-	2,234,560	1,510,389	5,219,111
U. S. government obligations	68,828	601,611	-	-	670,439
Corporate bonds and notes	194,081	680,389	466,406	574,082	1,914,958
Mutual funds and other investments	2,388,382	1,225,854	2,715,832	2,356,067	8,686,135
Interest receivable	6,034	9,965	12,080	12,546	40,625
Due from other funds	-	-	337,921	337,921	675,842
	<u>4,652,458</u>	<u>2,858,013</u>	<u>6,287,898</u>	<u>5,442,598</u>	<u>19,240,967</u>
Total assets					
	<u>4,652,458</u>	<u>2,858,013</u>	<u>6,287,898</u>	<u>5,442,598</u>	<u>19,240,967</u>
<b>Liabilities</b>					
Accounts payable	13,068	207,848	10,262	8,806	239,984
Due to other funds	-	-	-	20	20
	<u>13,068</u>	<u>207,848</u>	<u>10,262</u>	<u>8,826</u>	<u>240,004</u>
Total liabilities					
	<u>13,068</u>	<u>207,848</u>	<u>10,262</u>	<u>8,826</u>	<u>240,004</u>
<b>Net Position</b>					
Net position held in trust	<u>\$ 4,639,390</u>	<u>\$ 2,650,165</u>	<u>\$ 6,277,636</u>	<u>\$ 5,433,772</u>	<u>\$ 19,000,963</u>

**City of Texarkana, Arkansas**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension Trust Funds**  
**Year Ended December 31, 2012**

	<b>City Employee Retirement System</b>	<b>Water Utilities Employee Retirement System</b>	<b>Firemen's Relief and Pension</b>	<b>Policemen's Relief and Pension</b>	<b>Total</b>
<b>Additions</b>					
Contributions					
Employer	\$ 136,379	\$ -	\$ 331,003	\$ 654,271	\$ 1,121,653
Employee	12,518	-	7,629	-	20,147
Intergovernmental	-	-	43,590	310,450	354,040
Other	1,643	45	30,171	36,329	68,188
<b>Total contributions</b>	<b>150,540</b>	<b>45</b>	<b>412,393</b>	<b>1,001,050</b>	<b>1,564,028</b>
Investment income					
Net increase in fair value of investments	236,598	183,758	362,111	284,559	1,067,026
Interest and dividends	98,298	73,094	148,304	135,555	455,251
	334,896	256,852	510,415	420,114	1,522,277
Less investment expense	-	-	40,641	34,853	75,494
<b>Net investment income</b>	<b>334,896</b>	<b>256,852</b>	<b>469,774</b>	<b>385,261</b>	<b>1,446,783</b>
<b>Total additions</b>	<b>485,436</b>	<b>256,897</b>	<b>882,167</b>	<b>1,386,311</b>	<b>3,010,811</b>
<b>Deductions</b>					
Benefits paid directly to participants	285,342	131,992	601,114	1,345,057	2,363,505
Administrative expenses	67,709	25,954	4,500	4,500	102,663
<b>Total deductions</b>	<b>353,051</b>	<b>157,946</b>	<b>605,614</b>	<b>1,349,557</b>	<b>2,466,168</b>
<b>Change in Net Position</b>	<b>132,385</b>	<b>98,951</b>	<b>276,553</b>	<b>36,754</b>	<b>544,643</b>
<b>Net Position Held in Trust, Beginning of Year</b>	<b>4,507,005</b>	<b>2,551,214</b>	<b>6,001,083</b>	<b>5,397,018</b>	<b>18,456,320</b>
<b>Net Position Held in Trust, End of Year</b>	<b>\$ 4,639,390</b>	<b>\$ 2,650,165</b>	<b>\$ 6,277,636</b>	<b>\$ 5,433,772</b>	<b>\$ 19,000,963</b>

**City of Texarkana, Arkansas**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**Year Ended December 31, 2012**

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
<b>Police Bond Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 136,070	\$ 2,213,127	\$ 2,209,437	\$ 139,760
Interest receivable	3,556	-	-	3,556
Due from other funds	-	230	-	230
Due from other governments	2,550	2,315	2,550	2,315
Total assets	<u>142,176</u>	<u>2,215,672</u>	<u>2,211,987</u>	<u>145,861</u>
<b>Liabilities</b>				
Accounts payable	-	-	-	-
Escrow deposits	142,176	4,648,089	4,644,404	145,861
Total liabilities	<u>142,176</u>	<u>4,648,089</u>	<u>4,644,404</u>	<u>145,861</u>
Net position	<u>\$ -</u>	<u>\$ (2,432,417)</u>	<u>\$ (2,432,417)</u>	<u>\$ -</u>
<b>Drug Seizure Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 40,592	\$ 19	\$ -	\$ 40,611
Total assets	<u>40,592</u>	<u>19</u>	<u>-</u>	<u>40,611</u>
<b>Liabilities</b>				
Escrow deposits	40,592	19	-	40,611
Total liabilities	<u>40,592</u>	<u>19</u>	<u>-</u>	<u>40,611</u>
Net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operations Cash Outfunds</b>				
<b>Assets</b>				
Certificates of Deposit	\$ 52,665	\$ -	\$ 52,665	\$ -
Total assets	<u>52,665</u>	<u>-</u>	<u>52,665</u>	<u>-</u>
<b>Liabilities</b>				
Accounts payable	52,665	-	52,665	-
Total liabilities	<u>52,665</u>	<u>-</u>	<u>52,665</u>	<u>-</u>
Net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Agency Funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 176,662	\$ 2,213,146	\$ 2,209,437	\$ 180,371
Certificates of Deposit	52,665	-	52,665	-
Interest receivable	3,556	-	-	3,556
Due from other funds	-	230	-	230
Due from other governments	2,550	2,315	2,550	2,315
Total assets	<u>235,433</u>	<u>2,215,691</u>	<u>2,264,652</u>	<u>186,472</u>
<b>Liabilities</b>				
Accounts payable	52,665	-	52,665	-
Escrow deposits	182,768	4,648,108	4,644,404	186,472
Total liabilities	<u>235,433</u>	<u>4,648,108</u>	<u>4,697,069</u>	<u>186,472</u>
Net position	<u>\$ -</u>	<u>\$ (2,432,417)</u>	<u>\$ (2,432,417)</u>	<u>\$ -</u>

