

City of Texarkana, Arkansas

Comprehensive Annual Financial Report

For the Year Ended December 31, 2014



Finance Department

TyRhonda Henderson
Finance Director

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City of Texarkana, Arkansas
Year Ended December 31, 2014

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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, 2014, 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, 2014. 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 29,972. 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, 2014.

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 have taken place in 2014 and 2015 within the City. Seventy-one certificates of occupancy were issued in 2014 and 18 have been issued in 2015. Of the certificates of occupancy issued in 2014, major economic development includes Dollar General, Farmer's Bank and Trust, Starbucks, Orange Leaf, Wells Fargo Bank, HealthCare Express, and Wendy's. As economic development continues to occur with Texarkana, Arkansas, citizens can anticipate a brighter future!

Relevant Financial Policies

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

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

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

Long Term Financial Plans

On 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 2015.

At this time, the City is in the process of refunding the Franchise Fee Secured Refunding Revenue Bonds, Series 2010. This process should be complete by September 2015.

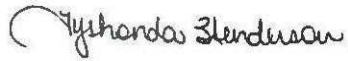
Awards and Acknowledgements

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, 2013. 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,

A handwritten signature in black ink that reads "TyRhonda Henderson". The signature is written in a cursive style with a large initial "T" and "H".

TyRhonda Henderson
Finance Director

July 31, 2015



Government Finance Officers Association

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

Presented to

**City of Texarkana
Arkansas**

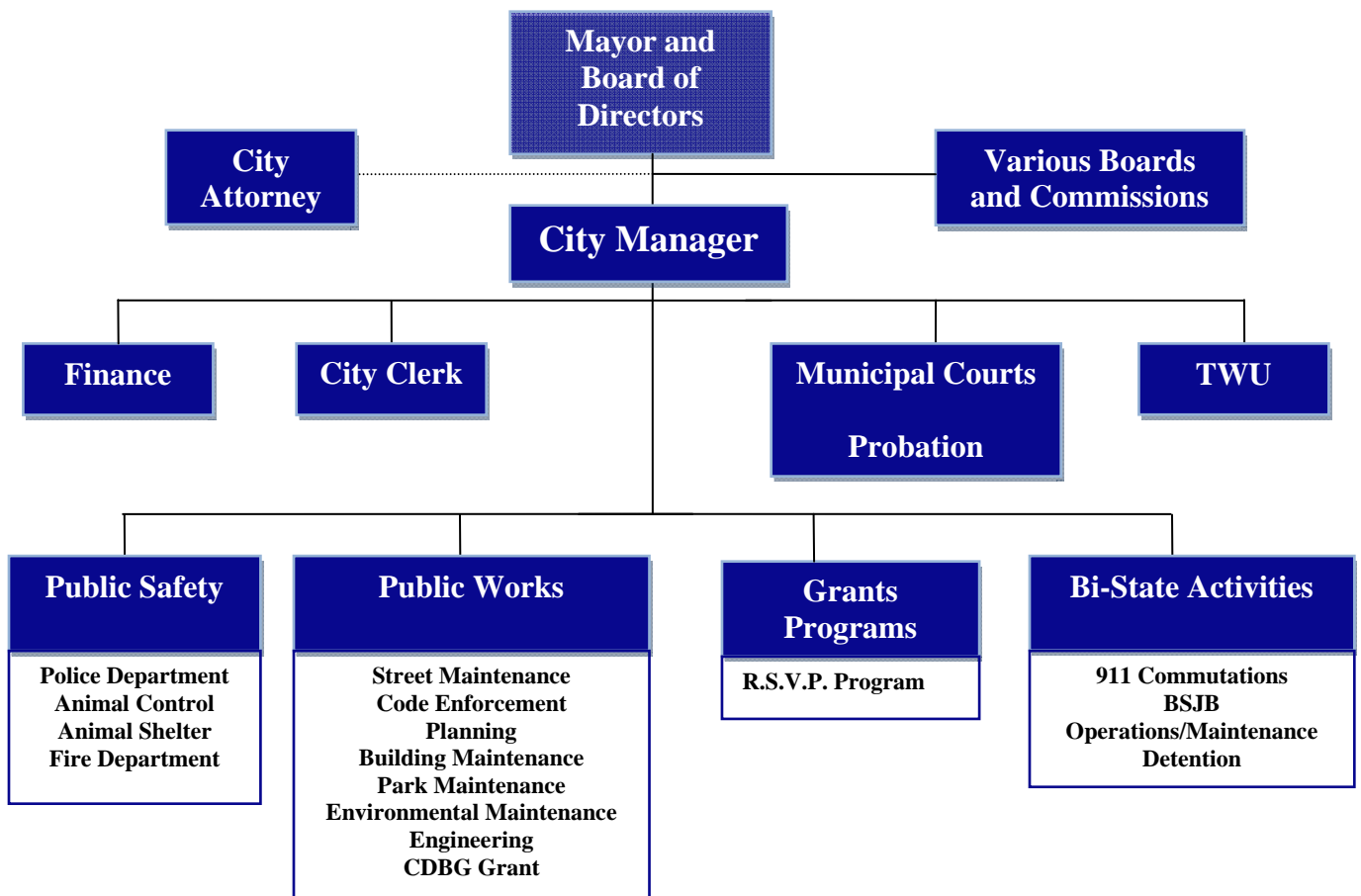
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO



CITY OF TEXARKANA, ARKANSAS ORGANIZATIONAL CHART



City of Texarkana, Arkansas

Elected Officials:

Ruth Penney Bell	Mayor
Laney J. Harris	Assistant Mayor, Director – Ward 2
Allan Wren	Director – Ward 1
Tim Johnson	Director – Ward 3
Travis N. Odom	Director – Ward 4
Barbara S. Miner	Director – Ward 5
Sue Johnson	Director – Ward 6
Wren Autrey	District Court Judge

Appointed Officials:

Kenny Haskin	Interim City Manager
George M. Matteson	City Attorney

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Financial Section

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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 \$57,421,270 and \$9,247,531, respectively, and represent 100% of the business-type activities' total assets and operating revenues, respectively, at September 30, 2014 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, 2014, is \$10,813,439 which includes a current year decrease of \$541,776. 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, 2014, is \$877,066 which includes a current year decrease of \$100,529. The financial statements of these entities were audited by other auditors, whose reports 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 from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Texarkana, Arkansas as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general and public works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2014 the City implemented the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans, an Amendment of GASB Statement No. 25*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefit information 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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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, 2015, 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, 2015

City of Texarkana, Arkansas

Management's Discussion and Analysis

December 31, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Texarkana, Arkansas exceeded its liabilities at the close of the most recent fiscal year by \$63,254,634 (net position). Of this amount, \$13,408,227 (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 (including prior period adjustment) decreased by \$841,471 during fiscal year 2014.
- As of the close of the current fiscal year, the City of Texarkana, Arkansas' governmental funds reported combined ending fund balances of \$9,921,197.
- At the end of the current fiscal year, unassigned fund balance was \$3,010,595.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements include not only the City of Texarkana, Arkansas itself (known as the primary government), but also a legally separate 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 17 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 14 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and Public Works Fund. Budgetary comparison statements have been provided for the General Fund and the Public Works Fund to demonstrate compliance with this budget.

Proprietary Funds - The City maintains three enterprise proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Texarkana, Arkansas Water Utilities and the Texarkana, Arkansas Union Water Utilities since they are considered to be major funds of the City. Individual fund data for the non-major proprietary fund is provided in the proprietary funds statements. These statements are as of September 30, 2014, which is the year-end for the proprietary funds.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Texarkana, Arkansas, assets and deferred outflows exceeded liabilities by \$63,254,634 as of December 31, 2014. The largest portion of the City's net position, 66.8% (\$42,244,568), 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, \$13,408,227, 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			
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 28,000,716	\$ 29,670,516	\$ 11,261,826	\$ 11,617,601	\$ 39,262,542	\$ 41,288,117
Capital assets	34,634,669	34,961,447	41,746,060	42,258,341	76,380,729	77,219,788
Other assets	10,077	25,487	4,369,652	4,615,683	4,379,729	4,641,170
Total assets	<u>62,645,462</u>	<u>64,657,450</u>	<u>57,377,538</u>	<u>58,491,625</u>	<u>120,023,000</u>	<u>123,149,075</u>
Deferred outflows of resources	-	-	80,176	-	80,176	-
Long-term liabilities	38,906,377	39,198,208	13,411,544	14,377,895	52,317,921	53,576,103
Other liabilities	2,703,028	3,436,395	1,827,593	2,040,472	4,530,621	5,476,867
Total liabilities	<u>41,609,405</u>	<u>42,634,603</u>	<u>15,239,137</u>	<u>16,418,367</u>	<u>56,848,542</u>	<u>59,052,970</u>
Net position:						
Net investment in capital assets	13,177,214	14,788,840	29,067,354	28,478,111	42,244,568	43,266,951
Restricted	2,510,859	2,243,056	5,090,980	5,211,194	7,601,839	7,454,250
Unrestricted	<u>5,347,984</u>	<u>4,990,951</u>	<u>8,060,243</u>	<u>8,383,953</u>	<u>13,408,227</u>	<u>13,374,904</u>
Total net position	<u>\$ 21,036,057</u>	<u>\$ 22,022,847</u>	<u>\$ 42,218,577</u>	<u>\$ 42,073,258</u>	<u>\$ 63,254,634</u>	<u>\$ 64,096,105</u>

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, 2014. Governmental activities decreased the City's net position by \$986,790. From 2013 to the 2014 revenues decreased by \$135,051 and expenses decreased by \$53,059. The decrease in net position can primarily be contributed to the increase in spending for the Bi-State contribution and a decrease in operating and capital grants and contributions. The increase in the Bi-State contribution is primarily due to the change in the vendor for the jail operations. Business-type activities increased the City's net position by \$432,349. For the business type activities, the revenues from 2013 to 2014 decreased by \$491,282 due to a milder summer and expenses (excluding transfers out) from 2013 to 2014 decreased by \$356,724 due to an overall decrease in operating expenses.

City of Texarkana, Arkansas
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 5,340,907	\$ 5,421,842	\$ 9,247,531	\$ 9,750,066	\$ 14,588,438	\$ 15,171,908
Operating grants and contributions	3,293,167	3,124,576	-	-	3,293,167	3,124,576
Capital grants and contributions	1,260,110	1,812,264	37,484	-	1,297,594	1,812,264
General revenues:						
Property taxes	3,595,334	3,420,043	-	-	3,595,334	3,420,043
Other taxes	12,615,567	12,383,155	-	-	12,615,567	12,383,155
Other revenue	191,732	269,988	266,596	292,827	458,328	562,815
Total revenues	<u>26,296,817</u>	<u>26,431,868</u>	<u>9,551,611</u>	<u>10,042,893</u>	<u>35,848,428</u>	<u>36,474,761</u>
Expenses:						
General administration	2,444,067	2,268,194	-	-	2,444,067	2,268,194
Police department	7,795,405	7,960,946	-	-	7,795,405	7,960,946
Fire department	4,569,164	4,605,814	-	-	4,569,164	4,605,814
Other public safety	3,052,147	3,383,828	-	-	3,052,147	3,383,828
Protective inspection	434,499	516,458	-	-	434,499	516,458
Public works	5,859,966	6,100,657	-	-	5,859,966	6,100,657
Public services	565,398	245,174	-	-	565,398	245,174
Health and welfare	426,422	394,764	-	-	426,422	394,764
Cultural and recreation	1,479,226	1,190,349	-	-	1,479,226	1,190,349
Interest on long-term debt	894,852	908,021	-	-	894,852	908,021
Water and sewer	-	-	8,883,064	9,239,788	8,883,064	9,239,788
Total expenses	<u>27,521,146</u>	<u>27,574,205</u>	<u>8,883,064</u>	<u>9,239,788</u>	<u>36,404,210</u>	<u>36,813,993</u>
Increase (decrease) in net position before transfers	(1,224,329)	(1,142,337)	668,547	803,105	(555,782)	(339,232)
Transfers	<u>237,539</u>	<u>246,723</u>	<u>(236,198)</u>	<u>(249,864)</u>	<u>1,341</u>	<u>(3,141)</u>
Increase (decrease) in net position	<u>(986,790)</u>	<u>(895,614)</u>	<u>432,349</u>	<u>553,241</u>	<u>(554,441)</u>	<u>(342,373)</u>
Net position - beginning of year as restated	22,022,847	22,918,461	42,073,258	41,520,017	64,096,105	64,438,478
Prior period adjustment	-	-	(287,030)	-	(287,030)	-
Net position - beginning of year as restated	<u>22,022,847</u>	<u>22,918,461</u>	<u>41,786,228</u>	<u>41,520,017</u>	<u>63,809,075</u>	<u>64,438,478</u>
Net position - end of year	<u>\$ 21,036,057</u>	<u>\$ 22,022,847</u>	<u>\$ 42,218,577</u>	<u>\$ 42,073,258</u>	<u>\$ 63,254,634</u>	<u>\$ 64,096,105</u>

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 \$9,921,197.

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 \$3,010,595. Unassigned fund balance represents approximately 17.29% of the total General Fund expenditures. There are 63 days of expenditures in unassigned fund balance, representing a decrease of 2 days from 2013.

For the City's General Fund, from 2013 to 2014, total revenue decreased by 1.34% and total expenditures decreased by 2.61% due to a decrease in spending on capital outlay and expenditures for the business park. The City's General Fund balance decreased by \$36,334 and resulted in an ending fund balance of \$3,221,438.

For the City's Public Works Fund, from 2013 to 2014, total revenue increased by 9.47%, total expenditures decreased by .98% due to a decrease in operating expenses in the planning department and decrease in capital outlay spending for streets. The change in total revenue over total expenditures increased by 277.23%. Therefore, the Public Works Fund reported a net increase and change in fund balance of \$463,055 which resulted in an ending fund balance of \$1,052,262. This is primarily due to an increase in state turnback and state ½-cent tax revenue.

The Franchise Fee Secured Refunding Revenue Bonds, Series 2012 reported capital outlay expenditures of \$1,259,210, which accounted for 100% of the fund's total expenditures. Revenues consisted solely of investment income of \$1,938, which accounted for 100% of total revenues. The fund reported an overall decrease in fund balance of \$1,257,272 and resulted in an ending balance of \$2,895,826.

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 \$7,992,412. Unrestricted net position of Texarkana, Arkansas Union Water Utilities at the end of the year amounted to \$57,207. The total growth in net position for Texarkana, Arkansas Water Utilities was \$425,901. The increase in net position for Texarkana, Arkansas Union Water Utilities was \$42,600. The increase in net position is primarily attributable to operating revenues exceeding operating expenditures.

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 \$36,334 or ending fund balance of \$3,221,438. Significant variances between the final amended budget and actuals occurred as a result of various factors and reflected a net increase in fund balance of \$726,144. This is mostly a result of revenue collections being over budget by \$127,082 and expenditures being under budget by \$635,334. The variance in property tax collections can be contributed to City Property Tax collections being greater than expected for 2014. Other Public Safety expenditures were under the final amount budgeted by \$439,789 because the contribution to the Bi-State Justice Center was less than budgeted. This is largely due to the Court and Police department efforts to maintain a lower inmate population.

Capital Assets

The City of Texarkana, Arkansas' investment in capital assets for its governmental and business-type activities as of December 31, 2014, amounts to \$76,380,729 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, water rights, and construction in progress.

Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,563,907	\$ 2,563,907	\$ 840,606	\$ 834,346	\$ 3,404,513	\$ 3,398,253
Buildings	7,837,338	8,368,720	1,968,549	2,051,004	9,805,887	10,419,724
Improvements other than buildings	6,548,406	1,003,930	35,856,165	36,567,196	42,404,571	37,571,126
Machinery and equipment	1,741,894	2,100,621	2,016,283	1,886,158	3,758,177	3,986,779
Infrastructure	15,555,946	9,837,638	-	-	15,555,946	9,837,638
Water rights	-	-	509,167	522,650	509,167	522,650
Construction in progress	387,178	11,086,631	555,290	396,987	942,468	11,483,618
Total	\$ 34,634,669	\$ 34,961,447	\$ 41,746,060	\$ 42,258,341	\$ 76,380,729	\$ 77,219,788

Major capital asset additions during 2014 were approximately \$88 thousand for building improvements and \$1.6 million for ongoing street improvement projects in construction in progress. 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 \$23,578,135. Of this amount, \$10,066,992 comprises bonded debt backed by the full faith and credit of the government and \$13,511,143 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 \$12,566,848, represents bonds secured solely by water and sewer revenues. No new bonded debt was issued during 2014.

General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 10,066,992	\$ 10,405,456	\$ -	\$ -	\$ 10,066,992	\$ 10,405,456
Revenue bonds	13,511,143	13,787,857	12,566,848	13,600,834	26,077,991	27,388,691
Total	\$ 23,578,135	\$ 24,193,313	\$ 12,566,848	\$ 13,600,834	\$ 36,144,983	\$ 37,794,147

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In an effort to correct the City's financial situation, the Board of Directors passed a budget in which the revenues were more than the expenditures. This was done to keep General Fund balances from continuing to decline. 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 2015 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: TyRhonda Henderson, Finance Director, at P.O. Box 2711, Texarkana, Arkansas 75504, call 870.779.4954, or email tyrhonda.henderson@txkusa.org.

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Basic Financial Statements

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City of Texarkana, Arkansas
Statement of Net Position
December 31, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	RSVP	Texarkana Advertising & Promotion
Assets					
Cash	\$ 2,352,052	\$ 1,928,562	\$ 4,280,614	\$ 11,666	\$ 543,203
Investments	1,518,466	562,731	2,081,197	-	-
Accounts receivable, net of allowance					
Property taxes	4,257,317	-	4,257,317	-	-
Accounts	371,065	1,439,610	1,810,675	-	-
Other government agencies	2,311,828	201,152	2,512,980	7,626	-
Accrued interest	-	88	88	-	-
Other	2,747	-	2,747	-	110,496
Due from primary government	-	-	-	-	110,393
Due from component units	14,951	-	14,951	-	-
Inventories	-	321,587	321,587	-	-
Prepaid items	130,754	14,320	145,074	-	-
Restricted assets					
Cash	5,101,200	5,097,818	10,199,018	-	-
Investments	-	165,138	165,138	-	-
Accounts receivable	-	24	24	-	-
Prepaid capital improvement deposits	-	1,165,856	1,165,856	-	-
Net investment in direct financing lease:					
Due within one year	-	364,940	364,940	-	-
Due in more than one year	-	4,369,652	4,369,652	-	-
Investment in joint ventures	11,940,336	-	11,940,336	-	-
Capital assets - non-depreciable	2,951,085	1,395,896	4,346,981	-	-
Capital assets - depreciable, net	31,683,584	40,350,164	72,033,748	-	-
Net pension assets	10,077	-	10,077	-	-
Total assets	62,645,462	57,377,538	120,023,000	19,292	764,092
Deferred Outflows of Resources					
Deferred outflow of resources	-	80,176	80,176	-	-
Total deferred outflow of resources	-	80,176	80,176	-	-

	Primary Government			Component Units	
	Governmental	Business-Type	Total	RSVP	Texarkana Advertising & Promotion
	Activities	Activities			
Liabilities					
Accounts payable	\$ 496,858	\$ 436,502	\$ 933,360	\$ 1,288	\$ 41,562
Construction contracts payable	-	154,434	154,434	-	-
Accrued liabilities	690,534	224,803	915,337	2,517	-
Due to other governments	606,606	28,754	635,360	-	-
Due to fiduciary funds	794,952	-	794,952	-	-
Due to primary government	-	-	-	14,951	-
Due to component units	110,393	-	110,393	-	-
Customer deposits	-	547,170	547,170	-	-
Capital improvement deposits	-	376,744	376,744	-	-
Other liabilities	3,685	59,186	62,871	-	-
Long-term liabilities					
Due within one year:					
Bonds payable	570,000	1,082,221	1,652,221	-	-
Installment loans payable	259,358	-	259,358	-	-
Obligations under capital leases	1,353	-	1,353	-	-
Accrued compensated absences	101,164	24,225	125,389	-	-
Due in more than one year					
Bonds payable	23,008,135	11,484,627	34,492,762	-	-
Installment loans payable	548,569	-	548,569	-	-
Accrued compensated absences	2,251,783	209,515	2,461,298	-	-
Net pension and other post-employment obligations	12,166,015	554,046	12,720,061	-	-
Other long-term liabilities	-	56,910	56,910	-	-
Total liabilities	<u>41,609,405</u>	<u>15,239,137</u>	<u>56,848,542</u>	<u>18,756</u>	<u>41,562</u>
Net Position					
Net investment in capital assets	13,177,214	29,067,354	42,244,568	-	-
Restricted					
General administration	133,662	-	133,662	-	-
Police department	11,463	-	11,463	-	-
Fire department	46,185	-	46,185	-	-
Construction	-	1,133,581	1,133,581	-	-
Capital maintenance	-	2,783,235	2,783,235	-	-
Cultural and recreation	70,830	-	70,830	-	722,530
Debt service	2,248,719	1,174,164	3,422,883	-	-
Unrestricted	<u>5,347,984</u>	<u>8,060,243</u>	<u>13,408,227</u>	<u>536</u>	<u>-</u>
Total net position	<u>\$ 21,036,057</u>	<u>\$ 42,218,577</u>	<u>\$ 63,254,634</u>	<u>\$ 536</u>	<u>\$ 722,530</u>