# **Statistical Section**

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# City of Texarkana, Arkansas

## Statistical Section

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

<b>Contents</b>	<b>Page</b>
<b>Financial Trends (Tables 1-5)</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. ....	96
<b>Revenue Capacity (Tables 6-11)</b>	
These schedules contain information to help the reader assess the City’s most significant revenue sources, local sales taxes and property taxes. ....	101
<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. ....	108
<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. ....	113
<b>Operating Information (Tables 19-21)</b>	
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. ....	115

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**City of Texarkana, Arkansas**  
**Net Position by Component**  
**Last Ten 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>	<u>2011</u>	<u>2012</u>
Governmental activities:										
Net investment in capital assets	\$ 9,575,862	\$ 11,953,431	\$ 11,043,566	\$ 10,714,377	\$ 12,150,105	\$ 12,628,280	\$ 13,412,023	\$ 12,850,864	\$ 13,405,075	\$ 14,107,659
Restricted	-	1,440,802	2,450,392	1,475,048	1,702,413	1,553,237	1,669,627	2,225,926	2,406,273	1,833,731
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>	<u>9,204,239</u>	<u>6,977,071</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>	<u>25,015,587</u>	<u>22,918,461</u>
Business-type activities:										
Net investment in capital assets	19,829,959	21,185,202	22,168,781	23,687,992	25,562,213	26,459,527	27,822,325	28,029,483	27,882,314	27,877,180
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	3,322,117	4,041,329
Unrestricted	<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>	<u>10,050,575</u>	<u>9,601,508</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>	<u>41,255,006</u>	<u>41,520,017</u>
Primary government										
Net investment in capital assets	29,405,821	33,138,633	33,212,347	34,402,369	37,712,318	39,087,807	41,234,348	40,880,347	41,287,389	41,984,839
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	5,728,390	5,875,060
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>	<u>19,254,814</u>	<u>16,578,579</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>	<u>\$ 66,270,593</u>	<u>\$ 64,438,478</u>

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

**Table 2**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental activities:										
Current:										
General administration	\$ 1,114,891	\$ 1,059,023	\$ 1,407,079	\$ 1,255,727	\$ 1,739,355	\$ 1,450,206	\$ 1,512,480	\$ 2,085,755	\$ 2,619,263	\$ 2,581,483
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	7,644,104	7,872,806
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	4,493,231	4,776,959
Other public safety	-	-	-	-	-	-	-	-	3,869,368	3,639,484
Protective inspection	280,188	294,775	307,023	342,576	5,094	417,558	368,400	467,872	467,210	494,102
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	5,697,414	5,503,577
Public services	209,431	306,248	133,339	853,754	4,213,906	120,566	117,720	6,518	15,381	1,252
Health and welfare	103,093	94,290	102,236	95,579	99,395	241,428	286,166	347,763	361,460	436,639
Culture and recreation	633,945	721,617	433,470	642,139	389,957	672,415	693,057	895,119	825,434	1,895,921
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	678,252	1,683,764
<b>Total governmental activities expenses</b>	<b>19,157,102</b>	<b>19,467,297</b>	<b>21,110,763</b>	<b>21,789,141</b>	<b>24,612,258</b>	<b>23,791,608</b>	<b>23,245,233</b>	<b>28,736,397</b>	<b>26,671,117</b>	<b>28,885,987</b>
Business-type activities:										
Water and sewer	6,674,616	7,214,089	7,477,816	7,786,552	8,206,231	8,791,428	8,881,682	8,631,993	8,828,758	9,383,771
<b>Total business-type activities expenses</b>	<b>6,674,616</b>	<b>7,214,089</b>	<b>7,477,816</b>	<b>7,786,552</b>	<b>8,206,231</b>	<b>8,791,428</b>	<b>8,881,682</b>	<b>8,631,993</b>	<b>8,828,758</b>	<b>9,383,771</b>
<b>Total primary government expenses</b>	<b>25,831,718</b>	<b>26,681,386</b>	<b>28,588,579</b>	<b>29,575,693</b>	<b>32,818,489</b>	<b>32,583,036</b>	<b>32,126,915</b>	<b>37,368,390</b>	<b>35,499,875</b>	<b>38,269,758</b>
<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	5,444,642	5,463,368
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	4,722,269	4,113,562
Capital grants and contributions	14,366	195,484	226,431	589,867	929,494	531,767	336,363	2,246,130	1,028,843	1,309,384
<b>Total governmental activities program revenues</b>	<b>7,302,635</b>	<b>7,836,690</b>	<b>8,460,309</b>	<b>9,284,631</b>	<b>9,643,015</b>	<b>11,385,967</b>	<b>10,610,633</b>	<b>12,085,772</b>	<b>11,195,754</b>	<b>10,886,314</b>
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	10,264,791	10,202,790
Capital grants and contributions	16,045	-	785,122	53,553	502,690	532,005	450,021	43,157	78,337	-
<b>Total business-type activities program revenues</b>	<b>6,206,158</b>	<b>7,062,424</b>	<b>8,647,059</b>	<b>8,249,821</b>	<b>8,481,829</b>	<b>9,045,073</b>	<b>9,383,493</b>	<b>10,184,857</b>	<b>10,343,128</b>	<b>10,202,790</b>
<b>Total primary government program revenues</b>	<b>\$ 13,508,793</b>	<b>\$ 14,899,114</b>	<b>\$ 17,107,368</b>	<b>\$ 17,534,452</b>	<b>\$ 18,124,844</b>	<b>\$ 20,431,040</b>	<b>\$ 19,994,126</b>	<b>\$ 22,270,629</b>	<b>\$ 21,538,882</b>	<b>\$ 21,089,104</b>