City of Texarkana, Arkansas
Statement of Activities
Year Ended December 31, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets							Component Units	
	Expenses	Program Revenues			Primary Government			RSVP	Texarkana Advertising & Promotion
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total		
Primary Government									
Governmental Activities									
General administration	\$ 2,444,068	\$ 376,909	\$ 1,072,411	\$ 868,540	\$ (126,208)	\$ -	\$ (126,208)		
Police department	7,795,405	758,558	370,764	-	(6,666,083)	-	(6,666,083)		
Fire department	4,569,164	8,740	-	-	(4,560,424)	-	(4,560,424)		
Other public safety	3,053,598	-	1,501	-	(3,052,097)	-	(3,052,097)		
Protective inspection	434,499	-	-	-	(434,499)	-	(434,499)		
Public works	5,868,092	4,170,016	1,763,309	-	65,233	-	65,233		
Public service	565,398	26,684	-	391,570	(147,144)	-	(147,144)		
Health and welfare	426,422	-	-	-	(426,422)	-	(426,422)		
Cultural and recreation	1,469,648	-	85,182	-	(1,384,466)	-	(1,384,466)		
Interest on long-term debt	894,852	-	-	-	(894,852)	-	(894,852)		
Total governmental activities	<u>27,521,146</u>	<u>5,340,907</u>	<u>3,293,167</u>	<u>1,260,110</u>	<u>(17,626,962)</u>	<u>-</u>	<u>(17,626,962)</u>		
Business-Type Activities									
Water and sewer	8,883,064	9,247,531	-	37,484	-	401,951	401,951		
Total business-type activities	<u>8,883,064</u>	<u>9,247,531</u>	<u>-</u>	<u>37,484</u>	<u>-</u>	<u>401,951</u>	<u>401,951</u>		
Total primary government	<u>\$ 36,404,210</u>	<u>\$ 14,588,438</u>	<u>\$ 3,293,167</u>	<u>\$ 1,297,594</u>	<u>(17,626,962)</u>	<u>401,951</u>	<u>(17,225,011)</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	Texarkana Advertising & Promotion
Primary Government									
Component Units									
RSVP	\$ 130,164	\$ -	\$ 128,748	\$ -			\$ (1,416)	\$ -	
Arkansas Advertising & Promotion	1,077,892	-	-	-			-	(1,077,892)	
Total component units	<u>\$ 1,208,056</u>	<u>\$ -</u>	<u>\$ 128,748</u>	<u>\$ -</u>			<u>(1,416)</u>	<u>(1,077,892)</u>	
General revenues									
Property taxes				3,595,334	-	3,595,334	-	-	
Sales taxes				9,647,077	-	9,647,077	-	-	
Franchise taxes				2,898,182	-	2,898,182	-	-	
Other taxes				70,308	-	70,308	-	1,170,120	
Unrestricted investment earnings				9,603	266,596	276,199	-	339	
Miscellaneous				182,129	-	182,129	4	-	
Contributions from Primary Government				-	-	-	-	452,969	
Transfers				237,539	(236,198)	1,341	-	-	
Total general revenues and transfers				<u>16,640,172</u>	<u>30,398</u>	<u>16,670,570</u>	<u>4</u>	<u>1,623,428</u>	
Change in Net Position				<u>(986,790)</u>	<u>432,349</u>	<u>(554,441)</u>	<u>(1,412)</u>	<u>545,536</u>	
Net Position, Beginning of Year				22,022,847	42,073,258	64,096,105	1,948	176,994	
Adjustment applicable to prior years - Note 17				-	(287,030)	(287,030)	-	-	
Net Position, Beginning of Year, as restated				<u>22,022,847</u>	<u>41,786,228</u>	<u>63,809,075</u>	<u>1,948</u>	<u>176,994</u>	
Net Position, End of Year				<u>\$ 21,036,057</u>	<u>\$ 42,218,577</u>	<u>\$ 63,254,634</u>	<u>\$ 536</u>	<u>\$ 722,530</u>	

City of Texarkana, Arkansas
Balance Sheet
Governmental Funds
December 31, 2014

	General	Public Works	2012 Franchise Fee Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 1,969,045	\$ 951,479	\$ 2,929,966	\$ 1,602,762	\$ 7,453,252
Investments	584,006	-	-	934,460	1,518,466
Receivables					
Property taxes, net of allowance for uncollectible accounts of \$127,265	2,768,759	103,847	-	1,384,711	4,257,317
Accounts	371,065	-	-	-	371,065
Other government agencies	1,723,349	500,126	-	88,353	2,311,828
Other	-	2,367	-	380	2,747
Due from other funds	87,979	4,474	-	60,500	152,953
Due from component units	14,951	-	-	-	14,951
Prepaid items	124,629	-	-	6,125	130,754
	<u>7,643,783</u>	<u>1,562,293</u>	<u>2,929,966</u>	<u>4,077,291</u>	<u>16,213,333</u>
Total assets					
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 71,657	\$ 336,276	\$ 34,140	\$ 54,785	\$ 496,858
Accrued liabilities	340,448	37,955	-	1,184	379,587
Due to other governments	603,710	2,896	-	-	606,606
Due to other funds	857,517	39,579	-	50,809	947,905
Due to component units	110,393	-	-	-	110,393
Other liabilities	-	3,685	-	-	3,685
	<u>1,983,725</u>	<u>420,391</u>	<u>34,140</u>	<u>106,778</u>	<u>2,545,034</u>
Total liabilities					
Deferred Inflows of Resources					
Unavailable revenue-property taxes	2,437,615	89,616	-	1,218,808	3,746,039
Unavailable revenue-grants	1,005	24	-	34	1,063
	<u>2,438,620</u>	<u>89,640</u>	<u>-</u>	<u>1,218,842</u>	<u>3,747,102</u>
Total deferred inflows of resources					
Fund Balances					
Nonspendable					
Prepaid items	124,629	-	-	6,125	130,754
Restricted					
General administration	-	-	-	73,662	73,662
Police department	330	-	-	11,845	12,175
Fire department	-	-	-	46,185	46,185
Public works	-	-	2,895,826	123,510	3,019,336
Debt service	-	-	-	1,689,089	1,689,089
Cultural and recreation	-	-	-	70,830	70,830
Committed					
Public works	-	284,701	-	-	284,701
Cultural and recreation	16,998	-	-	-	16,998
Assigned					
Police department	38,594	-	-	316,855	355,449
Public works	30,292	767,561	-	413,570	1,211,423
Unassigned	3,010,595	-	-	-	3,010,595
	<u>3,221,438</u>	<u>1,052,262</u>	<u>2,895,826</u>	<u>2,751,671</u>	<u>9,921,197</u>
Total fund balances					
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,643,783</u>	<u>\$ 1,562,293</u>	<u>\$ 2,929,966</u>	<u>\$ 4,077,291</u>	<u>\$ 16,213,333</u>

See Notes to Financial Statements

City of Texarkana, Arkansas
Balance Sheet (Continued)
Governmental Funds
December 31, 2014

Total fund balances - total governmental funds \$ 9,921,197

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 34,634,669

Net pension assets are not available to pay for current-period expenditures and, therefore are not reported in the funds. 10,077

The City's equity investment in joint ventures is not a financial resource and is, therefore, not reported in the funds. 11,940,336

Other long-term assets, such as property tax and grant receivables, are not available to pay for current-period expenditures and, therefore, are presented as deferred inflows in the funds. 3,747,102

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 (310,947)

Accrued compensated absences (2,352,947)

Net pension and other post-employment obligations (12,166,015)

Bonds payable, net of unamortized premiums (23,578,135)

Installment loans payable and obligations under capital lease (809,280)

Total net position - governmental activities \$ 21,036,057

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2014

	General	Public Works	2012 Franchise Fee Projects	Other Governmental Funds	Total
Revenues					
Property taxes	\$ 2,205,536	\$ 94,553	\$ -	\$ 1,175,033	\$ 3,475,122
Sales taxes	9,092,988	554,089	-	-	9,647,077
Other taxes	70,308	-	-	-	70,308
Utility franchise	2,929,319	-	-	-	2,929,319
Licenses and permits	38,989	148,258	-	-	187,247
Fines, forfeitures and penalties	677,917	-	-	38,444	716,361
Charges for services	353,381	3,946,496	-	-	4,299,877
Grants and entitlements	336,894	342,100	-	1,479,321	2,158,315
Intergovernmental	1,241,134	1,421,130	-	69,860	2,732,124
Investment income	5,044	794	1,938	1,827	9,603
Miscellaneous	163,598	133,134	-	69,787	366,519
	<u>17,115,108</u>	<u>6,640,554</u>	<u>1,938</u>	<u>2,834,272</u>	<u>26,591,872</u>
Expenditures					
Current:					
General government	1,834,338	-	-	170,066	2,004,404
Police department	6,878,140	-	-	-	6,878,140
Fire department	4,385,773	-	-	-	4,385,773
Other public safety	3,044,133	-	-	7,872	3,052,005
Protective inspection	-	456,148	-	-	456,148
Public works	-	4,671,664	-	36,471	4,708,135
Public services	-	-	-	125,813	125,813
Health and welfare	396,664	-	-	-	396,664
Cultural and recreation	550,712	336,750	-	422,170	1,309,632
Capital outlay	31,830	316,632	1,259,210	325,080	1,932,752
Debt service:					
Principal retirement	271,214	-	-	605,000	876,214
Interest and fiscal charges	19,297	-	-	889,331	908,628
	<u>17,412,101</u>	<u>5,781,194</u>	<u>1,259,210</u>	<u>2,581,803</u>	<u>27,034,308</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(296,993)</u>	<u>859,360</u>	<u>(1,257,272)</u>	<u>252,469</u>	<u>(442,436)</u>
Other Financing Sources (Uses)					
Transfers in	1,120,929	90,654	-	860,270	2,071,853
Transfers out	(860,270)	(486,959)	-	(487,085)	(1,834,314)
	<u>260,659</u>	<u>(396,305)</u>	<u>-</u>	<u>373,185</u>	<u>237,539</u>
Net Change in Fund Balances	<u>(36,334)</u>	<u>463,055</u>	<u>(1,257,272)</u>	<u>625,654</u>	<u>(204,897)</u>
Fund Balances, Beginning of Year	<u>3,257,772</u>	<u>589,207</u>	<u>4,153,098</u>	<u>2,126,017</u>	<u>10,126,094</u>
Fund Balances, End of Year	<u>\$ 3,221,438</u>	<u>\$ 1,052,262</u>	<u>\$ 2,895,826</u>	<u>\$ 2,751,671</u>	<u>\$ 9,921,197</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, 2014

Net change in fund balances - total governmental funds \$ (204,897)

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	1,932,752
Contributed assets by Texarkana Advertising & Promotion Commission	8,950
Capital outlay items not capitalized	(23,540)
Depreciation expense	(2,244,940)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (119,394)

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. (615,740)

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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 886,392

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	3,598
Accrued compensated absences	73,346
Net pension and other post-employment obligations (assets)	(683,317)

Change in net position of governmental activities \$ (986,790)

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes
In Fund Balances – Budget and Actual – General Fund
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 2,099,000	\$ 2,125,000	\$ 2,205,536	\$ 80,536
Sales taxes	9,478,000	9,095,000	9,092,988	(2,012)
Other taxes	81,000	72,600	70,308	(2,292)
Utility franchise	2,722,500	2,911,753	2,929,319	17,566
Licenses and permits	37,450	39,450	38,989	(461)
Fines, forfeitures and penalties	602,614	667,724	677,917	10,193
Charges for services	368,600	354,200	353,381	(819)
Grants and entitlements	304,008	322,092	336,894	14,802
Intergovernmental	1,298,900	1,243,813	1,241,134	(2,679)
Investment income	6,016	6,001	5,044	(957)
Miscellaneous	137,001	150,393	163,598	13,205
	<u>17,135,089</u>	<u>16,988,026</u>	<u>17,115,108</u>	<u>127,082</u>
Expenditures				
Current:				
General government	1,940,992	1,910,845	1,834,338	76,507
Police department	7,133,136	6,924,486	6,878,140	46,346
Fire department	4,514,731	4,459,592	4,385,773	73,819
Other public safety	3,452,507	3,483,922	3,044,133	439,789
Health and welfare	410,363	401,588	396,664	4,924
Cultural and recreation	147,760	554,536	550,712	3,824
Capital outlay	6,946	21,946	31,830	(9,884)
Debt service:				
Principal retirement	268,370	269,446	271,214	(1,768)
Interest and fiscal charges	22,150	21,074	19,297	1,777
	<u>17,896,955</u>	<u>18,047,435</u>	<u>17,412,101</u>	<u>635,334</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(761,866)</u>	<u>(1,059,409)</u>	<u>(296,993)</u>	<u>762,416</u>
Other Financing Sources (Uses)				
Transfers in	1,120,081	1,157,201	1,120,929	(36,272)
Transfers out	(859,760)	(860,270)	(860,270)	-
	<u>260,321</u>	<u>296,931</u>	<u>260,659</u>	<u>(36,272)</u>
Net Change in Fund Balances	(501,545)	(762,478)	(36,334)	726,144
Fund Balances, Beginning of Year	<u>3,257,772</u>	<u>3,257,772</u>	<u>3,257,772</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 2,756,227</u>	<u>\$ 2,495,294</u>	<u>\$ 3,221,438</u>	<u>\$ 726,144</u>

City of Texarkana, Arkansas
Statement of Revenues, Expenditures and Changes in Fund
Balances – Budget and Actual - Public Works Fund
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 86,500	\$ 95,500	\$ 94,553	\$ (947)
Sales taxes	532,920	549,000	554,089	5,089
Licenses and permits	140,480	140,150	148,258	8,108
Charges for services	3,905,500	3,933,000	3,946,496	13,496
Grants and entitlements	394,976	387,595	342,100	(45,495)
Intergovernmental	1,375,000	1,410,000	1,421,130	11,130
Investment income	900	700	794	94
Miscellaneous	180,000	145,901	133,134	(12,767)
Total revenues	6,616,276	6,661,846	6,640,554	(21,292)
Expenditures				
Current:				
Protective inspection	615,175	538,585	456,148	82,437
Public works	5,093,851	4,884,705	4,671,664	213,041
Cultural and recreation	366,000	351,698	336,750	14,948
Capital outlay	505,904	461,114	316,632	144,482
Total expenditures	6,580,930	6,236,102	5,781,194	454,908
Excess of Revenues Over Expenditures	35,346	425,744	859,360	433,616
Other Financing Sources (Uses)				
Transfers in	90,000	90,600	90,654	54
Transfers out	(419,655)	(463,640)	(486,959)	(23,319)
Total other financing sources (uses)	(329,655)	(373,040)	(396,305)	(23,265)
Net Change in Fund Balances	(294,309)	52,704	463,055	410,351
Fund Balances, Beginning of Year	589,207	589,207	589,207	-
Fund Balances, End of Year	\$ 294,898	\$ 641,911	\$ 1,052,262	\$ 410,351

City of Texarkana, Arkansas
Statement of Fund Net Position
Proprietary Funds
September 30, 2014

	Texarkana Water Utilities			Total Enterprise Funds
	Water Utilities	Union Utilities	Mandeville Utilities (Non Major)	
Assets				
Current assets				
Cash	\$ 1,857,882	\$ 53,378	\$ 17,302	\$ 1,928,562
Investments	520,426	42,305	-	562,731
Receivables:				
Accounts (net of allowance for uncollectible)	1,368,509	58,277	12,824	1,439,610
Accrued interest	83	5	-	88
Due from other funds	43,732	-	-	43,732
Due from other governments	201,152	-	-	201,152
Inventories	321,587	-	-	321,587
Prepaid items	13,531	631	158	14,320
Net investment in direct financing leases - current	364,940	-	-	364,940
	<u>4,691,842</u>	<u>154,596</u>	<u>30,284</u>	<u>4,876,722</u>
Total current assets				
Noncurrent assets				
Restricted assets				
Cash	4,723,294	230,540	143,984	5,097,818
Investments	66,427	98,711	-	165,138
Receivables				
Interest	13	11	-	24
	<u>4,789,734</u>	<u>329,262</u>	<u>143,984</u>	<u>5,262,980</u>
Total restricted assets				
Capital assets (net of accumulated depreciation)				
Land	793,094	13,749	1,697	808,540
Buildings	1,427,994	967	306	1,429,267
Improvements other than buildings	23,076,113	2,311,287	248,111	25,635,511
Machinery and equipment	2,001,306	7,708	3,265	2,012,279
Property under capital leases	10,796,009	-	-	10,796,009
Water rights	509,164	-	-	509,164
Construction in progress	554,445	629	216	555,290
	<u>39,158,125</u>	<u>2,334,340</u>	<u>253,595</u>	<u>41,746,060</u>
Net capital assets				
Other assets				
Prepaid capital improvement deposits	1,162,981	2,428	447	1,165,856
Net investment in direct financing leases - noncurrent	4,369,652	-	-	4,369,652
	<u>5,532,633</u>	<u>2,428</u>	<u>447</u>	<u>5,535,508</u>
Total other assets				
Total noncurrent assets	<u>49,480,492</u>	<u>2,666,030</u>	<u>398,026</u>	<u>52,544,548</u>
Total assets	<u>54,172,334</u>	<u>2,820,626</u>	<u>428,310</u>	<u>57,421,270</u>
Deferred Outflows of Resources				
Deferred outflow of resources	80,176	-	-	80,176
Total deferred outflow of resources	<u>80,176</u>	<u>-</u>	<u>-</u>	<u>80,176</u>

See Notes to Financial Statements

	Texarkana Water Utilities			Total Enterprise Funds
	Water Utilities	Union Utilities	Mandeville Utilities (Non Major)	
Liabilities				
Current liabilities				
Accounts payable	\$ 435,245	\$ 975	\$ 282	\$ 436,502
Construction contracts payable	154,434	-	-	154,434
Accrued liabilities	100,474	4,342	233	105,049
Accrued interest payable	81,329	33,793	4,632	119,754
Due to other funds	-	36,710	7,022	43,732
Due to other governments	4,149	22,010	2,595	28,754
Other payables	57,995	1,191	-	59,186
Compensated absences - current portion	24,225	-	-	24,225
Bonds payable - current portion	877,385	181,004	23,832	1,082,221
	<u>1,735,236</u>	<u>280,025</u>	<u>38,596</u>	<u>2,053,857</u>
Total current liabilities				
Noncurrent liabilities				
Customer deposits	507,185	30,915	9,070	547,170
Capital improvement deposits	376,744	-	-	376,744
Contracts payable	56,910	-	-	56,910
Compensated absences	209,515	-	-	209,515
Net pension and OPEB obligations	549,466	3,674	906	554,046
Revenue bonds	9,109,820	2,087,647	287,160	11,484,627
	<u>10,809,640</u>	<u>2,122,236</u>	<u>297,136</u>	<u>13,229,012</u>
Total noncurrent liabilities				
Total liabilities	<u>12,544,876</u>	<u>2,402,261</u>	<u>335,732</u>	<u>15,282,869</u>
Net Position				
Net investment in capital assets	29,059,062	65,689	(57,397)	29,067,354
Restricted for construction	1,133,581	-	-	1,133,581
Restricted for capital maintenance	2,552,484	103,534	127,217	2,783,235
Restricted for debt service	970,095	191,935	12,134	1,174,164
Unrestricted	7,992,412	57,207	10,624	8,060,243
	<u>41,707,634</u>	<u>418,365</u>	<u>92,578</u>	<u>42,218,577</u>
Total net position				

City of Texarkana, Arkansas
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended September 30, 2014

	Texarkana Water Utilities			Total Enterprise Funds
	Water Utilities	Union Utilities	Mandeville Utilities (Non Major)	
Operating Revenues				
Water sales	\$ 3,484,266	\$ 426,159	\$ 86,018	\$ 3,996,443
Water connection fees	2,352	500	25	2,877
Sewer charges	3,963,213	-	-	3,963,213
Penalties and service charges	424,540	26,201	5,684	456,425
Other income	821,881	5,472	1,220	828,573
	<u>8,696,252</u>	<u>458,332</u>	<u>92,947</u>	<u>9,247,531</u>
Total operating revenues				
Operating Expenses				
Administrative	140,319	-	-	140,319
Finance	473,777	7,880	2,509	484,166
Customer service	300,146	33,654	8,409	342,209
Water production	1,070,591	64,281	19,955	1,154,827
Waster distribution	500,979	18,753	10,998	530,730
Sewer collection	420,503	-	-	420,503
Wastewater treatment	1,447,690	-	-	1,447,690
Environmental service	106,654	-	-	106,654
Engineer design	251,608	-	-	251,608
Geographical information systems	112,614	-	-	112,614
Composting	102,800	-	-	102,800
Operations administration	93,344	-	-	93,344
Service center	369,654	-	-	369,654
Safety/security	32,935	-	-	32,935
Field service	206,180	22,445	5,869	234,494
Construction oversight	284,074	108	37	284,219
Depreciation	1,833,074	141,305	20,920	1,995,299
Other expenses	186,046	2,047	176	188,269
	<u>7,932,988</u>	<u>290,473</u>	<u>68,873</u>	<u>8,292,334</u>
Total operating expenses				
Operating Income	<u>763,264</u>	<u>167,859</u>	<u>24,074</u>	<u>955,197</u>
Nonoperating Revenues (Expenses)				
Interest income - investments	9,827	144	101	10,072
Interest income - capital leases	256,524	-	-	256,524
Interest expense and paying agent fees	(502,837)	(75,403)	(10,327)	(588,567)
Interest expense - capital leases	(635)	-	-	(635)
Loss on disposal of capital assets	(1,528)	-	-	(1,528)
	<u>(238,649)</u>	<u>(75,259)</u>	<u>(10,226)</u>	<u>(324,134)</u>
Total nonoperating revenues (expenses)				
Income Before Capital Contributions and Transfers	524,615	92,600	13,848	631,063
Capital contributions	37,484	-	-	37,484
Transfers In	100,000	(50,000)	(50,000)	-
Transfers Out	(236,198)	-	-	(236,198)
Changes in Net Position	<u>425,901</u>	<u>42,600</u>	<u>(36,152)</u>	<u>432,349</u>
Net Position, Beginning of Year	41,483,459	451,798	138,001	42,073,258
Prior Period Adjustment	(201,726)	(76,033)	(9,271)	(287,030)
Net Position, Beginning of Year, as Restated	<u>41,281,733</u>	<u>375,765</u>	<u>128,730</u>	<u>41,786,228</u>
Net Position, End of Year	<u>\$ 41,707,634</u>	<u>\$ 418,365</u>	<u>\$ 92,578</u>	<u>\$ 42,218,577</u>

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City of Texarkana, Arkansas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2014

	<u>Texarkana Water Utilities</u>			<u>Total Enterprise Funds</u>
	<u>Water Utilities</u>	<u>Union Utilities</u>	<u>Mandeville Utilities (Non Major)</u>	
Operating Activities				
Cash received from customers	\$ 8,865,717	\$ 459,585	\$ 95,978	\$ 9,421,280
Cash paid to suppliers	(3,954,870)	(99,916)	(42,775)	(4,097,561)
Cash paid to employees	(2,241,192)	(28,120)	(7,001)	(2,276,313)
Net cash provided by operating activities	<u>2,669,655</u>	<u>331,549</u>	<u>46,202</u>	<u>3,047,406</u>
Noncapital Financing Activities				
Transfers to other funds	-	(50,000)	(50,000)	(100,000)
Transfers from other funds	100,000	-	-	100,000
Transfers to City general fund	(236,198)	-	-	(236,198)
Net cash used for noncapital financing activities	<u>(136,198)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(236,198)</u>
Capital and Related Financing Activities				
Acquisition and construction of capital assets	(989,103)	-	-	(989,103)
Payment of bonds/capital lease/interfund loans	(536,996)	(175,252)	(23,074)	(735,322)
Interest paid on bonds/capital leases/interfund loans	(221,183)	(78,010)	(10,670)	(309,863)
Capital improvement deposits paid	(789,475)	(9,446)	(3,202)	(802,123)
Capital improvement deposits received	74,927	-	-	74,927
Interest received on capital improvement deposits	1,492	27	8	1,527
Net cash used for capital and related financing activities	<u>(2,460,338)</u>	<u>(262,681)</u>	<u>(36,938)</u>	<u>(2,759,957)</u>
Investing Activities				
Purchase of investments	(942,284)	(141,074)	-	(1,083,358)
Proceeds from sale and maturities of investments	941,709	141,016	-	1,082,725
Interest received on investments	8,349	79	83	8,511
Net cash provided by investing activities	<u>7,774</u>	<u>21</u>	<u>83</u>	<u>7,878</u>
Increase (Decrease) in Cash	80,893	18,889	(40,653)	59,129
Cash, Beginning of Year	<u>6,500,283</u>	<u>265,029</u>	<u>201,939</u>	<u>6,967,251</u>
Cash, End of Year	<u>\$ 6,581,176</u>	<u>\$ 283,918</u>	<u>\$ 161,286</u>	<u>\$ 7,026,380</u>
Cash of Proprietary Funds, as Presented, on the "Statement of Net Position - Proprietary Funds" is as follows:				
Cash	\$ 1,857,882	\$ 53,378	\$ 17,302	\$ 1,928,562
Restricted cash	4,723,294	230,540	143,984	5,097,818
	<u>\$ 6,581,176</u>	<u>\$ 283,918</u>	<u>\$ 161,286</u>	<u>\$ 7,026,380</u>

See Notes to Financial Statements

**Reconciliation of Operating Income to
Cash Flows from Operating Activities**

	Texarkana Water Utilities			
	Water Utilities	Union Utilities	Mandeville Utilities (Non Major)	Total Enterprise Funds
Operating income	\$ 763,264	\$ 167,859	\$ 24,074	\$ 955,197
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	1,833,074	141,305	20,920	1,995,299
Decrease in customer accounts receivable	221,805	1,762	1,620	225,187
Decrease in allowance for doubtful accounts	6,962	282	60	7,304
(Increase) decrease in due from other funds	(15,592)	244	1,064	(14,284)
Decrease in inventory	58,225	-	-	58,225
Increase in prepaid expenses	(6,331)	(603)	(151)	(7,085)
Decrease in accounts payable	(243,727)	(1,148)	(290)	(245,165)
Decrease in other accrued expenses	(5,407)	(188)	(175)	(5,770)
Increase (decrease) in due to other funds	2,167	21,998	(1,383)	22,782
Increase in compensated absences	430	-	-	430
Increase in customer deposits	28,120	980	455	29,555
Increase in net pension and postemployment obligations	57,990	31	8	58,029
Decrease in other payables	(31,325)	(973)	-	(32,298)
Net cash provided by operating activities	<u>\$ 2,669,655</u>	<u>\$ 331,549</u>	<u>\$ 46,202</u>	<u>\$ 3,047,406</u>

City of Texarkana, Arkansas
Statement of Fiduciary Net Position – Fiduciary Funds
December 31, 2014

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 654,940	\$ 196,655
Investments		
Equities	9,109,071	-
U. S. government obligations	715,377	-
Corporate bonds and notes	731,999	-
Mutual funds and other investments	7,762,740	-
Interest receivable	19,376	3,556
Due from other funds	794,952	-
Total assets	19,788,455	200,211
Liabilities		
Accounts payable	20,568	9,718
Escrow deposits	-	190,493
Total liabilities	20,568	200,211
Net Position		
Net position restricted for pensions	\$ 19,767,887	\$ -

City of Texarkana, Arkansas
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2014

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 1,004,514
Employee	30,123
Intergovernmental	320,207
Other	57,762
Total contributions	1,412,606
Investment income	
Net increase in fair value of investments	1,056,696
Interest and dividends	409,875
	1,466,571
Less investment expense	82,986
Net investment income	1,383,585
Total additions	2,796,191
Deductions	
Benefits paid directly to participants	3,052,095
Administrative expenses	90,028
Total deductions	3,142,123
Net Decrease in Net Position	(345,932)
Net Position Restricted for Pensions, Beginning of Year	20,113,819
Net Position Restricted for Pensions, End of Year	\$ 19,767,887

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2014

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, 2014 totaled \$1,170,120. The Commission does not have separately issued financial statements.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2014

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 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, 2013 consisted of \$1,349,470 by Texarkana, Arkansas and \$1,249,425 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 \$10,813,439 at December 31, 2013, which is the latest information available. Complete financial statements for the Authority can be obtained from the Texarkana Airport Authority's administrative office.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2014

Bi-State Justice Center

The City is also a participant in a joint venture in the Bi-State Justice Center with the City of Texarkana, Texas and Bowie County. The Bi-State Justice Center is jointly occupied by the law enforcement and criminal justice agencies of the City of Texarkana, Arkansas, the City of Texarkana, Texas, and Bowie County, Texas. The facility is located on the state line, half in Texarkana, Arkansas and half in Texarkana, Texas. The Intergovernmental Advisory Committee is responsible for the operations of the Center. This seven member committee is comprised two members from the City of Texarkana, Texas City Council, two members from the Texarkana, Arkansas Board of Directors, the Bowie County Judge, one Bowie County Commissioner, and one independent member. The original contract only names the two City Managers and the Judge. The Center accounts only for the operations of its own law enforcement and criminal justice agencies. The annual budget is underwritten by the participating entities based on a formula which uses floor space occupied, 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, 2014 was \$249,831. 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, 2014 was \$0.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2014

Texarkana Urban Transit District (TUTD)

The City of Texarkana, Arkansas is a participant with three other cities in the TUTD. The purpose of the TUTD is to provide public transportation services within the Texarkana urban area. The TUTD is a political subdivision district under the laws of the State of Texas as defined by Chapter 458 of the Texas Transportation code and Chapter 791 of the Texas Government Code.

Composition of the Transit District Board is as follows; the City of Texarkana, Arkansas – three members, one of whom is an elected official; the City of Texarkana, Texas – three members, one of whom is an elected official; the City of Wake Village, Texas – two members, one of whom is an elected official; and the City of Nash, Texas – two members, one of whom is an elected official. The TUTD receives federal, state, and local funding, as well as user charges generated by the public transportation system. The City has an ongoing financial responsibility for the TUTD since the TUTD's continued existence depends on continued funding by the City.

The City of Texarkana, Arkansas' net investment in the TUTD is reported in the City's governmental activities as a joint venture. The City's interest at September 30, 2013, which is the latest information available, was \$877,066.

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

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2014

revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Expenses that cannot be specifically identified to a particular function are charged to funds based on time spent for that function and are included in the functional categories. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity.

Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2014

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.

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, and the Firefighter’s Relief and Pension Fund. Plan trustees must act in accordance with the specific purposes and terms of these retirement plans.

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

Measurement Focus and Basis of Accounting

Government-wide, Proprietary and Fiduciary Funds

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2014

unearned revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

Governmental Fund Financial Statements

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

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, cash on hand and short-term instruments with original maturities at purchase of 90 days or less. At December 31, 2014, cash equivalents consisted primarily of money market accounts with brokers.

Investments and Investment Income

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

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2014

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

Inventories

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

Prepaid Items

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

Restricted Assets

Certain proceeds of governmental and enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

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.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2014

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position and the proprietary fund statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, *unavailable revenue*, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is only reported in the governmental funds balance sheet. Governmental funds report unavailable revenue from property taxes and grant receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2014

Long-term Obligations

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

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

Compensated Absences

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

Net Position

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

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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2014

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

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

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

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

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

Restricted by Enabling Legislation

The government-wide Statement of Net Position reports \$722,530 of restricted net position for Texarkana Advertising and Promotion which is restricted by enabling legislation. This amount consists of unspent hotel/motel taxes.

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, Public Works Fund and the following nonmajor special revenue funds: Community Development Block Grant, Police Fund, Kline Park Monument, Domestic Violence, 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.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2014

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.

Adoption of Accounting Principles

GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, for 2014. The objective of this statement is to improve financial reporting by state and local governmental pension plans. For defined benefit pension plans, this statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer-contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented.

The statement resulted from a comprehensive review of the effectiveness of previously existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27*, as they relate to pension plans that are administered through trusts or equivalent arrangements. Adoption of GASB 67 had no effect on net position restricted for pensions or net increase (decrease) in net position. It did, however, change required footnote disclosures and information required to be reported as required supplementary information for the System. This information has been added to *Note 11* and to the required supplementary information, as required.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2014

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, 2014:

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.

GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date* (an amendment of GASB Statement No. 68), amends Statement 68 related to transition provisions for certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and nonemployer contributing entities. At the beginning of the period in which the provisions of Statement 68 are adopted, there may be circumstances in which it is not practical for a government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. In such circumstances, the government should recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. Additionally, in those circumstances, no beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions should be recognized. GASB 71 is effective for periods beginning after June 15, 2014, and should be applied simultaneously with the provision of Statement 68.

City of Texarkana, Arkansas

Notes to Financial Statements

December 31, 2014

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72): GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB 72 will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB 72 is effective for financial statements for fiscal years beginning after June 15, 2015.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans* (GASB 74): GASB 74 addresses the reporting requirements for Other Postemployment Benefit (OPEB) plans that administer benefits on behalf of government. GASB 74 replaces GASB Statement No. 43, *Financial Reporting for Postemployments Benefit Plans Other Than Pension Plans* and addresses the financial reporting of OPEB plans that are administered through trusts that meet certain criteria. GASB 74 requires the inclusion of a statement of fiduciary net position and a statement of changes in fiduciary net position in the financial reporting for the plan. GASB 74 also requires more extensive note disclosures and required supplementary information (RSI) related to the measurement of the OPEB liabilities and sets forth note disclosure requirements for defined contribution OPEB plans. GASB 74 is effective for financial statements for fiscal years beginning after June 15, 2016.

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

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

Employers that participate in a cost-sharing OPEB plan that is administered through a trust that meets specified criteria will report a liability equal to the employer's proportionate share for the collective OPEB liability for all employers participating in the plan

City of Texarkana, Arkansas

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December 31, 2014

Employers that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability for their own employees

GASB 75 requires more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. GASB 75 is effective for fiscal years beginning after June 15, 2017. Therefore, the statement will be effective for the City's year ending December 31, 2018.

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

Note 2: Deposits and Investments

Deposits

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

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

At December 31, 2014, none of the City's bank balances were exposed to custodial credit risk. At September 30, 2014, \$166,258 of the Utilities bank balances were uninsured and uncollateralized.

Investments

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

City of Texarkana, Arkansas
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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, 2014, 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	\$ 63,338	\$ -	\$ -	\$ -	\$ 63,338
U.S. government obligations	1,204,399	553,969	247,783	123,246	279,401
Corporate bonds	731,998	74,197	571,030	49,576	37,195
Money market mutual funds	1,914,176	1,914,176	-	-	-
Bond mutual funds	6,476,160	408,450	2,259,316	2,259,003	1,549,391
		<u>\$ 2,950,792</u>	<u>\$ 3,078,129</u>	<u>\$ 2,431,825</u>	<u>\$ 1,929,325</u>
Equity mutual funds	<u>10,360,574</u>				
	<u>\$ 20,750,645</u>				

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

City of Texarkana, Arkansas
Notes to Financial Statements
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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, 2014, the City’s and its component units’ investments not directly guaranteed by the U.S. government were rated as follows:

Investment Type	Rating Agency	Rating
Money Market Mutual Funds	S&P/Moody’s	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, 2014, the City’s investments are fully collateralized or are fully guaranteed by the full faith and credit of the U.S. government. The City’s collateral is held in an account with the Federal Reserve. Monthly “Collateral Reports” are sent to the City’s accounting department.

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

City of Texarkana, Arkansas
Notes to Financial Statements
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Summary of Carrying Values

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

	Primary Government	Component Units
Carrying value		
Deposits	\$ 15,142,191	\$ 554,669
Cash on hand	3,913	200
Investments	20,750,645	-
	\$ 35,896,749	\$ 554,869
Included in the following statement of net position captions		
Cash	\$ 4,280,614	\$ 554,869
Investments	2,081,197	-
Restricted cash	10,199,018	-
Restricted investments	165,138	-
Included in the following fiduciary net position captions		
Cash and cash equivalents - Agency Funds	196,655	-
Cash and cash equivalents - Pension Trust Funds	654,940	-
Investments-Pension Trust Funds		
Equities	9,109,071	-
U.S. government obligations	715,377	-
Corporate bonds and notes	731,999	-
Mutual funds and other investments	7,762,740	-
	\$ 35,896,749	\$ 554,869

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2014

Note 3: Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2014, was as follows:

Governmental Activities	Balance, December 31, 2013	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2014
Capital assets, non-depreciable:				
Land	\$ 2,563,907	\$ -	\$ -	\$ 2,563,907
Construction in progress	11,086,631	1,689,164	(12,388,617)	387,178
Total capital assets, non-depreciable	<u>13,650,538</u>	<u>1,689,164</u>	<u>(12,388,617)</u>	<u>2,951,085</u>
Capital assets, depreciable				
Buildings	22,863,425	100,595	-	22,964,020
Improvements other than buildings	5,941,113	6,040,892	-	11,982,005
Machinery and equipment	7,782,665	219,545	(195,101)	7,807,109
Infrastructure	34,331,853	6,256,583	-	40,588,436
Total capital assets, depreciable	<u>70,919,056</u>	<u>12,617,615</u>	<u>(195,101)</u>	<u>83,341,570</u>
Less accumulated depreciation				
Buildings	14,494,705	631,977	-	15,126,682
Improvements other than buildings	4,937,183	496,416	-	5,433,599
Machinery and equipment	5,682,044	578,272	(195,101)	6,065,215
Infrastructure	24,494,215	538,275	-	25,032,490
Total accumulated depreciation	<u>49,608,147</u>	<u>2,244,940</u>	<u>(195,101)</u>	<u>51,657,986</u>
Total capital assets, depreciable	<u>21,310,909</u>	<u>10,372,675</u>	<u>-</u>	<u>31,683,584</u>
Total governmental activities, net	<u>\$ 34,961,447</u>	<u>\$ 12,061,839</u>	<u>\$ (12,388,617)</u>	<u>\$ 34,634,669</u>

City of Texarkana, Arkansas
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Capital asset activity in the business-type activities for the year ended September 30, 2014, was as follows:

Business-Type Activities	Balance September 30, 2013	Additions and Transfers, Net	Retirements and Transfers, Net	Balance September 30, 2014
Capital Assets, non-depreciable				
Land	\$ 834,346	\$ 6,260	\$ -	\$ 840,606
Construction in progress	<u>396,987</u>	<u>1,584,416</u>	<u>(1,426,113)</u>	<u>555,290</u>
Total capital assets, non-depreciable	<u>1,231,333</u>	<u>1,590,676</u>	<u>(1,426,113)</u>	<u>1,395,896</u>
Capital assets, depreciable				
Buildings and improvements	4,349,361	-	-	4,349,361
Improvements other than buildings	60,655,516	842,982	(6,556)	61,491,942
Machinery and equipment	7,156,984	477,001	(40,645)	7,593,340
Water rights	<u>539,511</u>	<u>-</u>	<u>-</u>	<u>539,511</u>
Total capital assets, depreciable	<u>72,701,372</u>	<u>1,319,983</u>	<u>(47,201)</u>	<u>73,974,154</u>
Less accumulated depreciation				
Buildings and improvements	2,298,355	82,457	-	2,380,812
Improvements other than buildings	24,088,325	1,552,697	(5,245)	25,635,777
Machinery and equipment	5,270,827	346,658	(40,428)	5,577,057
Water rights	<u>16,857</u>	<u>13,487</u>	<u>-</u>	<u>30,344</u>
Total accumulated depreciation	<u>31,674,364</u>	<u>1,995,299</u>	<u>(45,673)</u>	<u>33,623,990</u>
Total capital assets, depreciable	<u>41,027,008</u>	<u>(675,316)</u>	<u>(1,528)</u>	<u>40,350,164</u>
Total business-type activities, net	<u>\$ 42,258,341</u>	<u>\$ 915,360</u>	<u>\$ (1,427,641)</u>	<u>\$ 41,746,060</u>

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

Governmental Activities

General government		
General government	\$	350,975
Police department		627,785
Fire department		229,895
Public inspection		3,460
Public works		908,460
Health		20,563
Culture and recreation		103,802
		<u>2,244,940</u>
Total depreciation expense – governmental activities	\$	<u>2,244,940</u>

Business-Type Activities

Water and sewer	\$	<u>1,995,299</u>
Total depreciation expense - business-type activities	\$	<u>1,995,299</u>

Note 4: Construction Projects

At December 31, 2014, the City had the following commitments with respect to unfinished capital projects. These projects are being funded with grant funds, bond proceeds and franchise fees.