**City of Texarkana, Arkansas**  
**Change in Net Position (Continued)**  
**Last Ten 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>	<u>2011</u>	<u>2012</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)	\$ (15,475,363)	\$ (17,999,673)
Business-type activities	(468,458)	(151,665)	1,169,243	463,269	275,598	253,645	501,811	1,552,864	1,514,370	819,019
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>	<u>(13,960,993)</u>	<u>(17,180,654)</u>
<b>General Revenues and Other Changes in Net Position</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	3,102,615	3,132,701
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	8,751,952	8,987,936
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	2,688,227	2,649,392
Other taxes	59,254	33,971	51,893	54,301	68,339	52,032	125,195	136,636	76,338	76,764
Unrestricted investment earnings	49,111	48,931	64,596	66,608	112,427	75,282	35,744	27,651	14,105	59,233
Gain(loss) on sale of capital assets	161,593	(5,743)	-	-	-	-	25,936	-	47,145	18,426
Miscellaneous	30,013	561,485	17,561	187,815	54,864	310,036	102,837	153,869	248,202	146,005
Transfers	-	-	109,425	125,919	198,466	217,655	226,672	-	-	832,090
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>	<u>14,928,584</u>	<u>15,902,547</u>
Business-type activities:										
Unrestricted investment earnings	405,871	620,497	646,300	772,782	658,790	403,158	282,956	414,316	318,080	299,162
Gain on sale of capital assets	9,357	5,329	1,339	-	-	-	-	1,178	(7,050)	-
Miscellaneous	580,721	-	-	-	-	737	-	-	-	-
Transfers	-	-	(89,483)	(124,047)	(177,293)	(210,100)	(220,578)	(240,599)	(255,035)	(853,170)
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>	<u>55,995</u>	<u>(554,008)</u>
Total primary government general revenues and other changes in net position	<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>	<u>14,984,579</u>	<u>15,348,539</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)	(546,779)	(2,097,126)
Business-type activities	527,491	474,161	1,727,399	1,112,004	757,095	447,440	564,189	1,727,759	1,570,365	265,011
Total primary government changes in net position	<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>	<u>\$ 1,023,586</u>	<u>\$ (1,832,115)</u>

**City of Texarkana, Arkansas**  
**Program Revenues by Function/Program – Accrual Basis of Accounting**  
**Last Ten Years**  
**(Modified 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>	<u>2011</u>	<u>2012</u>
<b>Function/ Program</b>										
Governmental activities:										
General administration	\$ 1,844,845	\$ 1,994,100	\$ 1,177,415	\$ 1,266,513	\$ 1,890,416	\$ 2,190,034	\$ 2,148,483	\$ 3,566,739	\$ 2,625,764	\$ 2,768,877
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	1,501,591	1,274,930
Fire department	47,792	121,792	55,640	75,861	82,524	14,942	16,416	3,981	7,782	5,694
Other public safety	-	-	-	-	-	-	-	-	1,501	1,501
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	5,656,598	5,755,338
Public services	593,531	668,239	441,066	662,462	542,406	1,270,098	1,747,617	962,988	1,334,235	993,090
Health and welfare	-	-	105,887	-	-	-	-	-	-	-
Culture and recreation	62,336	84,363	-	166,841	192,441	83,521	98,779	80,254	68,283	86,884
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>	<u>11,195,754</u>	<u>10,886,314</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>	<u>10,343,128</u>	<u>10,202,790</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>	<u>10,343,128</u>	<u>10,202,790</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>	<u>\$ 21,538,882</u>	<u>\$ 21,089,104</u>