	Project Authorization	Expended Through December 31, 2014	Required Future Financing
Cross Roads Parkway Phase III	\$ 2,147,094	\$ 125,081	\$ 2,022,013
E. 17th & Pearl Street Trail	52,724	26,965	25,759
E. 42nd Street Repairs	450,000	22,569	427,431
E. 49th Street Repairs	61,000	48,500	12,500
Ernest Hill Park	10,125	6,702	3,423
Front Street	75,503	54,362	21,141
Hobo Jungle Park	23,772	22,227	1,545
Recycling Facility	70,430	42,424	28,006
Texarkana Rec Center	40,000	38,348	1,652
	<u>2,930,648</u>	<u>387,178</u>	<u>2,543,470</u>
Total	<u>\$ 2,930,648</u>	<u>\$ 387,178</u>	<u>\$ 2,543,470</u>

City of Texarkana, Arkansas
Notes to Financial Statements
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Note 5: Long-term Liabilities

Changes in long-term liabilities in the governmental activities for the year ended December 31, 2014 and for the business-type activities for the year ended September 30, 2014, were as follows:

Governmental Activities	Balance December 31, 2013	Increases	Decreases	Balance December 31, 2014	Amounts Due in One Year
Bonds payable					
Revenue bonds	\$ 13,745,000	\$ -	\$ 275,000	\$ 13,470,000	\$ 365,000
Add issuance premiums	42,857	-	1,714	41,143	-
	<u>13,787,857</u>	<u>-</u>	<u>276,714</u>	<u>13,511,143</u>	<u>365,000</u>
General obligation bonds	10,160,000	-	330,000	9,830,000	205,000
Add issuance premiums	245,456	-	8,464	236,992	-
	<u>10,405,456</u>	<u>-</u>	<u>338,464</u>	<u>10,066,992</u>	<u>205,000</u>
Bonds payable, net	24,193,313	-	615,178	23,578,135	570,000
Notes payable	1,062,233	-	254,306	807,927	259,358
Capital lease obligation	18,261	-	16,908	1,353	1,353
Compensated absences	2,426,293	934,182	1,007,528	2,352,947	101,164
Net pension and other post-employment obligations	11,498,108	667,907	-	12,166,015	-
Total governmental activities long-term liabilities	<u>\$ 39,198,208</u>	<u>\$ 1,602,089</u>	<u>\$ 1,893,920</u>	<u>\$ 38,906,377</u>	<u>\$ 931,875</u>
Business-Type Activities	Balance September 30, 2013	Increases	Decreases	Balance September 30, 2014	Amounts Due in One Year
Bonds payable					
Revenue bonds	\$ 13,592,813	\$ -	\$ 1,033,311	\$ 12,559,502	\$ 1,082,221
Plus issuance premiums	8,021	-	675	7,346	-
Bonds payable, net	13,600,834	-	1,033,986	12,566,848	1,082,221
Capital lease obligation	15,319	-	15,319	-	-
Compensated absences	233,311	209,629	209,200	233,740	24,225
Net pension obligation	496,017	58,029	-	554,046	-
Total business-type activities long-term liabilities	<u>\$ 14,345,481</u>	<u>\$ 267,658</u>	<u>\$ 1,258,505</u>	<u>\$ 13,354,634</u>	<u>\$ 1,106,446</u>

City of Texarkana, Arkansas
Notes to Financial Statements
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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. At December 31, 2014, \$9,335,000 of defeased bonds remain outstanding.

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.

Notes Payable

In 2001, the State of Arkansas passed Amendment No. 78 and Act No. 1808, allowing cities and counties to obtain short-term financing agreements for the purpose of acquiring, constructing, installing or renting real property or tangible personal property having an expected useful life of more than one year. These financing agreements may not mature over a period to exceed five years and may have fixed or variable interest rates to be repaid with general fund revenues. At December 31, 2014, the outstanding short-term financing agreements were as follows:

2013 General Revenues Note – The \$1,063,523 promissory note was issued to finance the cost of acquiring, constructing and installing real property or tangible personal property having an expected useful life of more than one year for the City with principal and interest payable from general revenues. Due monthly, payable \$18,577, including interest at 1.86%.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2014

Business-type Activities

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

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

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

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

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

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

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

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2014

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds and notes payable, outstanding at December 31, 2014 for governmental activities and September 30, 2014 for business-type activities.

Year	Primary Government			
	Governmental Activities		Business-Type Activities	
	General Obligation Bonds and Revenue Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 570,000	\$ 877,103	\$ 1,082,221	\$ 463,077
2016	585,000	865,018	1,123,843	422,855
2017	595,000	851,259	1,166,229	381,070
2018	620,000	835,756	1,209,401	337,698
2019	630,000	817,261	1,253,385	292,715
2020-2024	3,490,000	3,746,702	5,653,954	796,975
2025-2029	4,235,000	2,995,301	1,070,469	41,066
2030-2034	5,155,000	2,076,860	-	-
2035-2039	5,660,000	944,035	-	-
2040-2041	1,760,000	95,945	-	-
	<u>\$ 23,300,000</u>	<u>\$ 14,105,240</u>	<u>\$ 12,559,502</u>	<u>\$ 2,735,456</u>

	Notes Payable	
	Principal	Interest
2015	\$ 259,358	\$ 13,749
2016	264,691	8,416
2017	228,413	3,309
2018	55,465	173
	<u>\$ 807,927</u>	<u>\$ 25,647</u>

There are a number of limitation and restrictions contained in the various bond indentures. The City is in substantial compliance with all significant limitations and requirements. The City is also subject to a statutory limitation by the State of Arkansas for general bonded indebtedness. The limitation is 25 percent of the total assessed valuation of all real and personal property within the municipality subject to taxation. At December 31, 2014, 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
Notes to Financial Statements
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The following is a summary of pledged revenues of the City for the year ended December 31, 2014.

Debt	Revenue Pledged	Total Pledged Revenue	Portion of Pledged Revenue Stream	Percentage Portion of Pledged Revenue Stream	Remaining Principal, Interest and Fees	Period Revenue Will Not Be Available for Other Purposes
Governmental Activities:						
2010 Franchise Fee Secured Capital Improvement Revenue Bonds	Franchise Taxes	\$ 2,898,182	\$ 170,671	5.9%	\$ 6,565,244	Until 2040
2012 Franchise Fee Secured Refunding Revenue Bonds	Franchise Taxes	2,898,182	342,358	11.8%	14,804,278	Until 2038
Business-Type Activities:						
1998 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	8,962,603	293,224	3.3%	1,905,973	Until 2021
1998B City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	8,962,603	53,638	0.6%	348,665	Until 2021
2001 City of Texarkana, Arkansas Sewer Facilities Construction Revenue Bonds	Revenues of the Enterprise Fund	8,962,603	68,390	0.8%	615,492	Until 2023
2004A City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Bonds	Revenues of the Enterprise Fund	551,524	148,406	26.9%	1,484,034	Until 2024
2004B City of Texarkana, Arkansas Public Facilities Board Water Facilities Mandeville and Union Acquisition Bonds	Revenues of the Enterprise Fund	551,524	261,932	47.5%	3,012,213	Until 2025
2007 City of Texarkana, Arkansas Public Facilities Board Waterworks and Sewer Facilities Revenue Refunding Bonds	Revenues of the Enterprise Fund	8,962,603	717,509	8.0%	7,935,927	Until 2025

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2014

Note 6: Interfund Balances and Transfers

Interfund receivables and payables as of December 31, 2014, are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 87,979	\$ 857,517
Public Works	4,474	39,579
Non-major governmental funds	60,500	50,809
Total governmental funds	152,953	947,905
Texarkana, Arkansas Water Utilities	43,732	-
Texarkana, Arkansas Union Water Utilities	-	36,710
Non-major proprietary funds	-	7,022
Total proprietary funds	43,732	43,732
Fiduciary Funds:		
Pension trust funds	794,952	-
Total fiduciary funds	794,952	-
Total	\$ 991,637	\$ 991,637

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.

City of Texarkana, Arkansas
Notes to Financial Statements
December 31, 2014

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

	Receivables	Payables
Primary Government		
General Fund	\$ 14,951	\$ 110,393
Total primary government	14,951	110,393
Component Units		
Texarkana Advertising & Promotion	110,393	-
RSVP	-	14,951
Total component units	110,393	14,951
Total	\$ 125,344	\$ 125,344

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, 2014, are as follows:

Fund	Transfer In	Transfer Out
General	\$ 1,120,929	\$ 860,270
Public Works	90,654	486,959
Other Nonmajor Governmental Funds	860,270	487,085
Total governmental funds	\$ 2,071,853	\$ 1,834,314

Transfers recorded in the Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds as of September 30, 2014, are as follows:

Proprietary Funds		
Texarkana, Arkansas Water Utilities	\$ 100,000	\$ 236,198
Union, Arkansas Water Utilities	-	50,000
Non-major proprietary funds	-	50,000
Total proprietary funds	100,000	336,198
	\$ 2,171,853	\$ 2,170,512

City of Texarkana, Arkansas
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The difference in the transfer in/out of \$1,341 is due to the different year end of Texarkana, Arkansas Water Utilities.

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 and Union Utilities made total transfers to the Texas Utilities for water purchases of \$538,077 for 2014 and \$39,281 for 2014, respectively.

The agreement further provides that, when the indebtedness of the Lake Texarkana Water Supply Corporation incurred in connection with the acquisition and construction of the system facilities has been discharged, the City of Texarkana, Texas will convey to the City of Texarkana, Arkansas an undivided interest in the system facilities used to serve Arkansas. Texarkana, Arkansas' undivided interest in the facilities shall be a pro rata portion of the total capital payments made on the system by both Texarkana, Texas and Texarkana, Arkansas. Capital payments are defined as payments made or to be made on the principal for the bond obligations of Texarkana Water Supply Corporation and Lake Texarkana Water Supply Corporation. The 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 \$603,037 for 2014.

City of Texarkana, Arkansas
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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 2014, the Texas Utilities made total transfers to the Arkansas Utilities for debt service of \$415,606. 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. The Texarkana, Arkansas Water Utilities has made no transfers to the Texarkana, Texas Water Utilities for debt service since 2013 when the capital lease debt was retired.

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 2014, 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

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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 \$153,406 for fiscal year 2014. 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, 2014 were \$509,164. 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 \$500,000 was transferred to the Millwood Water rights account during fiscal year 2014.

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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

Substantially all of the City's employees receive retirement benefits. The City sponsors four single employer defined benefit plans that are reported as pension trust funds. The plan year end for the City Employee Retirement System, Texarkana, Arkansas Public Employees Retirement System (TAPERS), and the Utility Employee Retirement System, Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS), is June 30, 2014. Prior fiscal years reported amounts for TAPERS and TWUPERS as of December 31. Beginning balances have been adjusted to reflect a June 30 year end. This adjustment was not material to the plans individually or to the fiduciary funds as a whole. The other two single employer defined benefit plans are the Police Relief and Pension Fund (PRPF) and Firemen Relief and Pension Fund (FRPF), which have December 31 year ends. 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
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A. Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Determine Fair Value of Investments

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

B. Membership Information

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

	June 30, 2014		December 31, 2014	
	TAPERS	TWUPERS	FRPF	PRPF
Retirees and beneficiaries				
receiving benefits	27	12	35	46
Active plan members	24	35	-	-
Terminated members	38	20	-	-
Transitioned members	34	-	-	-
Members on Deferred Retirement Option Plan (DROP)	-	-	1	-
Total	123	67	36	46

City of Texarkana, Arkansas
Notes to Financial Statements
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C. Financial Information

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

	Statement of Fiduciary Net Position				
	June 30, 2014		December 31, 2014		Total
	TAPERS	TWUPERS	FRPF	PRPF	
Assets					
Cash and cash equivalents	\$ 198,421	\$ 47,716	\$ 169,831	\$ 238,972	\$ 654,940
Investments	4,058,239	2,752,672	6,446,180	5,062,096	18,319,187
Receivables	1,753	11,216	3,467	2,940	19,376
Due from other funds	-	-	397,476	397,476	794,952
Total assets	<u>4,258,413</u>	<u>2,811,604</u>	<u>7,016,954</u>	<u>5,701,484</u>	<u>19,788,455</u>
Liabilities					
Accounts payable	-	-	11,419	9,149	20,568
Total liabilities	<u>-</u>	<u>-</u>	<u>11,419</u>	<u>9,149</u>	<u>20,568</u>
Net Position					
Net position restricted for pensions	<u>\$ 4,258,413</u>	<u>\$ 2,811,604</u>	<u>\$ 7,005,535</u>	<u>\$ 5,692,335</u>	<u>\$ 19,767,887</u>
Statement of Changes in Fiduciary Net Position					
Additions					
Contributions	\$ 141,851	\$ -	\$ 442,838	\$ 827,917	\$ 1,412,606
Net investment income	577,706	334,568	269,654	201,657	1,383,585
Total additions	<u>719,557</u>	<u>334,568</u>	<u>712,492</u>	<u>1,029,574</u>	<u>2,796,191</u>
Deductions					
Benefits paid directly to participants	1,134,456	128,315	611,404	1,177,920	3,052,095
Administrative expenses and other	54,386	26,642	4,500	4,500	90,028
Total deductions	<u>1,188,842</u>	<u>154,957</u>	<u>615,904</u>	<u>1,182,420</u>	<u>3,142,123</u>
Net Increase (Decrease) in Net Position	(469,285)	179,611	96,588	(152,846)	(345,932)
Net Position Restricted For Pensions, Beginning of Year	<u>4,727,698</u>	<u>2,631,993</u>	<u>6,908,947</u>	<u>5,845,181</u>	<u>20,113,819</u>
Net Position Restricted For Pensions, End of Year	<u>\$ 4,258,413</u>	<u>\$ 2,811,604</u>	<u>\$ 7,005,535</u>	<u>\$ 5,692,335</u>	<u>\$ 19,767,887</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. The Retirement Board consists of two or more members appointed by the employer. Members of the Board are not required to be a participant within the plan. 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 1/360th for each month preceding normal retirement date. Participants who are 60 years of age and have completed 20 years of vesting service or who are 55 year of age and have completed 30 years of vesting service have no reduction of their accrued benefits. The benefit is paid as a monthly life annuity. Other options may be elected. Late retirement, pre-retirement death benefits and disability benefits are also available in an amount actuarially equivalent to the present value of accrued benefits. There are no automatic Cost of Living Adjustments (COLAs) in this plan. No ad hoc COLAs have been given in the past.

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 June 30, 2014, were \$118,862.

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

Goldman Sachs Strategic Income	\$ 302,636
JP Morgan Core Bond Fund 3717 CI A	272,092
PIMCO Low Duration Fund	231,341
PIMCO Total Return Fund 35	228,690
Ishares Russell Midcap Value Index Fund	223,276
Ishares Russell Midcap Growth Index Fund	325,551
Maingate MLP Fund CL I	363,951

As of June 30, 2014, the most recent actuarial valuation date, the TAPERS was 59% funded. The actuarial accrued liability for benefits was \$7,184,784, and the actuarial value of assets was \$4,258,413, resulting in an unfunded entry age accrued liability (UEAAL) of \$2,926,371. The covered payroll (annual payroll of active employees covered by the plan) was \$943,584 and the ratio of the UAAL to the covered payroll was 310%.

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

The Policemen’s Fund provides retirement benefits for policemen who have completed 20 years of service regardless of age. 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.

City of Texarkana, Arkansas
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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. Administrative costs are financed by the Policemen’s Fund. Total 2014 contributions to the Policemen’s Fund were \$827,917. The City’s share of contributions was \$827,917 and included \$323,291 in property taxes and \$171,106 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:

Goldman Sachs High Quality Floating	\$ 333,078
Goldman Sachs Strategic Income	521,189
Ishares Russell Midcap Value Index Fund	276,600
Ishares Russell Midcap Growth Index Fund	272,232
Ishares Russell 1000 Growth Index Fund	343,240
Ishares Russell 2000 Growth Index Fund	351,109
Maingate MLP Fund CL I	579,576

As of December 31, 2014, the most recent actuarial valuation date, the PPRF was 32% funded. The actuarial accrued liability for benefits was \$16,704,175, and the actuarial value of assets was \$5,294,919, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,409,256. There is no covered payroll as there are no active employees.

The plan has elected to participate in the Deferred Retirement Option Plan effective December 20, 1993. Members who elect to participate have a DROP account that is increased by the monthly amount of their retirement as if they had retired as of the date DROP was elected. As of December 31, 2014, the balances of these DROP accounts were \$1,368,046.

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. The Board of Trustees consists of two members of City Management and five members elected by the plan members. The elected members are required to be participants within the plan. Benefit provisions are established by State of Arkansas Act #14, as amended. Fund assets are administered by a Board of Trustees.

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The FRPF provides retirement benefits for firemen who have completed 20 years of service regardless of age. Disability benefits are available to firemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the fire department. The FRPF also provides benefits for surviving spouses and dependent children of deceased policemen. No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the Deferred Retirement Option Plan (DROP) for up to 10 years. All firemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981. Therefore, the FRPF is effectively closed to new members.

Contributions to the FRPF are set forth in Arkansas statute. The City's contribution to the FRPF consists of a one mill real and personal property tax collection and an insurance premium tax turnback collected by the State Insurance Commissioner. Administrative costs are financed through Fund assets approved by the Board of Trustees. Total 2014 contributions to the FRPF were \$442,838. The City's share of contributions was \$435,704 and included \$323,291 in property taxes and \$25,976 in state insurance premium taxes and other supplements received from the state. On behalf payments (state insurance premium taxes and other supplements received from the state) are recognized as revenues and expenditures in the appropriate fund.

The asset concentrations of over 5% are as follows:

Blackrock Low Duration Bond Fund	\$ 556,146
Goldman Sachs High Quality Floating	399,865
Goldman Sachs Strategic Income	636,758
Ishares Russell Midcap Value Index Fund	464,688
Ishares Russell Midcap Growth Index Fund	598,070
Ishares Russell 1000 Growth Index Fund	440,284
Maingate MLP Fund C1 I	625,862

As of December 31, 2014, the most recent actuarial valuation date, the FRPF was 84% funded. The actuarial accrued liability for benefits was \$7,882,983, and the actuarial value of assets was \$6,608,059 resulting in an unfunded actuarial accrued liability (UAAL) of \$1,274,924. There is no covered payroll as there are no active employees.

The plan has elected to participate in the Deferred Retirement Option Plan effective 12/20/1993. Members who elect to participate have a DROP account that is increased by the monthly amount of their retirement as if they had retired as of the date DROP was elected. As of December 31, 2014, the balances of these DROP accounts were \$1,270,221.

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.

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

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

The TWUPERS 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 no contributions to the plan for the year ended December 31, 2014.

The asset concentrations of over 5% are as follows:

Ishares S&P 500 Growth ETF	\$ 325,563
MFS Value Fund CL A	318,549
Vanguard Midcap Index Fund	163,670

As of June 30, 2014, the most recent actuarial valuation date, the TWUPERS Plan was 193% funded. The actuarial accrued liability for benefits was \$1,455,000, and the actuarial value of assets was \$2,811,000.

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

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	Annual Pension Cost and Net Pension Obligation (Asset)				
	Firefighters Fund	Police Fund	TAPERS Plan	TWUPERS Plan	TMRS Plan
Annual required contributions	\$ 306,867	\$ 2,596,511	\$ 914,015	\$ -	\$ 394,826
Interest on net pension obligation (asset)	5,152	446,518	138,713	27,125	18,404
Less: adjustment to annual required contribution	23,228	2,013,578	459,710	42,536	16,549
Annual pension cost	288,791	1,029,451	593,018	(15,411)	396,681
Contributions made	374,860	743,808	118,862	-	394,404
Increase (decrease) in net pension obligation (asset)	86,069	(285,643)	(474,156)	(15,411)	(2,277)
Net pension obligation(asset), beginning of the year	103,016	8,930,366	2,311,884	(25,488)	262,915
Net pension obligation (asset), end of the year	\$ 16,947	\$ 9,216,009	\$ 2,786,040	\$ (10,077)	\$ 265,192

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, 2014. Actuarial assumptions used in evaluating the fund include entry age cost method, five year smoothed market for valuing assets, level dollar open amortization method, and amortization period of 5 years for active participants and 5 years for retirees, investment rate of 5%, 4.2% to 8% salary increases and the 1983 group annuity mortality table. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on a closed basis. The amortization period at 2014 was 5 years.

City of Texarkana, Arkansas
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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:

	TAPERS	TWUPERS	TMRS
Actuarial valuation date	6/30/2014	6/30/2014	12/31/2014
Actuarial cost method	Entry age normal	Entry age frozen	Entry age normal
Amortization method	Level dollar open	Not applicable	Level percent open
Remaining amortization period	20 years	Not applicable	30 years
Asset valuation method	Market	Market	10-year smoothed market
Actuarial assumptions:			
Investment rate of return*	6%	5.5%	7.0%
Projected salary increases*	3.0%	N/A	Varies by age and service
*Includes inflation at	2.75%	1.5%	3%
Cost-of-living adjustments	None	None	2.1%
Mortality table	RP-2000	2014 Funding Target	RP-2000

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Three-Year Trend Information

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Police Fund	12/31/2012	\$ 1,405,007	65%	\$ 8,574,950
	12/31/2013	1,215,190	71%	8,930,366
	12/31/2014	1,029,451	72%	9,216,009
Firefighters Fund	12/31/2012	\$ 619,274	59%	\$ (11,613)
	12/31/2013	483,772	76%	103,016
	12/31/2014	288,791	130%	16,947
TAPERS	6/30/2012	\$ 630,385	25%	\$ 1,833,499
	6/30/2013	601,396	20%	2,311,884
	6/30/2014	593,018	20%	2,786,040

Net Pension Liability

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

Plan	FY Ended	Total Pension Liability	Plan Net Position	Net Pension Asset (Liability)	Plan Net Position as a % of Total Pension Liability
Texarkana, Arkansas Public Employees Retirement System (TAPERS)	6/30/2014	\$ 8,470,681	\$ 4,258,413	\$ (4,212,268)	50.27%
Police Relief and Pension Fund (PRPF)	12/31/2014	16,704,175	5,692,335	(11,011,840)	34.08%
Firefighter's Relief and Pension Fund (FRPF)	12/31/2014	7,882,983	7,005,535	(877,448)	88.87%
Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)	6/30/2014	1,455,000	2,811,604	1,356,604	193.24%

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Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return. The rates were built on a target allocation for all pension funds, the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The long-term expected rates of return are shown in the table below:

Long-term Expected Real Rate of Return				
Asset Class	TAPERS	PRPF	FRPF	TWUPERS
Domestic Fixed Income		5.00%	5.00%	
Domestic Equity	6.10%	7.80%	7.80%	5.50%
Foreign Equity	6.60%			5.50%
Fixed Income	1.40%			2.70%
Real Estate (REIT)	4.30%			
Cash	0.00%	5.00%	5.00%	0.10%

Discount Rate

Texarkana, Arkansas Public Employees Retirement System (TAPERS)

In the June 30, 2014 actuarial valuation, a blended discount rate of 4.65% was used to measure the total pension liability. This blended discount rate was based on the expected rate of return on pension plan investments of 6.00% and a municipal bond rate of 4.63% (based on the Bond Buyer 20-year Municipal Bond Index as of June 27, 2013). Based on the stated assumptions and the projection of cash flows, the pension plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the 2027 fiscal year. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2027 fiscal year and the municipal bond rate was applied to all benefit payments after that date.

City of Texarkana, Arkansas
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Policemen's Relief and Pension Fund (PRPF)

In the December 31, 2014 actuarial valuation, A single discount rate of 5.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 5.0%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Firefighter's Relief and Pension Fund (FRPF)

In the December 31, 2014 actuarial valuation, a single discount rate of 5.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 5.0%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)

In the June 30, 2014 actuarial valuation, a single discount rate of 3.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 3.5%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Texarkana, Arkansas
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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

		Sensitivity of the Net Position Liability to the Single Discount Rate Assumption		
		1% Decrease 3.65%	Current Single Rate Assumption 4.65%	1% Increase 5.65%
TAPERS	Net Pension Liability	\$ 5,391,976	\$ 4,212,268	\$ 3,241,769
		1% Decrease 4.00%	Current Single Rate Assumption 5.00%	1% Increase 6.00%
PRPF	Net Pension Liability	\$ 12,730,643	\$ 11,011,840	\$ 9,575,399
		1% Decrease 4.00%	Current Single Rate Assumption 5.00%	1% Increase 6.00%
FRPF	Net Pension Liability	\$ 1,606,222	\$ 877,448	\$ 259,149
		1% Decrease 2.50%	Current Single Rate Assumption 3.50%	1% Increase 4.50%
TWUPERS	Net Pension Asset	\$ 1,155,604	\$ 1,356,604	\$ 1,522,604

City of Texarkana, Arkansas
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Money-Weighted Rate of Return

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

Texarkana, Arkansas Public Employees Retirement System (TAPERS)

Fiscal Year Ended June 30,	Annual Return
2014	12.73%

Police Relief and Pension Fund (PRPF)

Fiscal Year Ended December 31,	Annual Return
2014	3.79%

Firefighter's Relief and Pension Fund (FRPF)

Fiscal Year Ended December 31,	Annual Return
2014	4.30%

Texarkana, Arkansas Water Utilities Employee Retirement System (TWUPERS)

Fiscal Year Ended June 30,	Annual Return
2014	13.10%

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Cost Sharing Multiple-Employer Defined Benefit Pension Plans

The *Arkansas District Judges Retirement System* (ADJRS) provides pension benefits for the City's municipal judges. In accordance with Act 1374 of 2003, the ADJRS was established effective January 1, 2005 and the City's local plan was abolished. A deferred benefit was established for all district judges and court clerks in the local plans that were active on December 31, 2004. These deferred annuities will be eligible for benefits when the eligibility requirements for their previous local plans are met. Act 177 of the 86th General Assembly abolished the ADJRS and transferred all powers, duties and plan liabilities to the Arkansas Public Retirement System (APERS) effective July 1, 2007. The APERS plan, which includes the District Judges' division, is a cost-sharing multiple-employer public retirement 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, 2014, 2013 and 2012, were \$39,441, \$39,441, and \$38,877, 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 14.13% for participating policemen and 18.23% for participating firemen. City contributions to the plan for the years ended December 31, 2014, 2013 and 2012 were \$1,189,598, \$1,135,938, and \$1,060,127, 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.

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Agent Multiple-Employer Defined Benefit Plan

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

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

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

	Plan Year 2013	Plan Year 2014
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Contributions. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the Utility. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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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 (*i.e.*, the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

Three-Year Trend Information

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
TMRS	9/30/2012	\$ 446,016	92%	\$ 254,514
	9/30/2013	432,456	98%	262,915
	9/30/2014	396,681	99%	265,192

Funded Status and Funding Progress. In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 [TMRS Comprehensive Annual Financial Report \(CAFR\)](#).

As of December 31, 2014, the most recent actuarial valuation date, the Plan was 80% funded based on the actuarial valuation performed under the new fund structure. The actuarial accrued liability for benefits was \$36,089,800 and the actuarial value of assets was \$28,821,849 resulting in an unfunded actuarial accrued liability (UAAL) of \$7,267,951. The covered payroll (annual payroll of active employees covered by the plan) was \$6,643,748 and the ratio of the UAAL to the covered payroll was 109%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

City of Texarkana, Arkansas
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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.

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, 2014.

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.

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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, 2014, there are 20 retirees participating in the post-employment health benefit program. Participant contributions totaled \$135,829 in 2014.

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	\$ 126,077
Interest on net OPEB obligation	8,711
Adjustment to annual required contribution	<u>(10,330)</u>
Annual OPEB Cost	124,458
Total annual contribution	<u>(135,829)</u>
Decrease in net OPEB obligation	(11,371)
Net OPEB obligation - beginning of year	<u>158,390</u>
Net OPEB obligation - end of year	<u><u>\$ 147,019</u></u>

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

Normal cost	\$ 36,964
Interest	6,573
Amortization cost	<u>82,540</u>
Annual required contribution (ARC)	<u><u>\$ 126,077</u></u>

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	\$ 124,458	109.1%	\$ 147,019
12/31/2013	\$ 124,908	64.8%	\$ 158,390
12/31/2012	\$ 126,412	100.9%	\$ 114,482

Funded Status and Funding Progress: As of December 31, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,204,292, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,204,292.

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, 2014, 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).

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

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

Normal costs	\$ 42,683
Amortization of UAAL	<u>40,416</u>
Annual required contribution	83,099
Interest on prior year net OPEB obligation	9,296
Annual required contribution adjustment	<u>(13,440)</u>
Annual OPEB cost	78,955
Total annual contribution	<u>(23,204)</u>
Increase in net OPEB obligation	55,751
Net OPEB obligation – beginning of year	<u>233,103</u>
Net OPEB obligation – end of year	<u>\$ 288,854</u>

The TWU's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/14	\$ 78,955	29.38%	\$ 288,854
9/30/13	\$ 77,755	24.02%	\$ 233,103
9/30/12	\$ 74,415	13.39%	\$ 174,022

Funded Status and Funding Progress: As of October 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$718,280, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$718,280.

City of Texarkana, Arkansas

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. 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, 2014, 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. Both healthcare cost trend rates include a 4% 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.

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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 2013 to 2014; 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, 2014, property taxes receivable and related deferred inflows of resources of \$3,746,039 have been recorded in the governmental funds. In the government-wide statement of net position, property taxes are considered earned at the time levied. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value of the property and applies the statutory rate of 20% to arrive at assessed value.

Note 16: 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 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

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

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

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

Note 17: Prior Period Adjustment (Texarkana Water Utilities)

A prior period adjustment was made in compliance with Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* effective for the year ending September 30, 2014. According to the Statement, debt issuance costs, previously amortized over the life of the debt, are now required to be recognized as expense in the period incurred. Therefore, unamortized debt issuance costs classified as deferred charges (assets) on the Statement of Net Position at September 30, 2013 have been removed. On October 1, 2013, adjustments were made in the amount of \$201,726 in the Arkansas Fund, \$76,033 in the Union Fund and \$9,271 in the Mandeville Fund, totaling a \$287,030 reduction to the net position of the Texarkana, Arkansas Water Utilities Operations Combined as shown on the Statement of Revenues, Expenses and Changes in Fund Net Position.

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Note 18: Subsequent Events

The initial work on developing an agreement between the Texas and Arkansas Water Utilities regarding the joint project to upgrade the South Regional Wastewater Treatment Plan has begun in fiscal year 2015. Upon reaching and formalizing an agreement, the engineering and design phase for the upgrade is expected to commence sometime in fiscal year 2015. The design phase is estimated to cost \$1,032,500, and the estimated cost of the complete upgrade is \$15,740,000. Moving forward with this project is dependent upon both Texarkana, Arkansas and Texarkana, Texas passing sewer rate increases to support a bond issue to fund this upgrade

The Arkansas Water Utility has expanded its system with the addition of the Miller County Public Water Authority (MCPWA) as a new wholesale customer beginning the first quarter of fiscal year 2015. The MCPWA is projected to initially provide water service to approximately four hundred customers in the Genoa area of Texarkana, Arkansas in fiscal year 2015.

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Required Supplementary Information

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City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plans
Schedules of Funding Progress
Year Ended December 31, 2014

	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	12/31/09	\$ 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
	12/31/12	5,107,508	17,170,389	12,062,881	30%	-	N/A
	12/31/13	5,462,840	16,978,557	11,515,717	32%	-	N/A
	12/31/14	5,294,919	16,704,175	11,409,256	32%	-	N/A
Firefighters Relief and Pension Fund	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
	12/31/12	5,950,263	8,086,789	2,136,526	74%	-	N/A
	12/31/13	6,584,511	7,945,491	1,360,980	83%	-	N/A
	12/31/14	6,608,059	7,882,983	1,274,924	84%	-	N/A
Texarkana, Arkansas Public Employees Retirement System (TAPERS)	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%
	6/30/13	4,727,698	8,289,199	3,561,501	57%	1,189,105	300%
	6/30/14	4,258,413	7,184,784	2,926,371	59%	943,584	310%
Texarkana, Arkansas Water Utilities Employees Retirement System (TWUPERS)	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
	6/30/13	2,632,000	1,384,000	(1,248,000)	190%	-	N/A
	6/30/14	2,811,000	1,455,000	(1,356,000)	193%	-	N/A
Texas Municipal Retirement System (TMRS)	12/31/09	12,032,748	20,663,402	8,630,654	58%	6,242,307	138%
	12/31/10 (1)	13,035,637	22,047,441	9,011,804	59%	5,992,610	150%
	12/31/10 (2)	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%
	12/31/12	24,765,063	31,621,762	6,856,699	78%	6,460,314	106%
	12/31/13	26,767,745	35,213,555	8,446,080	76%	6,525,691	129%
	12/31/14	28,821,849	36,089,800	7,267,951	80%	6,643,748	109%

Note: The TAPERS and TWUPERS 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 Supplementary Information
Defined Benefit Pension Plans
Schedule of Changes in the City's Net Pension Liability and Related Ratios -
PRPF
Year Ended December 31, 2014

Fiscal year ended December 31,	<u>2014</u>
Total Pension Liability	
Service Cost	\$ -
Interest	821,173
Benefit Changes	-
Difference Between Actual & Expected Experience	82,365
Assumption Changes	-
Benefit Payments	(1,177,920)
Refunds	-
Net Change in Total Pension Liability	<u>(274,382)</u>
Total Pension Liability - Beginning	<u>16,978,557</u>
Total Pension Liability - Ending (a)	<u><u>\$ 16,704,175</u></u>
 Plan Fiduciary Net Position	
Contributions - Employee	\$ -
Contributions - Employer	827,917
Net Investment Income	201,657
Benefit Payments	(1,177,920)
Administrative Expense	(4,500)
Net Change in Plan Fiduciary Net Position	<u>(152,846)</u>
Plan Fiduciary Net Position - Beginning	<u>5,845,181</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 5,692,335</u></u>
 Net Pension Liability (a) - (b)	<u><u>\$ 11,011,840</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	34.08%
 Covered Employee Payroll	\$ -
 Net Pension Liability as a Percentage of Covered Employee Payroll	N/A

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plans
Schedule of Contributions - PRPF
Year Ended December 31, 2014

FY Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2012	\$ 2,823,487	\$ 913,700	\$ 1,909,787	N/A	N/A
2013	2,719,883	859,774	1,860,109	N/A	N/A
2014	2,596,511	743,808	1,852,703	N/A	N/A

Key Assumptions for ADC:

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

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

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plans
Schedule of Investment Returns - PRPF
Year Ended December 31, 2014

Fiscal Year Ended	Annual Return
December 31,	
2014	3.79%

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

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plans
Schedule of Changes in the City's Net Pension Liability and Related Ratios -
FRPF
Year Ended December 31, 2014

Fiscal year ended December 31,	<u>2014</u>
Total Pension Liability	
Service Cost	\$ -
Interest	383,039
Benefit Changes	-
Difference Between Actual & Expected Experience	165,857
Assumption Changes	-
Benefit Payments	<u>(611,404)</u>
Net Change in Total Pension Liability	(62,508)
Total Pension Liability - Beginning	<u>7,945,491</u>
Total Pension Liability - Ending (a)	<u><u>\$ 7,882,983</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 7,134
Contributions - Member	435,704
Net Investment Income	269,654
Benefit Payments	(611,404)
Administrative Expense	(4,500)
Reconciliation Adjustment	<u>-</u>
Net Change in Plan Fiduciary Net Position	96,588
Plan Fiduciary Net Position - Beginning	<u>6,908,947</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 7,005,535</u></u>
 Net Pension Liability (a) - (b)	<u><u>\$ 877,448</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.87%
Covered Employee Payroll	\$ -
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plans
Schedule of Contributions - FRPF
Year Ended December 31, 2014

FY Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2012	\$ 572,814	\$ 366,117	\$ 206,697	N/A	N/A
2013	481,734	369,143	112,591	N/A	N/A
2014	306,867	374,860	(67,993)	N/A	N/A

Key Assumptions for ADC:

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

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

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plans
Schedule of Investment Returns - FRPF
Year Ended December 31, 2014

Fiscal Year Ended December 31,	Annual Return
2014	4.30%

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

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plans
Schedule of Changes in the City's Net Pension Liability and Related Ratios -
TAPERS
Year Ended June 30, 2014

Fiscal year ended June 30,	<u>2014</u>
Total Pension Liability	
Service Cost	\$ 146,612
Interest	437,404
Difference Between Actual & Expected Experience	(680,274)
Assumption Changes	285,779
Benefit Payments	<u>(1,134,456)</u>
Net Change in Total Pension Liability	(944,935)
Total Pension Liability - Beginning	<u>9,415,616</u>
Total Pension Liability - Ending (a)	<u><u>\$ 8,470,681</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 118,862
Contributions - Member	22,989
Net Investment Income	577,706
Benefit Payments	(1,134,456)
Administrative Expense	<u>(54,386)</u>
Net Change in Plan Fiduciary Net Position	(469,285)
Plan Fiduciary Net Position - Beginning	<u>4,727,698</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 4,258,413</u></u>
 Net Pension Liability (a) - (b)	<u><u>\$ 4,212,268</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	50.27%
Covered Employee Payroll	\$ 1,189,105
Net Pension Liability as a Percentage of Covered Employee Payroll	354.24%

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plans
Schedule of Contributions - TAPERS
Year Ended June 30, 2014

FY Ended June 30,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll ¹	Actual Contribution as a % of Covered Payroll ²
2014	<u>\$ 914,015</u>	<u>\$ 118,862</u>	<u>\$ 795,153</u>	<u>\$ 1,189,105</u>	<u>10.00%</u>

Notes:

¹ Payroll for the year ending June 30, based on the prior year's actuarial valuation

² The City's current funding policy is to contribute 10% of covered payroll

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Asset Valuation	Market Value
Investment Rate of Return	6.00%
Inflation	2.75%
Salary Increases	3.00%
Cost of Living Increases	None
Mortality	RP-2000 Mortality Table projected to 2025 with Scale AA

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

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plans
Schedule of Investment Returns - TAPERS
Year Ended June 30, 2014

Fiscal Year Ended June 30,	Annual Return
2014	12.73%

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

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plans
Schedule of Changes in the City's Net Pension Asset and Related Ratios -
TWUPERS
Year Ended June 30, 2014

Fiscal year ended June 30,	2014
Total Pension Liability	
Interest	\$ 59,393
Difference Between Actual & Expected Experience	(26,078)
Assumption Changes	166,000
Benefit Payments	(128,315)
Net Change in Total Pension Liability	71,000
Total Pension Liability - Beginning	1,384,000
Total Pension Liability - Ending (a)	\$ 1,455,000
 Plan Fiduciary Net Position	
Net Investment Income	\$ 334,568
Benefit Payments	(128,315)
Administrative Expense	(26,642)
Net Change in Plan Fiduciary Net Position	179,611
Plan Fiduciary Net Position - Beginning	2,631,993
Plan Fiduciary Net Position - Ending (b)	\$ 2,811,604
 Net Pension Asset (a) - (b)	\$ (1,356,604)
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	193.24%
Covered Employee Payroll	N/A
Net Pension Asset as a Percentage of Covered Employee Payroll	N/A

City of Texarkana, Arkansas
Required Supplementary Information
Defined Benefit Pension Plans
Schedule of Investment Returns - TWUPERS
Year Ended June 30, 2014

Fiscal Year Ended June 30,	Annual Return
2014	13.10%

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

City of Texarkana, Arkansas
Required Supplementary Information
Other Postemployment Benefit Plans
Schedule of Funding Progress
Year Ended December 31, 2014

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
Governmental Activities						
12/31/2010	-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
12/31/2014	-0-	\$ 1,204,292	\$ 1,204,292	0%	N/A	N/A
Proprietary Funds						
10/1/2012	-0-	\$ 627,544	\$ 627,544	0%	\$ 6,239,126*	10.06%
10/1/2013	-0-	\$ 670,583	\$ 670,583	0%	\$ 6,460,314*	10.38%
10/1/2014	-0-	\$ 718,280	\$ 718,280	0%	\$ 6,525,691*	11.01%

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

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

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

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

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

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS

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

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

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City of Texarkana, Arkansas
Combining Balance Sheet
Governmental Funds – Nonmajor
December 31, 2014

	Special Revenue				
	Community Development Block Grant	Police Fund	Kline Park Monument	Front Street Project	Domestic Violence
Assets					
Cash	\$ 13,151	\$ 6,336	\$ 1,305	\$ 35,528	\$ 812
Receivables (net of allowance)					
Property taxes	-	-	-	-	-
Other government agencies	7,546	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	466	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 20,697</u>	<u>\$ 6,802</u>	<u>\$ 1,305</u>	<u>\$ 35,528</u>	<u>\$ 812</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 6,362	\$ -	\$ 36	\$ 221	\$ -
Accrued liabilities	1,184	-	-	-	-
Due to other funds	2,497	-	-	-	-
Total liabilities	<u>10,043</u>	<u>-</u>	<u>36</u>	<u>221</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue-property taxes	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Nonspendable					
Prepaid items	-	-	-	-	-
Restricted					
General administration	-	-	1,269	-	-
Police department	-	6,802	-	-	812
Public works	10,654	-	-	-	-
Culture and recreation	-	-	-	35,307	-
Total fund balances	<u>10,654</u>	<u>6,802</u>	<u>1,269</u>	<u>35,307</u>	<u>812</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,697</u>	<u>\$ 6,802</u>	<u>\$ 1,305</u>	<u>\$ 35,528</u>	<u>\$ 812</u>