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

**Table 4**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Fund</b>										
Nonspendable										
Prepaid items									\$ 276,177	\$ 339,756
Committed										
Culture and recreation									13,855	14,956
Assigned										
Police department									164,470	210,776
Public works									194,394	30,292
Unassigned									2,991,764	2,068,121
Reserved	\$ 58,302	\$ 58,302	\$ -	\$ -	\$ -	\$ -	\$ 20,837	\$ 291,361		
Unreserved, designated						876,277	1,691,943	1,744,280		
Unreserved	1,360,257	950,865	1,720,984	2,155,175	2,744,213	2,941,100	3,142,175	2,000,819		
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>	<u>\$ 3,640,660</u>	<u>\$ 2,663,901</u>
<b>All Other Governmental Funds</b>										
Nonspendable										
Prepaid items									\$ 36,249	\$ 45,966
Restricted										
General administration									92,050	63,547
Police department									9,192	10,512
Fire department									110,312	103,798
Public works									2,326,807	9,622,070
Debt service									1,567,579	1,151,164
Culture and recreation									2,358	6,163
Committed										
Public works									260,346	277,816
Assigned										
General administration									156,683	-
Police department									287,796	214,670
Fire department									10,000	-
Public works									256,227	813,527
Unassigned									(4,390)	-
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	-	-	-	-	80,639	108,775	147,625	139,042		
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>	<u>\$ 5,111,209</u>	<u>\$ 12,309,233</u>

The 2003 through 2010 fund balances are not comparable to 2011 forward due to the adoption of GASB 54

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

**Table 5**

	<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>2011</b>	<b>2012</b>
<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	\$ 3,132,808	\$ 3,165,147
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	8,751,952	8,987,936
Other taxes	59,254	33,971	51,893	54,301	68,339	52,032	125,194	136,636	76,338	76,764
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	2,688,227	2,649,392
Licenses and permits	181,420	155,810	154,079	190,145	202,439	333,753	199,428	184,973	183,504	242,339
Fines, forfeitures and penalties	844,704	1,013,059	850,669	864,732	858,745	950,226	837,383	753,442	774,149	752,300
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	4,217,443	4,168,390
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	1,669,181	2,312,408
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	2,962,420	2,935,853
Investment income	49,111	48,932	64,620	66,619	112,428	74,683	35,384	27,651	14,105	59,233
Miscellaneous	191,605	64,538	34,647	160,095	54,863	342,153	172,285	446,488	493,117	418,828
<b>Total revenues</b>	<b>17,794,698</b>	<b>18,447,193</b>	<b>19,772,437</b>	<b>21,304,115</b>	<b>21,845,196</b>	<b>24,548,679</b>	<b>23,538,083</b>	<b>25,571,829</b>	<b>24,963,244</b>	<b>25,768,590</b>
<b>Expenditures</b>										
<b>Current:</b>										
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	2,444,686	2,356,604
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	6,967,050	7,106,575
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	4,303,165	4,413,736
Other public safety	-	-	-	-	-	-	-	-	2,817,739	2,808,193
Protective inspection	276,697	289,220	301,381	337,179	395,301	415,423	368,400	433,139	428,681	456,482
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	4,335,336	4,271,344
Public services	205,887	300,781	98,691	508,881	194,040	124,860	126,444	6,856	14,869	785
Health and welfare	82,896	74,064	82,144	80,838	84,449	226,482	271,220	312,181	321,430	395,843
Culture and recreation	461,886	535,075	257,371	509,286	250,754	536,355	629,001	777,069	713,788	1,689,146
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	1,894,667	4,779,583
<b>Debt service:</b>										
Principal retirement	480,181	615,501	569,543	634,543	732,307	742,874	749,414	822,448	830,337	1,770,728
Interest and fiscal charges	683,880	745,223	715,427	686,043	662,566	669,030	672,631	723,961	761,548	972,791
Bond issuance costs	-	-	-	-	-	415,186	-	129,073	-	-
<b>Total expenditures</b>	<b>18,885,580</b>	<b>20,920,319</b>	<b>19,407,963</b>	<b>21,013,739</b>	<b>22,264,858</b>	<b>24,473,211</b>	<b>25,515,940</b>	<b>26,539,941</b>	<b>25,833,296</b>	<b>31,021,810</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,090,882)</b>	<b>(2,473,126)</b>	<b>364,474</b>	<b>290,376</b>	<b>(419,662)</b>	<b>75,468</b>	<b>(1,977,857)</b>	<b>(968,112)</b>	<b>(870,052)</b>	<b>(5,253,220)</b>



**City of Texarkana, Arkansas**  
**Changes in Fund Balances, Governmental Funds (Continued)**  
**Last Ten 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>	<u>2011</u>	<u>2012</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	\$ 1,235,622	\$ 12,797,118
Transfers out	(902,951)	(808,656)	(1,117,108)	(1,364,502)	(1,449,627)	(10,792,467)	(1,099,882)	(5,848,062)	(1,235,622)	(11,965,028)
Proceeds from issuance of debt	-	-	-	250,000	-	-	-	3,820,907	-	281,859
Refunding bonds issued	-	-	-	-	-	-	-	-	-	20,460,000
Premium on refunding bonds issued	-	-	-	-	-	10,290,000	-	-	-	298,491
Payment to refunded bond escrow agent	-	-	-	-	-	(7,840,000)	-	-	-	(10,397,955)
Total other financing sources (uses)	-	-	109,425	375,919	198,466	2,667,655	226,672	3,820,907	-	11,474,485
Net change in fund balances	<u>\$ (1,090,882)</u>	<u>\$ (2,473,126)</u>	<u>\$ 473,899</u>	<u>\$ 666,295</u>	<u>\$ (221,196)</u>	<u>\$ 2,743,123</u>	<u>\$ (1,751,185)</u>	<u>\$ 2,852,795</u>	<u>\$ (870,052)</u>	<u>\$ 6,221,265</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%	6.6%	10.5%

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

**Table 6**

Fiscal Year	Property	Sales and Use	Other	Utility Franchise	Total
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
2011	3,132,808	8,751,952	76,338	2,688,227	14,649,325
2012	3,165,147	8,987,936	76,764	2,649,392	14,879,239
Percentage change from 2003 to current year	26.46%	39.46%	29.55%	83.89%	42.42%

**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
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
2012	2011	224,208,563	83,418,536	307,627,099	0.1050	3,230,085	1,538,135	769,068	307,627	307,627	307,627
2013	2012	233,533,309	87,477,743	321,011,052	0.1050	3,370,616	1,605,055	802,528	321,011	321,011	321,011

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>										
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	
2011	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2012	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
<b>Personal Property Tax Rates:</b>										
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	
2011	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2012	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, 2012**

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 2012, the city sales tax generated revenue of \$6,822,381. The City's portion of the county sales tax generated revenue of \$2,165,555.

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	2012			2003		
	Rank	2012 Assessed Valuation (1) (2)	Percentage of Total Assessed Valuation	Rank	2003 Assessed Valuation (1) (3)	Percentage of Total Assessed Valuation
Southwest AR Electric CO-OP	1	\$ 8,011,990	2.50%			
Union Pacific System	2	6,724,290	2.09%			
Southwestern Electric Power Co.	3	5,645,310	1.76%	2	\$ 3,347,020	1.47%
Natural Gas Pipeline Co.	4	4,437,000	1.38%			
Wal-Mart Stores Inc. #04-0468	5	3,959,950	1.23%	5	1,744,990	0.77%
Valor Telecommunications	6	3,342,400	1.04%	9	1,287,220	0.57%
Southwest Ark Telephone CO-OP	7	3,247,093	1.01%			
Tyson Foods, Inc.	8	2,560,774	0.80%			
AT&T Mobility LLC	9	2,496,220	0.78%			
Garland Farms, Inc.	10	2,347,645	0.73%			
Cooper Tire & Rubber Co.				1	19,480,020	8.58%
Truman Arnold				3	2,565,080	1.13%
M&FC Property, Inc. / Smith Blair, Inc.				4	2,162,000	0.95%
Groach Associates				7	1,356,660	0.60%
Amerigold				8	1,323,590	0.58%
Martin Marietta Materials				10	1,185,970	0.52%
Total principal taxpayers		<u>\$ 42,772,672</u>	<u>17.99%</u>		<u>\$ 34,452,550</u>	<u>19.63%</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, 2002

**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>
2003	2002	\$ 2,264,396	\$ 2,031,106	89.70%	\$ 298,378	\$ 2,329,484	102.87%	\$ 13,199	0.58%
2004	2003	2,385,206	2,145,264	89.94%	226,580	2,371,844	99.44%	13,362	0.56%
2005	2004	2,484,827	2,216,262	89.19%	254,919	2,471,181	99.45%	13,646	0.55%
2006	2005	2,564,290	2,237,887	87.27%	309,954	2,547,841	99.36%	16,449	0.64%
2007	2006	2,630,945	2,320,724	88.21%	64,586	2,385,310	90.66%	245,635	9.34%
2008	2007	2,855,676	2,300,836	80.57%	301,010	2,601,846	91.11%	251,830	8.82%
2009	2008	3,058,079	2,566,653	83.93%	185,297	2,751,950	89.99%	306,129	10.01%
2010	2009	2,985,290	2,594,276	86.90%	73,925	2,668,201	89.38%	317,089	10.62%
2011	2010	3,260,915	2,673,814	82.00%	228,175	2,901,989	88.99%	228,176	7.00%
2012	2011	3,230,085	2,689,537	83.27%	346,984	3,036,521	94.01%	193,563	5.99%
2013	2012	3,370,616	-	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>
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% (1)	1.50%
2008	2.50% (2)	1.50%
2009	2.50%	1.50%
2010	2.50%	1.50%
2011	2.50%	1.50%
2012	2.50%	1.50%/1.25% (3)

Source: Arkansas Department of Finance and Administration

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

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

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



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

**Table 12**

Fiscal Year	Governmental Activities				Business-type Activities		Total Primary Government	Percentage of Personal Income(1)
	General Obligation Bonds	Revenue Bonds	Installment loans	Capital Leases	Water Revenue Bonds	Capital Leases		
2003	\$ 4,910,000	\$ 9,220,000	\$ 216,173	\$ -	\$ 20,226,056	\$ 1,816,009	\$ 36,388,238	8.03%
2004	4,635,000	8,980,000	115,672	-	21,027,180	1,425,119	36,182,971	7.99%
2005	4,355,000	8,730,000	76,017	-	22,428,153	1,009,798	36,598,968	8.08%
2006	4,020,000	8,470,000	286,474	-	21,480,301	705,230	34,962,005	7.72%
2007	3,645,000	8,195,000	204,167	-	19,165,798	511,414	31,721,379	6.20%
2008	3,235,000	10,360,000	156,293	-	18,148,484	315,969	32,215,746	6.25%
2009	2,765,000	10,145,000	137,817	-	16,909,366	115,638	30,072,821	5.83%
2010	2,230,000	13,700,000	70,337	-	16,096,507	125,077	32,221,921	5.39%
2011	1,660,000	13,510,000	-	-	15,245,457	103,558	30,519,015	5.01%
2012	10,413,920	14,059,571	197,154	34,402	14,360,581	61,012	39,126,640	6.07%