Special Revenue

North Texarkana Redevelopment District					
Bail Bond	Library	Court Automation	Public Safety	Total	
\$ 811	\$ 22,561	\$ 72,834	\$ 112,522	\$ 3,040	\$ 268,900
-	395,537	-	331	-	395,868
-	-	-	3	-	7,549
380	-	-	-	-	380
-	-	-	-	-	466
-	-	6,125	-	-	6,125
<u>\$ 1,191</u>	<u>\$ 418,098</u>	<u>\$ 78,959</u>	<u>\$ 112,856</u>	<u>\$ 3,040</u>	<u>\$ 679,288</u>
\$ -	\$ 34,344	\$ 441	\$ -	\$ -	\$ 41,404
-	-	-	-	-	1,184
-	-	-	-	-	2,497
-	34,344	441	-	-	45,085
-	348,231	-	-	-	348,231
-	348,231	-	-	-	348,231
-	-	6,125	-	-	6,125
-	-	72,393	-	-	73,662
1,191	-	-	-	3,040	11,845
-	-	-	112,856	-	123,510
-	35,523	-	-	-	70,830
1,191	35,523	78,518	112,856	3,040	285,972
<u>\$ 1,191</u>	<u>\$ 418,098</u>	<u>\$ 78,959</u>	<u>\$ 112,856</u>	<u>\$ 3,040</u>	<u>\$ 679,288</u>

City of Texarkana, Arkansas
Combining Balance Sheet
Governmental Funds – Nonmajor (Continued)
December 31, 2014

	Debt Service			Total
	2010 Franchise Fee Revenue	2012 Franchise Fee Refunding Revenue	2012 Cap Imp & Refunding Limited Tax GO Bonds	
Assets				
Cash	\$ 118,996	\$ 517,367	\$ -	\$ 636,363
Investments	129,030	-	805,430	934,460
Receivables (net of allowance)				
Property taxes	-	-	988,843	988,843
Other government agencies	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 248,026</u>	<u>\$ 517,367</u>	<u>\$ 1,794,273</u>	<u>\$ 2,559,666</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue-property taxes	-	-	870,577	870,577
Unavailable revenues-grants	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>870,577</u>	<u>870,577</u>
Fund Balances				
Nonspendable				
Prepaid items	-	-	-	-
Restricted				
General administration	-	-	-	-
Police department	-	-	-	-
Fire department	-	-	-	-
Public works	-	-	-	-
Debt service	248,026	517,367	923,696	1,689,089
Culture and recreation	-	-	-	-
Assigned				
Police department	-	-	-	-
Public works	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>248,026</u>	<u>517,367</u>	<u>923,696</u>	<u>1,689,089</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 248,026</u>	<u>\$ 517,367</u>	<u>\$ 1,794,273</u>	<u>\$ 2,559,666</u>

<u>Capital Projects Funds</u>		
<u>Capital Improvement Fund</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 697,499	\$ 697,499	\$ 1,602,762
-	-	934,460
-	-	1,384,711
80,804	80,804	88,353
-	-	380
60,034	60,034	60,500
-	-	6,125
<u>\$ 838,337</u>	<u>\$ 838,337</u>	<u>\$ 4,077,291</u>
\$ 13,381	\$ 13,381	\$ 54,785
-	-	1,184
<u>48,312</u>	<u>48,312</u>	<u>50,809</u>
<u>61,693</u>	<u>61,693</u>	<u>106,778</u>
-	-	1,218,808
<u>34</u>	<u>34</u>	<u>34</u>
<u>34</u>	<u>34</u>	<u>1,218,842</u>
-	-	6,125
-	-	73,662
-	-	11,845
46,185	46,185	46,185
-	-	123,510
-	-	1,689,089
-	-	70,830
316,855	316,855	316,855
<u>413,570</u>	<u>413,570</u>	<u>413,570</u>
<u>776,610</u>	<u>776,610</u>	<u>2,751,671</u>
<u>\$ 838,337</u>	<u>\$ 838,337</u>	<u>\$ 4,077,291</u>

City of Texarkana, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds – Nonmajor
Year Ended December 31, 2014

	Special Revenue				
	Community Development Block Grant	Police Fund	Kline Park Monument	Front Street Project	Domestic Violence
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Fines, forfeitures and penalties	-	-	-	-	2,262
Grants and entitlements	391,570	6,420	-	-	-
Investment income	-	-	2	-	-
Miscellaneous	6,350	9,867	-	27,187	-
Total revenues	<u>397,920</u>	<u>16,287</u>	<u>2</u>	<u>27,187</u>	<u>2,262</u>
Expenditures					
Current					
General government	80,929	-	-	-	-
Other public safety	-	6,422	-	-	1,450
Public works	28,349	-	-	-	-
Public services	125,813	-	-	-	-
Cultural and recreation	8,620	-	428	13,780	-
Capital outlay	159,715	-	-	-	-
Total expenditures	<u>403,426</u>	<u>6,422</u>	<u>428</u>	<u>13,780</u>	<u>1,450</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,506)</u>	<u>9,865</u>	<u>(426)</u>	<u>13,407</u>	<u>812</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(8,201)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(8,201)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(5,506)	1,664	(426)	13,407	812
Fund Balances, Beginning of Year	<u>16,160</u>	<u>5,138</u>	<u>1,695</u>	<u>21,900</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 10,654</u>	<u>\$ 6,802</u>	<u>\$ 1,269</u>	<u>\$ 35,307</u>	<u>\$ 812</u>

Special Revenue

Special Revenue					
Bail Bond	Library	Court Automation	North Texarkana Redevelopment District	Public Safety	Total
\$ -	\$ 315,077	\$ -	\$ 72,264	\$ -	\$ 387,341
6,327	-	29,596	-	259	38,444
-	79,182	-	-	-	477,172
-	52	27	6	-	87
-	-	-	28	-	43,432
<u>6,327</u>	<u>394,311</u>	<u>29,623</u>	<u>72,298</u>	<u>259</u>	<u>946,476</u>
-	-	13,433	-	-	94,362
-	-	-	-	-	7,872
-	-	-	8,122	-	36,471
-	-	-	-	-	125,813
-	399,342	-	-	-	422,170
-	-	-	-	-	159,715
<u>-</u>	<u>399,342</u>	<u>13,433</u>	<u>8,122</u>	<u>-</u>	<u>846,403</u>
<u>6,327</u>	<u>(5,031)</u>	<u>16,190</u>	<u>64,176</u>	<u>259</u>	<u>100,073</u>
-	5,000	-	-	-	5,000
(6,380)	-	-	-	-	(14,581)
<u>(6,380)</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,581)</u>
(53)	(31)	16,190	64,176	259	90,492
<u>1,244</u>	<u>35,554</u>	<u>62,328</u>	<u>48,680</u>	<u>2,781</u>	<u>195,480</u>
<u>\$ 1,191</u>	<u>\$ 35,523</u>	<u>\$ 78,518</u>	<u>\$ 112,856</u>	<u>\$ 3,040</u>	<u>\$ 285,972</u>

City of Texarkana, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds – Nonmajor (Continued)
Year Ended December 31, 2014

	Debt Service			Total
	2010 Franchise Fee Revenue	2012 Franchise Fee Refunding Revenue	2012 Cap Imp & Refunding Limited Tax GO Bonds	
Revenues				
Property taxes	\$ -	\$ -	\$ 787,692	\$ 787,692
Fines, forfeitures and penalties	-	-	-	-
Grants and entitlements	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	592	217	284	1,093
Miscellaneous	-	-	-	-
Total revenues	<u>592</u>	<u>217</u>	<u>787,976</u>	<u>788,785</u>
Expenditures				
Current				
General government	-	-	-	-
Other public safety	-	-	-	-
Public works	-	-	-	-
Public services	-	-	-	-
Cultural and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal retirement	-	275,000	330,000	605,000
Interest and fiscal charges	173,059	343,308	372,964	889,331
Total expenditures	<u>173,059</u>	<u>618,308</u>	<u>702,964</u>	<u>1,494,331</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(172,467)</u>	<u>(618,091)</u>	<u>85,012</u>	<u>(172,467)</u>
Other Financing Sources (Uses)				
Transfers in	236,760	618,510	-	855,270
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>236,760</u>	<u>618,510</u>	<u>-</u>	<u>855,270</u>
Net Change in Fund Balances	64,293	419	85,012	149,724
Fund Balances, Beginning of Year	<u>183,733</u>	<u>516,948</u>	<u>838,684</u>	<u>1,539,365</u>
Fund Balances, End of Year	<u>\$ 248,026</u>	<u>\$ 517,367</u>	<u>\$ 923,696</u>	<u>\$ 1,689,089</u>

Capital Projects Funds

Capital Improvement Fund	Total	Total Nonmajor Governmental Fund
\$ -	\$ -	\$ 1,175,033
-	-	38,444
1,002,149	1,002,149	1,479,321
69,860	69,860	69,860
647	647	1,827
<u>26,355</u>	<u>26,355</u>	<u>69,787</u>
<u>1,099,011</u>	<u>1,099,011</u>	<u>2,834,272</u>
75,704	75,704	170,066
-	-	7,872
-	-	36,471
-	-	125,813
-	-	422,170
165,365	165,365	325,080
-	-	605,000
-	-	<u>889,331</u>
<u>241,069</u>	<u>241,069</u>	<u>2,581,803</u>
<u>857,942</u>	<u>857,942</u>	<u>252,469</u>
-	-	860,270
<u>(472,504)</u>	<u>(472,504)</u>	<u>(487,085)</u>
<u>(472,504)</u>	<u>(472,504)</u>	<u>373,185</u>
385,438	385,438	625,654
<u>391,172</u>	<u>391,172</u>	<u>2,126,017</u>
<u>\$ 776,610</u>	<u>\$ 776,610</u>	<u>\$ 2,751,671</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Community Development Block Grant Fund
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants and entitlements	\$ 262,675	\$ 225,933	\$ 391,570	\$ 165,637
Miscellaneous	-	6,450	6,350	(100)
	<u>262,675</u>	<u>232,383</u>	<u>397,920</u>	<u>165,537</u>
Expenditures				
Current:				
General government	89,293	74,000	80,929	(6,929)
Public works	25,000	17,000	28,349	(11,349)
Public services	128,382	128,383	125,813	2,570
Cultural and recreation	20,000	13,000	8,620	4,380
Capital outlay	-	-	159,715	(159,715)
	<u>262,675</u>	<u>232,383</u>	<u>403,426</u>	<u>(171,043)</u>
Net Change in Fund Balances	-	-	(5,506)	(5,506)
Fund Balances, Beginning of Year	<u>16,160</u>	<u>16,160</u>	<u>16,160</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 16,160</u></u>	<u><u>\$ 16,160</u></u>	<u><u>\$ 10,654</u></u>	<u><u>\$ (5,506)</u></u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Police Fund
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants and entitlements	\$ 3,105	\$ 5,955	\$ 6,420	\$ 465
Miscellaneous	9,300	9,831	9,867	36
Total revenues	<u>12,405</u>	<u>15,786</u>	<u>16,287</u>	<u>501</u>
Expenditures				
Current:				
Other public safety	6,549	7,807	6,422	1,385
Total expenditures	<u>6,549</u>	<u>7,807</u>	<u>6,422</u>	<u>1,385</u>
Excess of Revenues Over Expenditures	<u>5,856</u>	<u>7,979</u>	<u>9,865</u>	<u>1,886</u>
Other Financing Uses				
Transfers out	(8,201)	(8,201)	(8,201)	1,280
Total other financing uses	<u>(8,201)</u>	<u>(8,201)</u>	<u>(8,201)</u>	<u>1,280</u>
Net Change in Fund Balances	(2,345)	(222)	1,664	3,166
Fund Balances, Beginning of Year	<u>5,138</u>	<u>5,138</u>	<u>5,138</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 2,793</u></u>	<u><u>\$ 4,916</u></u>	<u><u>\$ 6,802</u></u>	<u><u>\$ 3,166</u></u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Kline Park Monument Fund
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Investment income	\$ 3	\$ 1	\$ 2	\$ 1
Total revenues	<u>3</u>	<u>1</u>	<u>2</u>	<u>1</u>
Expenditures				
Current:				
Cultural and recreation	<u>430</u>	<u>430</u>	<u>428</u>	<u>2</u>
Total expenditures	<u>430</u>	<u>430</u>	<u>428</u>	<u>2</u>
Net Change in Fund Balances	(427)	(429)	(426)	3
Fund Balances, Beginning of Year	<u>1,695</u>	<u>1,695</u>	<u>1,695</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 1,268</u></u>	<u><u>\$ 1,266</u></u>	<u><u>\$ 1,269</u></u>	<u><u>\$ 3</u></u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Domestic Violence Fund
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 1,450	\$ 2,100	\$ 2,262	\$ 162
Total revenues	<u>1,450</u>	<u>2,100</u>	<u>2,262</u>	<u>162</u>
Expenditures				
Current:				
Other public safety	<u>1,450</u>	<u>2,100</u>	<u>1,450</u>	<u>650</u>
Total expenditures	<u>1,450</u>	<u>2,100</u>	<u>1,450</u>	<u>650</u>
Net Change in Fund Balances	-	-	812	812
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 812</u>	<u>\$ 812</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Front Street Project Fund
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Miscellaneous	\$ 16,000	\$ 27,036	\$ 27,187	\$ 151
Total revenues	<u>16,000</u>	<u>27,036</u>	<u>27,187</u>	<u>151</u>
Expenditures				
Current:				
Culture and recreation	28,450	24,607	13,780	10,827
Total expenditures	<u>28,450</u>	<u>24,607</u>	<u>13,780</u>	<u>10,827</u>
Net Change in Fund Balances	(12,450)	2,429	13,407	10,978
Fund Balances, Beginning of Year	<u>21,900</u>	<u>21,900</u>	<u>21,900</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 9,450</u></u>	<u><u>\$ 24,329</u></u>	<u><u>\$ 35,307</u></u>	<u><u>\$ 10,978</u></u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Bail Bond Fund
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 6,120	\$ 5,500	\$ 6,327	\$ 827
Total revenues	<u>6,120</u>	<u>5,500</u>	<u>6,327</u>	<u>827</u>
Excess of Revenues Over Expenditures	<u>6,120</u>	<u>5,500</u>	<u>6,327</u>	<u>827</u>
Other Financing Uses				
Transfers out	<u>(6,380)</u>	<u>(6,744)</u>	<u>(6,380)</u>	<u>364</u>
Total other financing uses	<u>(6,380)</u>	<u>(6,744)</u>	<u>(6,380)</u>	<u>364</u>
Net Change in Fund Balances	(260)	(1,244)	(53)	1,191
Fund Balances, Beginning of Year	<u>1,244</u>	<u>1,244</u>	<u>1,244</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 984</u>	<u>\$ -</u>	<u>\$ 1,191</u>	<u>\$ 1,191</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Court Automation Fund
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	24,500	\$ 30,000	\$ 29,596	\$ (404)
Investment income	25	25	27	2
Total revenues	<u>24,525</u>	<u>30,025</u>	<u>29,623</u>	<u>(402)</u>
Expenditures				
Current:				
General government	<u>29,000</u>	<u>25,700</u>	<u>13,433</u>	<u>12,267</u>
Total expenditures	<u>29,000</u>	<u>25,700</u>	<u>13,433</u>	<u>12,267</u>
Net Change in Fund Balances	(4,475)	4,325	16,190	11,865
Fund Balances, Beginning of Year	<u>62,328</u>	<u>62,328</u>	<u>62,328</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 57,853</u>	<u>\$ 66,653</u>	<u>\$ 78,518</u>	<u>\$ 11,865</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
North Texarkana Redevelopment District
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 54,500	\$ 52,000	\$ 72,264	\$ 20,264
Investment income	10	3	6	3
Miscellaneous	-	-	28	28
	<u>54,510</u>	<u>52,003</u>	<u>72,298</u>	<u>20,295</u>
Total revenues				
Expenditures				
Current:				
Public works	-	17,000	8,122	8,878
Capital outlay	69,359	20,000	-	20,000
	<u>69,359</u>	<u>37,000</u>	<u>8,122</u>	<u>28,878</u>
Total expenditures				
Net Change in Fund Balances	(14,849)	15,003	64,176	49,173
Fund Balances, Beginning of Year	48,680	48,680	48,680	-
Fund Balances, End of Year	<u>\$ 33,831</u>	<u>\$ 63,683</u>	<u>\$ 112,856</u>	<u>\$ 49,173</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Library Fund
Year Ended December 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 299,000	\$ 299,000	\$ 315,077	\$ 16,077
Grants and entitlement	79,000	79,000	79,182	182
Investment income	100	55	52	(3)
	<u>378,100</u>	<u>378,055</u>	<u>394,311</u>	<u>16,256</u>
Total revenues				
	<u>378,100</u>	<u>378,055</u>	<u>394,311</u>	<u>16,256</u>
Expenditures				
Current:				
Cultural and recreation	383,100	383,055	399,342	(16,287)
	<u>383,100</u>	<u>383,055</u>	<u>399,342</u>	<u>(16,287)</u>
Total expenditures				
	<u>383,100</u>	<u>383,055</u>	<u>399,342</u>	<u>(16,287)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,031)</u>	<u>(31)</u>
Other Financing Sources				
Transfers in	5,000	5,000	5,000	-
	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total other financing sources				
	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net Change in Fund Balances	-	-	(31)	(31)
Fund Balances, Beginning of Year	<u>35,554</u>	<u>35,554</u>	<u>35,554</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 35,554</u>	<u>\$ 35,554</u>	<u>\$ 35,523</u>	<u>\$ (31)</u>

City of Texarkana, Arkansas
Budgetary Comparison Schedule
Public Safety Fund
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines, forfeitures and penalties	\$ 500	\$ 300	\$ 259	\$ (41)
Total revenues	<u>500</u>	<u>300</u>	<u>259</u>	<u>(41)</u>
Expenditures				
Current:				
Other public safety	2,948	-	-	-
Total expenditures	<u>2,948</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(2,448)	300	259	(41)
Fund Balances, Beginning of Year	<u>2,781</u>	<u>2,781</u>	<u>2,781</u>	<u>-</u>
Fund Balances, End of Year	<u><u>\$ 333</u></u>	<u><u>\$ 3,081</u></u>	<u><u>\$ 3,040</u></u>	<u><u>\$ (41)</u></u>

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Fiduciary Funds

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FIDUCIARY FUNDS

TRUST FUNDS

Trust Funds account for assets held in the City Employee Retirement System, Water Utilities Employee Retirement System, 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, 2014

	June 30, 2014		December 31, 2014		Total
	City Employee Retirement System	Water Utilities Employee Retirement System	Firemen's Relief and Pension	Policemen's Relief and Pension	
Assets					
Cash and cash equivalents	\$ 198,421	\$ 47,716	\$ 169,831	\$ 238,972	\$ 654,940
Investments					
Equities	2,411,561	-	3,718,870	2,978,640	9,109,071
U. S. government obligations	63,337	652,040	-	-	715,377
Corporate bonds and notes	140,149	591,850	-	-	731,999
Mutual funds and other investments	1,443,192	1,508,782	2,727,310	2,083,456	7,762,740
Interest receivable	1,753	11,216	3,467	2,940	19,376
Due from other funds	-	-	397,476	397,476	794,952
Total assets	4,258,413	2,811,604	7,016,954	5,701,484	19,788,455
Liabilities					
Accounts payable	-	-	11,419	9,149	20,568
Total liabilities	-	-	11,419	9,149	20,568
Net Position					
Net position restricted for pensions	\$ 4,258,413	\$ 2,811,604	\$ 7,005,535	\$ 5,692,335	\$ 19,767,887

City of Texarkana, Arkansas
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended December 31, 2014

	June 30, 2014		December 31, 2014		Total
	City Employee Retirement System	Water Utilities Employee Retirement System	Firemen's Relief and Pension	Policemen's Relief and Pension	
Additions					
Contributions					
Employer	\$ 118,862	\$ -	\$ 373,742	\$ 511,910	\$ 1,004,514
Employee	22,989	-	7,134	-	30,123
Intergovernmental	-	-	32,913	287,294	320,207
Other	-	-	29,049	28,713	57,762
Total contributions	141,851	-	442,838	827,917	1,412,606
Investment income					
Net increase in fair value of investments	474,367	247,251	197,828	137,250	1,056,696
Interest and dividends	103,339	87,317	117,662	101,557	409,875
	577,706	334,568	315,490	238,807	1,466,571
Less investment expense	-	-	45,836	37,150	82,986
Net investment income	577,706	334,568	269,654	201,657	1,383,585
Total additions	719,557	334,568	712,492	1,029,574	2,796,191
Deductions					
Benefits paid directly to participants	1,134,456	128,315	611,404	1,177,920	3,052,095
Administrative expenses	54,386	26,642	4,500	4,500	90,028
Total deductions	1,188,842	154,957	615,904	1,182,420	3,142,123
Net Increase (Decrease) in Net Position	(469,285)	179,611	96,588	(152,846)	(345,932)
Net Position Restricted for Pensions, Beginning of Year	4,727,698	2,631,993	6,908,947	5,845,181	20,113,819
Net Position Restricted for Pensions, End of Year	<u>\$ 4,258,413</u>	<u>\$ 2,811,604</u>	<u>\$ 7,005,535</u>	<u>\$ 5,692,335</u>	<u>\$ 19,767,887</u>

City of Texarkana, Arkansas
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended December 31, 2014

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
Police Bond Fund				
Assets				
Cash and cash equivalents	\$ 165,490	\$ 1,205,865	\$ 1,225,066	\$ 146,289
Interest receivable	3,556	-	-	3,556
Due from other governments	5,925	24,200	30,125	-
Total assets	<u>174,971</u>	<u>1,230,065</u>	<u>1,255,191</u>	<u>149,845</u>
Liabilities				
Escrow deposits	174,971	1,219,477	1,244,603	149,845
Total liabilities	<u>174,971</u>	<u>1,219,477</u>	<u>1,244,603</u>	<u>149,845</u>
Net position	<u>\$ -</u>	<u>\$ 10,588</u>	<u>\$ 10,588</u>	<u>\$ -</u>
Drug Seizure Fund				
Assets				
Cash and cash equivalents	\$ 40,629	\$ 19	\$ -	\$ 40,648
Total assets	<u>40,629</u>	<u>19</u>	<u>-</u>	<u>40,648</u>
Liabilities				
Escrow deposits	40,629	19	-	40,648
Total liabilities	<u>40,629</u>	<u>19</u>	<u>-</u>	<u>40,648</u>
Net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Municipal Court Fund				
Assets				
Cash and cash equivalents	10,290	\$ 50,620	\$ 51,192	9,718
Total assets	<u>10,290</u>	<u>50,620</u>	<u>51,192</u>	<u>9,718</u>
Liabilities				
Accounts payable	10,290	50,620	51,192	9,718
Total liabilities	<u>10,290</u>	<u>50,620</u>	<u>51,192</u>	<u>9,718</u>
Net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Agency Funds				
Assets				
Cash and cash equivalents	\$ 216,409	\$ 1,256,504	\$ 1,276,258	\$ 196,655
Interest receivable	3,556	-	-	3,556
Due from other governments	5,925	24,200	30,125	-
Total assets	<u>225,890</u>	<u>1,280,704</u>	<u>1,306,383</u>	<u>200,211</u>
Liabilities				
Accounts payable	10,290	50,620	51,192	9,718
Escrow deposits	215,600	1,219,496	1,244,603	190,493
Total liabilities	<u>225,890</u>	<u>1,270,116</u>	<u>1,295,795</u>	<u>200,211</u>
Net position	<u>\$ -</u>	<u>\$ 10,588</u>	<u>\$ 10,588</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.