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>
2003	26,448	\$ 215,656,787	\$ 4,910,000	\$ 635,112	\$ 4,274,888	1.98%	\$ 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	-	4,020,000	1.65%	152
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
2011	29,919	310,563,310	1,660,000	833,633	826,367	0.27%	28
2012	30,117	307,627,099	10,160,000	390,932	9,769,068	3.18%	324

Notes:

- (1) Source - Bureau of Census
- (2) Source - Miller County Tax Records
- (3) Gross bonded debt consists of General Obligation bonds only

**City of Texarkana, Arkansas**  
**Direct and Overlapping Governmental Activities Debt**  
**December 31, 2012**

**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	\$ 10,391,556 (1)	100.00%	<u>\$ 10,391,556</u>
Overlapping:			
Miller County	319,983 (2)	69.22%	221,492
Texarkana, Arkansas School District	20,345,000 (3)	78.97%	<u>16,066,447</u>
Subtotal - Overlapping debt			<u>16,287,939</u>
Total direct and overlapping			<u><u>\$ 26,679,495</u></u>
Per capita overlapping debt			<u><u>\$ 885.86</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) Excluding self-supporting debt

(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**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 55,778,164	\$ 56,790,628	\$ 59,162,544	\$ 62,793,666	\$ 55,778,086	\$ 61,244,469	\$ 64,788,565	\$ 71,078,342	\$ 76,906,774	\$ 80,252,763
Total net debt applicable to limit	<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>	<u>826,367</u>	<u>9,769,068</u>
Legal debt margin	<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>	<u>\$ 76,080,407</u>	<u>\$ 70,483,695</u>
Total net debt applicable to the limit as a percentage of debt limit	8.30%	7.58%	6.61%	5.56%	5.51%	4.78%	3.17%	2.05%	1.09%	13.86%

**Legal Debt Margin Calculation for 2012**

Assessed value	\$ 321,011,052
Debt limit - 25% of assessed value:	
General obligation debt limitation	80,252,763
Debt applicable to limit:	
General obligation bonds	10,160,000
Less: Amount set aside for repayment in debt services funds	<u>(390,932)</u>
Total net debt applicable to limit	<u>9,769,068</u>
Legal debt margin	<u>\$ 70,483,695</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>
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
2011	10,864,429	6,285,498	4,578,931	1,547,899	2.96
2012	10,813,737	6,828,480	3,985,257	1,546,901	2.58

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>
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%
2011	29,919	609,300,435	36.2	20,365	7.5%
2012	30,117	644,383,332	36.2	21,396	6.2%

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>2012</b>			<b>2003</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	5,500	1	9.65%	2,700	1	4.95%
Christus St. Michael Health Care	2,055	2	3.61%	1,700	3	3.12%
Cooper Tire & Rubber	1,700	3	2.98%	1,860	2	3.41%
Texarkana Texas ISD	1,100	4	1.93%	968	9	1.78%
Wal-Mart/Sam's	1,100	4	1.93%	1,036	6	1.90%
Domtar/Georgia Pacific	940	5	1.65%	1,250	5	2.29%
Texarkana AR ISD	785	6	1.38%	1,100	7	2.02%
Wadley Regional Medical Ctr	778	7	1.36%	1,450	4	2.66%
International Paper	777	8	1.36%	942	8	1.73%
Southern Refrigerated Transport	750	9	1.32%			
City of Texarkana, Texas	600	10	1.05%	615	10	1.13%
<b>Total</b>	<b>16,085</b>		<b>28.22%</b>	<b>13,621</b>		<b>24.99%</b>

Source:  
Chamber of Commerce  
Texas Workforce Commission LMI Tracer

Notes:  
(1) MSA employment for 2012 is 57,000  
(2) MSA employment for 2003 is 54,500