Contents	Page
 Financial Trends (Tables 1-5)	
These schedules contain trend information to assist the reader in understanding how the City’s financial performance and well-being have changed over time.	115
 Revenue Capacity (Tables 6-11)	
These schedules contain information to help the reader assess the City’s most significant revenue sources, local sales taxes and property taxes.	120
 Debt Capacity (Tables 12-16)	
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	127
 Demographic and Economic Information (Tables 17-18)	
These schedules offer demographic and economic indicators to assist the reader in understanding the environment within which the City’s financial activities take place.	132
 Operating Information (Tables 19-21)	
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to services the City provides and the activities it performs.	134

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

Table 1

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities:										
Net investment in capital assets	\$ 11,043,566	\$ 10,714,377	\$ 12,150,105	\$ 12,628,280	\$ 13,412,023	\$ 12,850,864	\$ 13,405,075	\$ 14,107,659	\$ 14,788,840	\$ 13,177,214
Restricted	2,450,392	1,475,048	1,702,413	1,553,237	1,669,627	2,225,926	2,406,273	1,833,731	2,243,056	2,510,859
Unrestricted	7,619,885	8,346,737	6,787,161	8,574,892	9,379,180	10,485,576	9,204,239	6,977,071	4,990,951	5,347,984
Total governmental activities net position	<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>	<u>22,022,847</u>	<u>21,036,057</u>
Business-type activities:										
Net investment in capital assets	22,168,781	23,687,992	25,562,213	26,459,527	27,822,325	28,029,483	27,882,314	27,877,180	28,478,111	29,067,354
Restricted	4,017,436	3,643,673	2,738,995	2,758,082	2,381,952	2,442,605	3,322,117	4,041,329	5,211,194	5,090,980
Unrestricted	8,889,937	8,856,493	8,644,045	8,175,084	7,752,605	9,212,553	10,050,575	9,601,508	8,383,953	8,060,243
Total business-type activities net position	<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>	<u>42,073,258</u>	<u>42,218,577</u>
Primary government										
Net investment in capital assets	33,212,347	34,402,369	37,712,318	39,087,807	41,234,348	40,880,347	41,287,389	41,984,839	43,266,951	42,244,568
Restricted	6,467,828	5,118,721	4,441,408	4,311,319	4,051,579	4,668,531	5,728,390	5,875,060	7,454,250	7,601,839
Unrestricted	16,509,822	17,203,230	15,431,206	16,749,976	17,131,785	19,698,129	19,254,814	16,578,579	13,374,904	13,408,227
Total primary government net position	<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>	<u>\$ 64,096,105</u>	<u>\$ 63,254,634</u>

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

Table 2

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Expenses										
Governmental activities:										
Current:										
General administration	\$ 1,407,079	\$ 1,255,727	\$ 1,739,355	\$ 1,450,206	\$ 1,512,480	\$ 2,085,755	\$ 2,619,263	\$ 2,581,483	\$ 2,268,194	\$2,444,068
Police department	8,867,001	7,971,429	9,895,008	9,019,326	8,710,432	12,410,163	7,644,104	7,872,806	7,960,946	7,795,405
Fire department	3,287,670	3,886,301	4,115,477	4,024,467	4,291,551	5,626,796	4,493,231	4,776,959	4,605,814	4,569,164
Other public safety	-	-	-	-	-	-	3,869,368	3,639,484	3,383,828	3,053,598
Protective inspection	307,023	342,576	5,094	417,558	368,400	467,872	467,210	494,102	516,458	434,499
Public works	4,660,574	4,908,533	1,867,201	5,856,532	5,208,513	5,723,499	5,697,414	5,503,577	6,100,657	5,868,092
Public services	133,339	853,754	4,213,906	120,566	117,720	6,518	15,381	1,252	245,174	565,398
Health and welfare	102,236	95,579	99,395	241,428	286,166	347,763	361,460	436,639	394,764	426,422
Culture and recreation	433,470	642,139	389,957	672,415	693,057	895,119	825,434	1,895,921	1,190,349	1,469,648
Administrative and general	1,196,944	1,147,060	1,624,299	1,320,080	1,384,283	-	-	-	-	-
Interest on long-term debt	715,427	686,043	662,566	669,030	672,631	1,172,912	678,252	1,683,764	908,021	894,852
Total governmental activities expenses	<u>21,110,763</u>	<u>21,789,141</u>	<u>24,612,258</u>	<u>23,791,608</u>	<u>23,245,233</u>	<u>28,736,397</u>	<u>26,671,117</u>	<u>28,885,987</u>	<u>27,574,205</u>	<u>27,521,146</u>
Business-type activities:										
Water and sewer	<u>7,477,816</u>	<u>7,786,552</u>	<u>8,206,231</u>	<u>8,791,428</u>	<u>8,881,682</u>	<u>8,631,993</u>	<u>8,828,758</u>	<u>9,383,771</u>	<u>9,239,788</u>	<u>8,883,064</u>
Total business-type activities expenses	<u>7,477,816</u>	<u>7,786,552</u>	<u>8,206,231</u>	<u>8,791,428</u>	<u>8,881,682</u>	<u>8,631,993</u>	<u>8,828,758</u>	<u>9,383,771</u>	<u>9,239,788</u>	<u>8,883,064</u>
Total primary government expenses	<u>28,588,579</u>	<u>29,575,693</u>	<u>32,818,489</u>	<u>32,583,036</u>	<u>32,126,915</u>	<u>37,368,390</u>	<u>35,499,875</u>	<u>38,269,758</u>	<u>36,813,993</u>	<u>36,404,210</u>
Program Revenues										
Governmental activities:										
Charges for services	4,742,018	4,985,729	5,223,203	5,638,025	5,525,130	5,416,351	5,444,642	5,463,368	5,421,842	5,340,907
Operating grants and contributions	3,491,860	3,709,035	3,490,318	5,216,175	4,749,140	4,423,291	4,722,269	4,113,562	3,124,576	3,293,167
Capital grants and contributions	226,431	589,867	929,494	531,767	336,363	2,246,130	1,028,843	1,309,384	1,812,264	1,260,110
Total governmental activities program revenues	<u>8,460,309</u>	<u>9,284,631</u>	<u>9,643,015</u>	<u>11,385,967</u>	<u>10,610,633</u>	<u>12,085,772</u>	<u>11,195,754</u>	<u>10,886,314</u>	<u>10,358,682</u>	<u>9,894,184</u>
Business-type activities:										
Charges for services	7,861,937	8,196,268	7,979,139	8,513,068	8,933,472	10,141,700	10,264,791	10,202,790	9,750,066	9,247,531
Capital grants and contributions	785,122	53,553	502,690	532,005	450,021	43,157	78,337	-	-	37,484
Total business-type activities program revenues	<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>	<u>9,750,066</u>	<u>9,285,015</u>
Total primary government program revenues	<u>\$ 17,107,368</u>	<u>\$ 17,534,452</u>	<u>\$ 18,124,844</u>	<u>\$ 20,431,040</u>	<u>\$ 19,994,126</u>	<u>\$ 22,270,629</u>	<u>\$ 21,538,882</u>	<u>\$ 21,089,104</u>	<u>\$ 20,108,748</u>	<u>\$ 19,179,199</u>

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

Table 2

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenue										
Governmental activities	\$ (12,650,454)	\$ (12,504,510)	\$ (14,969,243)	\$ (12,405,641)	\$ (12,634,600)	\$ (16,650,625)	\$ (15,475,363)	\$ (17,999,673)	\$ (17,215,523)	\$ (17,626,962)
Business-type activities	1,169,243	463,269	275,598	253,645	501,811	1,552,864	1,514,370	819,019	510,278	401,951
Total primary government net expense	<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>	<u>(16,705,245)</u>	<u>(17,225,011)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	2,161,145	2,681,575	3,082,134	2,666,864	3,025,209	3,453,940	3,102,615	3,132,701	3,420,043	3,595,334
Sales taxes	6,643,321	6,742,640	6,983,665	8,505,726	8,229,227	8,417,648	8,751,952	8,987,936	9,553,656	9,647,077
Franchise taxes	1,813,993	2,067,971	2,327,790	2,694,776	2,568,201	2,726,391	2,688,227	2,649,392	2,748,310	2,898,182
Other taxes	51,893	54,301	68,339	52,032	125,195	136,636	76,338	76,764	81,189	70,308
Unrestricted investment earnings	64,596	66,608	112,427	75,282	35,744	27,651	14,105	59,233	12,775	9,603
Gain(loss) on sale of capital assets	-	-	-	-	25,936	-	47,145	18,426	-	-
Miscellaneous	17,561	187,815	54,864	310,036	102,837	153,869	248,202	146,005	257,213	182,129
Transfers	109,425	125,919	198,466	217,655	226,672	-	-	832,090	246,723	237,539
Total governmental activities	<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>	<u>16,319,909</u>	<u>16,640,172</u>
Business-type activities:										
Unrestricted investment earnings	646,300	772,782	658,790	403,158	282,956	414,316	318,080	299,162	291,104	266,596
Gain on sale of capital assets	1,339	-	-	-	-	1,178	(7,050)	-	-	-
Miscellaneous	-	-	-	737	-	-	-	-	1,723	-
Transfers	(89,483)	(124,047)	(177,293)	(210,100)	(220,578)	(240,599)	(255,035)	(853,170)	(249,864)	(236,198)
Total business-type activities	<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>	<u>42,963</u>	<u>30,398</u>
Total primary government general revenues and other changes in net position	<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>	<u>16,362,872</u>	<u>16,670,570</u>
Change in Net Position										
Governmental activities	(1,788,520)	(577,681)	(2,141,558)	2,116,730	1,704,421	(1,734,490)	(546,779)	(2,097,126)	(895,614)	(986,790)
Business-type activities	1,727,399	1,112,004	757,095	447,440	564,189	1,727,759	1,570,365	265,011	553,241	432,349
Total primary government changes in net position	<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>	<u>\$ (342,373)</u>	<u>\$ (554,441)</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Function/ Program										
Governmental activities:										
General administration	\$ 1,177,415	\$ 1,266,513	\$ 1,890,416	\$ 2,190,034	\$ 2,148,483	\$ 3,566,739	\$ 2,625,764	\$ 2,768,877	\$ 2,662,848	\$ 2,317,860
Police department	1,975,257	1,974,700	1,722,870	1,606,344	1,536,513	1,105,987	1,501,591	1,274,930	1,159,664	1,129,322
Fire department	55,640	75,861	82,524	14,942	16,416	3,981	7,782	5,694	1,600	8,740
Other public safety	-	-	-	-	-	-	1,501	1,501	1,501	1,501
Public works	4,705,044	5,138,254	5,212,358	6,221,028	5,062,825	5,405,150	5,656,598	5,755,338	5,626,372	5,933,325
Public services	441,066	662,462	542,406	1,270,098	1,747,617	962,988	1,334,235	993,090	826,299	418,254
Health and welfare	105,887	-	-	-	-	-	-	-	-	-
Cultural and recreation	-	166,841	192,441	83,521	98,779	80,254	68,283	86,884	80,398	85,182
Subtotal governmental activities	<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>	<u>10,358,682</u>	<u>9,894,184</u>
Business-type activities:										
Water and sewer	<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>	<u>9,750,066</u>	<u>9,285,015</u>
Subtotal business-type activities	<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>	<u>9,750,066</u>	<u>9,285,015</u>
Total primary government	<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>	<u>\$ 20,108,748</u>	<u>\$ 19,179,199</u>

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

Table 4

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Nonspendable										
Prepaid items							\$ 276,177	\$ 339,756	\$ 7,922	\$ 124,629
Restricted										
Police department									4,885	330
Committed										
Culture and recreation							13,855	14,956	15,101	16,998
Assigned										
Police department							164,470	210,776	77,016	38,594
Public works							194,394	30,292	30,292	30,292
Unassigned							2,991,764	2,068,121	3,122,556	3,010,595
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 20,837	\$ 291,361				
Unreserved, designated	-	-	-	876,277	1,691,943	1,744,280				
Unreserved	1,720,984	2,155,175	2,744,213	2,941,100	3,142,175	2,000,819				
Total general fund	<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>	<u>\$ 3,257,772</u>	<u>\$ 3,221,438</u>
All Other Governmental Funds										
Nonspendable										
Prepaid items							\$ 36,249	\$ 45,966	\$ 2,346	\$ 6,125
Restricted										
General administration							92,050	63,547	64,023	73,662
Police department							9,192	10,512	9,163	11,845
Fire department							110,312	103,798	44,678	46,185
Public works							2,326,807	9,622,070	4,217,938	3,019,336
Debt service							1,567,579	1,151,164	1,539,365	1,689,089
Culture and recreation							2,358	6,163	57,454	70,830
Committed										
Public works							260,346	277,816	215,191	284,701
Assigned										
General administration							156,683	-	-	-
Police department							287,796	214,670	155,086	316,855
Fire department							10,000	-	-	-
Public works							256,227	813,527	563,078	1,181,131
Unassigned							(4,390)	-	-	-
Reserved	\$ 250,746	\$ -	\$ -	\$ -	\$ 6,428	\$ 30,738				
Unreserved, reported in:										
Special revenue fund	459,832	665,935	263,715	245,982	399,160	367,851				
Debt service fund	1,372,923	1,377,347	1,404,969	1,335,009	1,368,202	1,537,546				
Capital projects fund	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>\$ 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>	<u>\$ 6,868,322</u>	<u>\$ 6,699,759</u>

The 2005 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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues										
Property taxes	\$ 2,811,427	\$ 2,775,689	\$ 2,677,534	\$ 2,662,211	\$ 2,967,244	\$ 3,076,924	\$ 3,132,808	\$ 3,165,147	\$ 3,268,995	\$ 3,475,122
Sales taxes	6,643,321	6,742,640	6,983,665	8,505,726	8,229,227	8,417,648	8,751,952	8,987,936	9,553,656	9,647,077
Other taxes	51,893	54,301	68,339	52,032	125,194	136,636	76,338	76,764	81,189	70,308
Utility franchise	1,813,993	2,067,971	2,327,790	2,694,776	2,568,201	2,726,391	2,688,227	2,649,392	2,748,310	2,929,319
Licenses and permits	154,079	190,145	202,439	333,753	199,428	184,973	183,504	242,339	184,516	187,247
Fines, forfeitures and penalties	850,669	864,732	858,745	950,226	837,383	753,442	774,149	752,300	676,331	716,361
Charges for services	3,587,105	3,771,373	3,917,320	4,048,377	4,129,069	4,187,783	4,217,443	4,168,390	4,246,164	4,299,877
Grants and entitlements	1,253,651	1,931,897	1,537,728	2,237,208	1,539,456	2,722,402	1,669,181	2,312,408	2,224,709	2,158,315
Intergovernmental	2,507,032	2,678,653	3,104,345	2,647,534	2,735,212	2,891,491	2,962,420	2,935,853	2,837,814	2,732,124
Investment income	64,620	66,619	112,428	74,683	35,384	27,651	14,105	59,233	12,775	9,603
Miscellaneous	34,647	160,095	54,863	342,153	172,285	446,488	493,117	418,828	452,206	366,519
Total revenues	19,772,437	21,304,115	21,845,196	24,548,679	23,538,083	25,571,829	24,963,244	25,768,590	26,286,665	26,591,872
Expenditures										
Current:										
General government	1,332,817	1,168,885	1,658,606	1,352,128	1,417,749	1,885,204	2,444,686	2,356,604	2,040,771	2,004,404
Police department	6,729,259	7,248,114	7,275,671	7,883,830	7,922,633	9,469,492	6,967,050	7,106,575	7,116,529	6,878,140
Fire department	3,194,086	3,598,544	3,804,405	4,014,694	4,074,334	4,843,559	4,303,165	4,413,736	4,347,838	4,385,773
Other public safety	-	-	-	-	-	-	2,817,739	2,808,193	2,963,397	3,052,005
Protective inspection	301,381	337,179	395,301	415,423	368,400	433,139	428,681	456,482	480,399	456,148
Public works	4,366,197	4,111,168	4,124,504	4,291,986	4,184,913	4,536,705	4,335,336	4,271,344	4,714,006	4,708,135
Public services	98,691	508,881	194,040	124,860	126,444	6,856	14,869	785	353	125,813
Health and welfare	82,144	80,838	84,449	226,482	271,220	312,181	321,430	395,843	352,719	396,664
Cultural and recreation	257,371	509,286	250,754	536,355	629,001	777,069	713,788	1,689,146	1,019,833	1,309,632
Administrative and general	1,236,504	1,094,650	1,297,117	1,264,712	1,237,304	-	-	-	-	-
Capital outlay	524,543	1,035,608	1,785,138	2,535,651	3,861,897	2,600,254	1,894,667	4,779,583	8,035,692	1,932,752
Debt service:										
Principal retirement	569,543	634,543	732,307	742,874	749,414	822,448	830,337	1,770,728	484,585	876,214
Interest and fiscal charges	715,427	686,043	662,566	669,030	672,631	723,961	761,548	972,791	887,829	908,628
Bond issuance costs	-	-	-	415,186	-	129,073	-	-	-	-
Total expenditures	19,407,963	21,013,739	22,264,858	24,473,211	25,515,940	26,539,941	25,833,296	31,021,810	32,443,951	27,034,308
Excess (deficiency) of revenues over expenditures	364,474	290,376	(419,662)	75,468	(1,977,857)	(968,112)	(870,052)	(5,253,220)	(6,157,286)	(442,436)