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

**Table 19**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government								
Administration	6	6	2	3	3	4	4	4
Finance	7	5	7	8	8	8	8	8
City Clerk	0	0	3	3	3	3	3	3
Courts	5	5	5	4	4	4	5	5
Police department								
Police General	69	70	73	72	70	71	71	71
Police Housing	2	2	2	3	3	3	3	3
Cops in School	2	2	2	2	2	1	1	1
Police Narcotics	5	5	5	5	5	5	5	5
Police Support	9	9	9	9	10	10	11	11
Police Animal	2	2	1	2	2	2	2	0
Probation	3	3	3	3	3	3	4	4
Police CHRP	0	0	0	0	0	0	4	4
Fire department								
Fire	59	59	57	59	59	59	59	59
Public works								
Street	15	14	16	14	17	18	17	17
Environmental	5	4	5	3	3	3	4	4
Engineering	0	1	1	1	1	1	1	1
Planning	2	1	2	2	2	2	2	2
Code Enforcement	5	6	6	6	6	6	6	6
Parks and recreation	3	3	3	3	4	6	4	5
Building maintenance	2	1	2	2	2	2	2	1
ADC	0	0	0	0	0	0	3	3
Public services								
HCD	2	2	3	3	1	1	0	0
RSVP - Arkansas	1	1	1	1	1	1	1	1
RSVP - Texas	1	1	1	1	1	1	1	1
VISTA	1	0	0	0	0	0	0	0
Other								
Bi-State Maintenance	6	11	14	13	13	13	13	13
Bi-State CRC	1	1	1	1	1	1	1	1
Animal Shelter	0	0	0	11	7	8	8	7
<b>Total</b>	<u>213</u>	<u>214</u>	<u>224</u>	<u>234</u>	<u>231</u>	<u>236</u>	<u>243</u>	<u>240</u>

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



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

**Table 20**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b><u>Function/Program</u></b>										
Public safety										
Police										
Uniformed employees	78	82	82	82	90	91	89	90	90	88
Fire										
Firefighters	57	57	57	57	56	58	58	58	58	57
Public works										
Building permits issued	1,992	1,638	1,637	1,861	1,758	3,679	1,944	477	507	510
Building permits (\$)	\$ 13,125,809	\$ 32,743,147	\$ 23,924,752	\$ 25,890,212	\$ 20,074,686	\$ 29,546,718	\$ 16,535,562	\$ 20,492,129	\$ 20,275,238	\$ 51,053,360
Water										
Average daily consumption (millions of gallons)	4.300	4.380	3.987	5.063	6.728	5.147	4.846	3.675	4.016	4.134
Raw water production (millions of gallons)	4.330	4.415	4.088	5.254	7.010	5.373	5.056	4.056	6.430	5.509

Source: Various City Departments

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

**Table 21**

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Public safety</b>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Total units	63	66	68	72	96	96	96	82	101	110
Fire										
Stations	5	5	5	5	5	5	5	5	5	5
<b>Public works</b>										
Streets (miles)	284	287	289	290	290	290	291	291	250 <sup>(2)</sup>	250
<b>Recreation</b>										
Number of parks	13	13	13	16	16	16	16	20	24	24
Acres	238	238	238	361	280	280	280	281	288.3	288.3
Pools	1	1	1	1	1	1	1	1	1	1
Ball Fields	11	11	11	11	12	12	12	12	15	15
Tennis courts:										
Lighted	3	3	3	3	3	3	3	3	3	3
Unlighted	2	2	2	3	3	3	3	3	1	1
Community centers	4	4	4	4	4	4	4	4	4	4
Soccer fields	0	0	0	0	0	0	0	0	1	1
Walking/biking trails (miles)	2.3	2.3	2.3	3.65	3.65	3.65	3.65	5.2	7.5	7.5
<b>Utilities</b>										
Plant capacity										
(million gallon average per day)	15	15	15	15	15	15	15	15	15	15
Water mains (miles)	289	383	415	410	417	424	412	409	408	406
Number of water meters	10,419	10,195	9,942	10,095	10,167	10,217	10,203	10,184	10,103	10,134
Sewer mains (miles)	188	200	203	209	211	213	216	216	212	219
Number of fire hydrants	1,044	1,192	1,332	1,361	1,372	1,384	1,392	1,427	1,438	1,441
Number of Mandeville water meters	<sup>(1)</sup>	<sup>(1)</sup>	<sup>(1)</sup>	341	337	339	333	328	322	327
Number of Union water meters	<sup>(1)</sup>	<sup>(1)</sup>	<sup>(1)</sup>	1,053	1,080	1,088	1,107	1,129	1,135	1,162

<sup>(1)</sup> Information not available

<sup>(2)</sup> 2011 is based on a GIS system which provides a more accurate estimate of miles.

Source: Various City Departments

## **Other Required Report**

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## Independent Auditor's 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, 2012.

- (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 during the year ended December 31, 2012.

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

*BKD, LLP*

Little Rock, Arkansas  
July 31, 2013

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## **Single Audit Section**

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**City of Texarkana, Arkansas**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2012**

Cluster/Program	Federal Agency/Pass Through Entity	CFDA Number	Grant Program/ Number	Grant Expenditures
Disaster Economic Adjustment, Industrial Access and Related Infrastructure Improvements	U.S. Department of Commerce	11.307	08-01-04164	\$ 555,714
Community Development Block Grant	U.S. Department of Housing and Urban Development	14.218	B12MC050007	176,538
Community Development Block Grant	U.S. Department of Housing and Urban Development	14.218	B11MC050007	52,374
Community Development Block Grant	U.S. Department of Housing and Urban Development	14.218	B10MC050007	4,021
Community Development Block Grant	U.S. Department of Housing and Urban Development	14.218	B09MC050007	145
Community Development Block Grant	U.S. Department of Housing and Urban Development	14.218	B07MC050007	118
Community Development Block Grant	U.S. Department of Housing and Urban Development/Arkansas Community and Economic Development Program	14.218	794-00069-08	<u>7,207</u>
	<b>CDBG cluster total</b>			<u>240,403</u>
Organized Crime/Narcotic Program (12-13)	U.S. Department of Justice/Arkansas Department of Finance and Administration	16.738	J12-007	71,736
Organized Crime/Narcotic Program (11-12)	U.S. Department of Justice/Arkansas Department of Finance and Administration	16.738	J11-007	74,848
Byrne Justice Assistance Grant(JAG)	U.S. Department of Justice	16.738	2012-DJ-BX-0515	33,409
Byrne Justice Assistance Grant(JAG)	U.S. Department of Justice	16.738	2011-DJ-BX-2412	7,375
Byrne Justice Assistance Grant(JAG)	U.S. Department of Justice	16.738	2009-DJ-BX-0220	<u>6,810</u>
	<b>JAG cluster total</b>			<u>194,178</u>
Victim Justice and Assistance Grants	U.S. Department of Justice/Arkansas Department of Finance and Administration	16.588	12702-12SL	11,878
Victim Justice and Assistance Grants	U.S. Department of Justice/Arkansas Department of Finance and Administration	16.588	11702-11SL	40,119
VOCA Crime Victim Assistance (12-13)	U.S. Department of Justice/Arkansas Department of Finance and Administration	16.575	12-178-12V	6,914
VOCA Crime Victim Assistance (11-12)	U.S. Department of Justice/Arkansas Department of Finance and Administration	16.575	11-178-9V	28,042
Bulletproof Vest Partnership Program Grant	U.S. Department of Justice	16.607		6,545
COPS Hiring Recovery Program Grant	U.S. Department of Justice	16.710	2009RKWX0066	164,434

**City of Texarkana, Arkansas**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2012**

Cluster/Program	Federal Agency/Pass Through Entity	CFDA Number	Grant Program/ Number	Grant Expenditures
Alcohol Traffic Safety & Drunk Driving Prevention Incentive Grant	U.S. Department of Transportation/Arkansas State Highway and Transportation Department	20.601	K8-2013-08-06-27	\$ 11,239
Alcohol Traffic Safety & Drunk Driving Prevention Incentive Grant	U.S. Department of Transportation/Arkansas State Highway and Transportation Department	20.601	K8-2012-08-06-27	25,226
State and Community Highway Safety	U.S. Department of Transportation/Arkansas State Highway and Transportation Department	20.600	OP-2013-03-02-27	1,157
State and Community Highway Safety	U.S. Department of Transportation/Arkansas State Highway and Transportation Department	20.600	OP-2012-03-02-27	14,747
	<b>Highway Safety cluster total</b>			<u>52,369</u>
Arkansas Safe Routes to School Program	U.S. Department of Transportation/Arkansas State Highway and Transportation Department	20.205	030357	85,250
Retired Senior Volunteer Program-AR	Corporation for National and Community Service	94.002	09SRWAR-008	46,869
Syphilis Elimination Project	Center for Disease Control/Arkansas Department of Health	93.977	4600019085	40,000
Publication of Historic Records Grant	National Endowment for the Humanities/Arkansas Humanities Council	45.129	AHC-11-021	7,200
Historic Preservation Fund Grants-In-Aid	National Parks Service	15.904	08-CLG-RETT-03	10,091
Historic Preservation Fund Grants-In-Aid	National Parks Service	15.904	09-CLG-11	3,565
Total Federal Assistance				<u>\$ 1,493,571</u>

**City of Texarkana, Arkansas**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2012**

***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.
2. The City of Texarkana, Arkansas provided no federal awards to subrecipients during the year ended December 31, 2012.

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**Independent Auditor's 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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 31, 2013, which contained a reference to the report of other auditors. Other auditors audited the financial statements of the Texarkana, Arkansas Water Utilities, the Texarkana Airport Authority and the Texarkana Urban Transit District, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the City's internal control to determine auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

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

### **Compliance**

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*.

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

**BKD, LLP**

Little Rock, Arkansas  
July 31, 2013

**Independent Auditor's 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

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of the City of Texarkana, Arkansas (the City) with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. 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.

***Management's Responsibility***

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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above.

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

***Opinion on Each Major Federal Program***

In our opinion, the City of Texarkana, Arkansas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

**Report on Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

*BKD, LLP*

Little Rock, Arkansas  
July 31, 2013



**City of Texarkana, Arkansas**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2012**

***Summary of Auditor's Results***

1. The opinion expressed in the independent Auditor's report was:  
 Unmodified       Qualified       Adverse       Disclaimed
  
2. The independent auditor's report on internal control over financial reporting disclosed:  
Significant deficiency(ies)?       Yes       No  
Material weakness(es)?       Yes       No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?       Yes       No
  
4. The independent auditor's report on internal control over compliance with requirements that could have a direct and material effect on major federal awards programs disclosed:  
Significant deficiency(ies)?       Yes       No  
Material weakness(es)?       Yes       No
  
5. The opinion expressed in the independent auditor's report on compliance with requirements that could have a direct and material effect on major federal awards was:  
 Unmodified       Qualified       Adverse       Disclaimed
  
6. The audit disclosed findings required to be reported by OMB Circular A-133?       Yes       No

**City of Texarkana, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2012**

7. The City's major programs were:

Cluster/Program	CFDA Number
Disaster Economic Adjustment, Industrial Access and Related Infrastructure Improvements	11.307
Community Development Block Grant	14.218

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, 2012**

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

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

**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, 2012**

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