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

Table 5

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Other Financing Sources (Uses)										
Transfers in	\$ 1,226,533	\$ 1,490,421	\$ 1,648,093	\$ 11,010,122	\$ 1,326,554	\$ 5,848,062	\$ 1,235,622	\$ 12,797,118	\$ 1,736,001	\$ 2,071,853
Transfers out	(1,117,108)	(1,364,502)	(1,449,627)	(10,792,467)	(1,099,882)	(5,848,062)	(1,235,622)	(11,965,028)	(1,489,278)	(1,834,314)
Proceeds from issuance of debt	-	250,000	-	-	-	3,820,907	-	281,859	1,063,523	-
Refunding bonds issued	-	-	-	10,290,000	-	-	-	20,460,000	-	-
Premium on refunding bonds issued	-	-	-	-	-	-	-	298,491	-	-
Payment to refunded bond escrow agent	-	-	-	(7,840,000)	-	-	-	(10,397,955)	-	-
Total other financing sources (uses)	<u>109,425</u>	<u>375,919</u>	<u>198,466</u>	<u>2,667,655</u>	<u>226,672</u>	<u>3,820,907</u>	<u>-</u>	<u>11,474,485</u>	<u>1,310,246</u>	<u>237,539</u>
Net change in fund balances	<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>	<u>\$ (4,847,040)</u>	<u>\$ (204,897)</u>
Debt Service as a percentage of noncapital expenditures	6.8%	6.6%	6.8%	6.4%	6.6%	6.5%	6.6%	10.5%	5.6%	7.1%

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

Table 6

Fiscal Year	Property	Sales and Use	Other	Utility Franchise	Total
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
2013	3,268,995	9,553,656	81,189	2,748,310	15,652,150
2014	3,475,122	9,647,077	70,308	2,929,319	16,121,826
Percentage change from 2005 to current year	23.61%	45.21%	35.49%	61.48%	42.41%

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
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	219,773,211	93,647,265	313,420,476	0.1050	3,290,915	1,567,102	783,551	313,420	313,420	313,420
2012	2011	224,208,563	83,418,536	307,627,099	0.1050	3,230,085	1,538,135	769,068	307,627	307,627	307,627
2013	2012	233,533,309	87,477,743	321,011,052	0.1050	3,370,616	1,605,055	802,528	321,011	321,011	321,011
2014	2013	241,850,510	94,205,657	336,056,167	0.1050	3,528,590	1,680,281	840,140	336,056	336,056	336,056
2015	2014	253,856,840	98,258,389	352,115,229	0.1050	3,697,210	1,760,576	880,288	352,115	352,115	352,115

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				
Real Property Tax Rates:										
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	
2013	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2014	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
Personal Property Tax Rates:										
2005	\$ 5.00	\$ 2.50	\$ 1.00	\$ 1.00	\$ 1.00	\$ 10.50	\$ 38.90	\$ 5.50	\$ 54.90	
2004	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2007	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2008	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2009	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2010	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
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	
2013	5.00	2.50	1.00	1.00	1.00	10.50	38.90	5.50	54.90	
2014	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, 2014

The City of Texarkana, Arkansas's largest own-source revenue is sales taxes. Sales taxes primarily come from three separate taxes; a two and one-half cent city tax based on point of sale, and a portion of the county's one and one-quarter cent tax based on an Interlocal Cooperation Agreement between Miller County, Arkansas and the municipal corporations of the State of Arkansas located within the county, and one-half cent road tax distribution from the State of Arkansas for the construction of four-lane highways to connect all four corners of the state. Per the agreement, the City of Texarkana receives forty-five percent of the county sales tax collections. In 2014, the city sales tax generated revenue of \$6,744,194. The City's portion of the county sales tax generated revenue of \$2,318,794 and the municipal four-lane highway tax received from the State of Arkansas totaled \$554,089.

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	2014			2005		
	Rank	2014 Assessed Valuation (1) (2)	Percentage of Total Assessed Valuation	Rank	2005 Assessed Valuation (1) (3)	Percentage of Total Assessed Valuation
Southwestern Electric Power Co.	1	\$ 9,817,930	2.79%	4	\$ 3,408,890	1.40%
Southwest AR Electric CO-OP	2	8,808,540	2.50%			
Union Pacific System	3	8,841,070	2.51%			
Wal-Mart Stores Inc. #04-0468	4	4,105,200	1.17%	3	3,519,696	1.44%
Valor Telecommunications	5	3,942,600	1.12%	2	3,953,390	1.62%
Southwest Ark Telephone CO-OP	6	3,545,995	1.01%			
Cooper Tire & Rubber Co.	7	3,333,381	0.95%	1	20,924,690	8.57%
Garland Farms, Inc.	8	2,377,890	0.68%			
Tyson Foods, Inc.	9	2,685,172	0.76%			
Natural Gas Pipe Line Co.	10	2,598,260	0.74%			
Smith Blair, Inc.				5	2,027,270	0.83%
GE Railcar Repair Services				6	1,857,970	0.76%
The Links at Texarkana				7	1,654,410	0.68%
LJ Earnest / M. Marietta Materials				8	1,131,050	0.46%
Centerpoint Energy Transmission				9	1,049,980	0.43%
Coleman Cable Inc.				10	934,370	0.38%
Total principal taxpayers		<u>\$ 50,056,038</u>	<u>14.22%</u>		<u>\$ 40,461,716</u>	<u>16.57%</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, 2005

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

Table 10

Fiscal Year	Tax Roll Year	Total Tax Levy(2)(3)	Current Taxes Collected(1)	Percent of Current Taxes Collected	Delinquent Taxes Collected(1)	Total Tax Collections	Percent Total Tax Collections to Tax Levy(3)	Outstanding Delinquent Taxes	Percent Delinquent Taxes to Tax Levy
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%	303,010	2,603,846	91.18%	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	3,290,915	2,673,814	81.25%	228,175	2,901,989	88.18%	388,926	11.82%
2012	2011	3,230,085	2,689,537	83.27%	346,984	3,036,521	94.01%	193,563	5.99%
2013	2012	3,370,616	2,722,770	80.78%	336,231	3,059,001	90.75%	311,615	9.25%
2014	2013	3,528,590	2,938,121	83.27%	370,183	3,308,304	93.76%	220,286	6.24%

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

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

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

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

Table 11

Year	City Direct Rate	Miller County Rate
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)
2013	2.50%	1.25%
2014	2.50%	1.25%

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)	Per Capita(1)
	General Obligation Bonds	Revenue Bonds	Installment loans	Capital Leases	Water Revenue Bonds	Capital Leases			
2005	\$ 4,355,000	\$ 8,730,000	\$ 76,017	\$ -	\$ 22,428,153	\$ 1,009,798	\$ 36,598,968	8.08%	\$ 1,384
2006	4,020,000	8,470,000	286,474	-	21,480,301	705,230	34,962,005	7.72%	1,322
2007	3,645,000	8,195,000	204,167	-	19,165,798	511,414	31,721,379	6.20%	1,062
2008	3,235,000	10,360,000	156,293	-	18,148,484	315,969	32,215,746	6.25%	1,071
2009	2,765,000	10,145,000	137,817	-	16,909,366	115,638	30,072,821	5.83%	1,000
2010	2,230,000	13,700,000	70,337	-	16,096,507	125,077	32,221,921	5.39%	1,077
2011	1,660,000	13,510,000	-	-	15,245,457	103,558	30,519,015	5.01%	1,020
2012	10,413,920	14,059,571	197,154	34,402	14,360,581	61,012	39,126,640	6.07%	1,299
2013	10,405,456	13,787,857	1,062,233	18,261	13,441,214	15,319	38,730,340	6.18%	1,289
2014	10,066,992	13,511,143	807,927	1,353	12,566,848	-	36,954,263	5.74%	1,233

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

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

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

Table 13

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
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	313,420,476	1,660,000	833,633	826,367	0.26%	28
2012	30,117	307,627,099	10,413,920	390,932	10,022,988	3.26%	333
2013	30,049	321,011,052	10,405,456	824,611	9,580,845	2.98%	319
2014	29,972	336,056,167	10,066,992	765,392	9,301,600	2.77%	310

Notes:

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

City of Texarkana, Arkansas
Direct and Overlapping Governmental Activities Debt
December 31, 2014

Table 14

<u>Jurisdiction</u>	<u>Gross Bonded Debt</u>	<u>Percentage of Debt Applicable to City of Texarkana</u>	<u>Amount Applicable to City of Texarkana</u>
Direct:			
City of Texarkana, Arkansas	\$ 10,876,272 (1)	100.00%	<u>\$ 10,876,272</u>
Overlapping:			
Texarkana, Arkansas School District	24,025,000 (2)	79.02%	<u>18,984,555</u>
Subtotal - Overlapping debt			<u>18,984,555</u>
Total direct and overlapping			<u><u>\$ 29,860,827</u></u>
Per capita overlapping debt			<u><u>\$ 991.49</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 - Texarkana Arkansas School District

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

Table 15

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt limit	\$ 59,162,544	\$ 62,793,666	\$ 55,778,086	\$ 61,244,469	\$ 64,788,565	\$ 71,078,342	\$ 76,906,774	\$ 80,252,763	\$ 80,252,763	\$ 84,014,042
Total net debt applicable to limit	<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>	<u>9,335,389</u>	<u>9,301,600</u>
Legal debt margin	<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>	<u>\$ 70,917,374</u>	<u>\$ 74,712,442</u>
Total net debt applicable to the limit as a percentage of debt limit	6.61%	5.56%	5.51%	4.78%	3.17%	2.05%	1.09%	13.86%	13.16%	12.45%

Legal Debt Margin Calculation for 2014

Assessed value	\$ 336,056,167
Debt limit - 25% of assessed value:	
General obligation debt limitation	84,014,042
Debt applicable to limit:	
General obligation bonds	10,066,992
Less: Amount set aside for repayment in debt services funds	<u>(765,392)</u>
Total net debt applicable to limit	<u>9,301,600</u>
Legal debt margin	<u>\$ 74,712,442</u>

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

Table 16

Fiscal Year Ended 30-Sep	Gross Revenue(1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)	Coverage
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
2013	10,284,874	6,656,481	3,628,393	1,735,295	2.09
2014	9,782,848	6,297,035	3,485,814	1,543,099	2.26

Notes:

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

City of Texarkana, Arkansas
Demographic and Economic Statistics
Last Ten Years

Table 17

Fiscal Year	Population (1)	Personal Income (3)	Median Age (1)	Per Capita Income(1)	Unemployment Rate(2)
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%
2013	30,049	627,122,630	36.5	20,870	6.2%
2014	29,972	643,408,924	35.9	21,467	5.3%

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

Employer	2014			2005		
	Employees	Rank	Percentage of Total MSA Employment (1)	Employees	Rank	Percentage of Total MSA Employment (2)
Red River Army Depot & Tenants	4,872	1	8.19%	2,700	1	4.43%
Christus St. Michael Health Care	1,777	2	2.99%	1,700	3	2.79%
Cooper Tire & Rubber	1,653	3	2.78%	1,860	2	3.05%
Texarkana, TX ISD	1,100	4	1.85%	968	8	1.59%
Wal-Mart/Sam's Club	1,100	4	1.85%	1,036	7	1.70%
Domtar, Inc.	940	6	1.58%	1,250	5	2.05%
Texarkana, AR ISD	785	7	1.32%	1,100	6	1.80%
Wadley Regional Medical	778	8	1.31%	1,450	4	2.38%
International Paper Company	777	9	1.31%	942	9	1.54%
Southern Refrigerated Transport	750	10	1.26%			0.00%
Texarkana, Tx-City	<u>600</u>	11	<u>1.01%</u>	<u>615</u>	10	<u>1.01%</u>
Total	<u><u>15,132</u></u>		<u><u>25.43%</u></u>	<u><u>13,621</u></u>		<u><u>22.33%</u></u>

Source:
Chamber of Commerce
Texas Workforce Commission LMI Tracer

Notes:
(1) MSA employment for 2014 is 59,500
(2) MSA employment for 2005 is 61,000

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

Table 19

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Administration	6	6	2	3	3	4	4	4	3	3
Finance	7	5	7	8	8	8	8	8	8	9
City Clerk	0	0	3	3	3	3	3	3	2	2
Courts	5	5	5	4	4	4	5	5	5	5
Marketing & Communications	0	0	0	0	0	0	0	1	2	2
Police department										
Police General	69	70	73	72	70	71	71	71	76	76
Police Housing	2	2	2	3	3	3	3	3	2	2
Cops in School	2	2	2	2	2	1	1	1	1	1
Police Narcotics	5	5	5	5	5	5	5	5	5	5
Police Support	9	9	9	9	10	10	11	11	11	11
Police Animal	2	2	1	2	2	2	2	2	2	2
Probation	3	3	3	3	3	3	4	4	4	4
Police CHRP	0	0	0	0	0	0	4	4	0	0
Fire department										
Fire	59	59	57	59	59	59	59	59	59	59
Public works										
Street	15	14	16	14	17	18	17	17	17	17
Environmental	5	4	5	3	3	3	4	4	4	4
Engineering	0	1	1	1	1	1	1	1	1	1
Planning	2	1	2	2	2	2	2	2	2	2
Code Enforcement	5	6	6	6	6	6	6	6	6	6
Parks and recreation	3	3	3	3	4	6	4	5	5	4
Building maintenance	2	1	2	2	2	2	2	1	1	1
ADC	0	0	0	0	0	0	3	3	3	3
Refuse Operator	0	0	0	0	0	0	0	0	1	1
Public services										
HCD	2	2	3	3	1	1	0	0	0	0
RSVP - Arkansas	1	1	1	1	1	1	1	1	1	1
RSVP - Texas	1	1	1	1	1	1	1	1	1	1
VISTA	1	0	0	0	0	0	0	0	0	0
Other										
Bi-State Maintenance	6	11	14	13	13	13	13	13	13	13
Bi-State CRC	1	1	1	1	1	1	1	1	1	1
Animal Shelter	0	0	0	11	7	8	8	7	7	7
Total	213	214	224	234	231	236	243	243	243	243

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

Table 20

<u>Function/Program</u>	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police										
Uniformed employees	82	82	90	91	89	90	90	88	84	84
Fire										
Firefighters	57	57	56	58	58	58	58	57	58	58
Public works										
Building permits issued	1,637	1,861	1,758	3,679	1,944	477	507	510	426	368
Building permits (\$)	\$ 23,924,752	\$ 25,890,212	\$ 20,074,686	\$ 29,546,718	\$ 16,535,562	\$ 20,492,129	\$ 20,275,238	\$ 51,053,360	\$ 26,447,687	\$ 22,747,181
Water										
Average daily consumption (millions of gallons)	3.987	5.063	6.728	5.147	4.846	3.675	4.016	4.134	4.902	4.437
Raw water production (millions of gallons)	4.088	5.254	7.010	5.373	5.056	4.056	6.430	5.509	5.509	4.941

Source: Various City Departments

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

Table 21

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	2
Total units	68	72	96	96	96	82	101	110	111	92
Fire										
Stations	5	5	5	5	5	5	5	5	5	5
Public works										
Streets (miles)	289	290	290	290	291	291	250 ⁽²⁾	250	252	252
Recreation										
Number of parks	13	16	16	16	16	20	24	24	24	24
Acres	238	361	280	280	280	281	288.3	288.3	288.3	296.3
Pools	1	1	1	1	1	1	1	1	1	1
Ball Fields	11	11	12	12	12	12	15	15	15	15
Tennis courts:										
Lighted	3	3	3	3	3	3	3	3	3	3
Unlighted	2	3	3	3	3	3	1	1	1	1
Community centers	4	4	4	4	4	4	4	4	4	4
Soccer fields	0	0	0	0	0	0	1	1	1	1
Walking/biking trails (miles)	2.3	3.65	3.65	3.65	3.65	5.2	7.5	7.5	7.5	7.66
Utilities										
Plant capacity										
(million gallon average per day)	15	15	15	15	15	15	15	15	15	15
Water mains (miles)	415	410	417	424	412	409	408	406	395	416
Number of water meters	9,942	10,095	10,167	10,217	10,203	10,184	10,103	10,134	10,155	10,126
Sewer mains (miles)	203	209	211	213	216	216	212	219	214	213
Number of fire hydrants	1,332	1,361	1,372	1,384	1,392	1,427	1,438	1,441	1,431	1,450
Number of Mandeville water meters	⁽¹⁾	341	337	339	333	328	322	327	321	318
Number of Union water meters	⁽¹⁾	1,053	1,080	1,088	1,107	1,129	1,135	1,162	1,178	1,200

⁽¹⁾ Information not available

⁽²⁾ 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 Accountants' Report on Compliance With Arkansas State Requirements

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

We have examined management's assertions that the City of Texarkana, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2014.

- (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, 2014.

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, 2015

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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, 2014

Cluster/Program	Federal Agency/Pass Through Entity	CFDA Number	Grant Program/ Number	Grant Expenditures
Department of Housing and Urban Development Programs				
Community Development Block Grant	U.S. Department of Housing and Urban Development	14.218	B15MC050007	\$ 2,297
Community Development Block Grant	U.S. Department of Housing and Urban Development	14.218	B14MC050007	130,386
Community Development Block Grant	U.S. Department of Housing and Urban Development	14.218	B13MC050007	104,615
Community Development Block Grant	U.S. Department of Housing and Urban Development	14.218	B12MC050007	6,145
Community Development Block Grant	U.S. Department of Housing and Urban Development	14.218	B11MC050007	12,398
Community Development Block Grant	U.S. Department of Housing and Urban Development	14.218	B10MC050007	1,515
Community Development Block Grant	U.S. Department of Housing and Urban Development/Arkansas Community and Economic Development Program	14.218	794-00069-08	<u>146,139</u>
	Total Department of Housing and Urban Development Programs			403,495
Department of Justice Programs				
Organized Crime/Narcotic Program (13-14)	U.S. Department of Justice/Arkansas Department of Finance and Administration	16.738	J14-007-14	37,547
Organized Crime/Narcotic Program (12-13)	U.S. Department of Justice/Arkansas Department of Finance and Administration	16.738	J13-007	54,457
Byrne Justice Assistance Grant(JAG)	U.S. Department of Justice	16.738	2014-DJ-BX-1119	19,654
Byrne Justice Assistance Grant(JAG)	U.S. Department of Justice	16.738	2013-DJ-BX-1157	<u>4,885</u>
	JAG cluster total			116,543
Victim Justice and Assistance Grants	U.S. Department of Justice/Arkansas Department of Finance and Administration	16.588	14-702	19,688
Victim Justice and Assistance Grants	U.S. Department of Justice/Arkansas Department of Finance and Administration	16.588	13-702-13SL	37,151
VOCA Crime Victim Assistance (11-12)	U.S. Department of Justice/Arkansas Department of Finance and Administration	16.575	13-178-13V	29,002
Bulletproof Vest Partnership Program Grant	U.S. Department of Justice	16.607		<u>4,568</u>
	Total Department of Justice Programs			206,952

City of Texarkana, Arkansas
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Cluster/Program	Federal Agency/Pass Through Entity	CFDA Number	Grant Program/ Number	Grant Expenditures
Department of Transportation Programs				
Alcohol Traffic Safety & Drunk Driving Prevention Incentive Grant	U.S. Department of Transportation/Arkansas State Highway and Transportation Department	20.601	M5X-2015-05-06-29	\$ 6,199
Alcohol Traffic Safety & Drunk Driving Prevention Incentive Grant	U.S. Department of Transportation/Arkansas State Highway and Transportation Department	20.601	K8-2014-08-06-27	22,284
State and Community Highway Safety	U.S. Department of Transportation/Arkansas State Highway and Transportation Department	20.600	OP-2015-03-02-29	1,224
State and Community Highway Safety	U.S. Department of Transportation/Arkansas State Highway and Transportation Department	20.600	OP-2014-03-02-27	5,189
Total Department of Transportation Programs				<u>34,896</u>
Department of State Programs				
Retired Senior Volunteer Program-AR	Corporation for National and Community Service	94.002	09SRWAR-008	47,007
Total Department of State Programs				<u>47,007</u>
Department of Interior Programs				
Historic Preservation Fund Grants-In-Aid	National Parks Service	15.904	13-CLG-16	6,000
Total Department of Interior Programs				<u>6,000</u>
Total Expenditures of Federal Awards				<u><u>\$ 698,350</u></u>

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, 2014.

**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, 2014, 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, 2015, which contained a reference to the report of other auditors and an emphasis of matter paragraph regarding a change in accounting principle. 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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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 and Other Matters

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

Purpose of this Report

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

BKD, LLP

Little Rock, Arkansas
July 31, 2015

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for the 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 its major federal program for the year ended December 31, 2014. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the City's major federal program 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 the major federal program. However, our audit does not provide a legal determination on the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Texarkana, Arkansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

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 types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its 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, 2015

City of Texarkana, Arkansas
Schedule of Findings and Questioned Costs
Year Ended December 31, 2014

Summary of Auditor's Results

1. The opinions expressed in the independent auditor's report were:
 Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:
Significant deficiency(ies)? Yes None Reported
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 for major federal awards programs disclosed:
Significant deficiency(ies)? Yes None Reported
Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:
 Unmodified Qualified Adverse Disclaimer

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, 2014

7. The City's major program was:

Cluster/Program	CFDA Number
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, 2014

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

City of Texarkana, Arkansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2014

Reference Number	Summary of Finding	Status
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No matters are reportable.